



2024
Annual report



AP4's mission is to contribute to the financial security of current and future pensioners in Sweden by managing part of the Swedish national pension system's buffer capital.

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The Fourth Swedish National Pension Fund's (AP4's) report for 2024 includes, apart from the annual report, also a business review with sustainability reporting and a fund governance report. AP4's sustainability reporting is based on the AP Funds' joint guidelines for reporting how the goal of exemplary management has been achieved. AP4 also strives to follow the guidelines for sustainability reporting set out in the Swedish Annual Accounts Act, as amended by SFS 2016:947 (which includes the directive on non-financial disclosures). Figures in parentheses pertain to the preceding year.

The Year 2024

548.2

SEK billion in fund capital.

50.7

SEK billion in net result.

2.0

SEK billion, net, transferred from AP4 to the pension system.

10.1%

return after costs. Over a ten-year measurement horizon, the return has averaged 8.0% per year.

0.07%

in total costs. Operating expenses amounted to 0.06% and commission expenses amounted to 0.01%.

46

nomination committees of Swedish listed companies in which AP4 has worked.

77

investor bodies in unlisted investments AP4 has been active in.

1,357

general meetings of Swedish and foreign listed companies at which AP4 has voted.

15%

lower carbon footprint. Since 2010, the portfolio's carbon footprint has decreased by 70%.

4.6

SEK billion in new thematic sustainability investments.



Good return in a turbulent year

2024 brought a good return for AP4 of 10.1% and a net result of SEK 50.7 billion. AP4's asset management takes a long-term approach, with the aim of managing the fund capital to achieve the greatest possible benefit for the income pension system.

In order to fulfil our mission and generate the long-term return that the pension system requires, AP4 has implemented a diversified investment strategy with a relatively large allocation to equities. AP4's asset management model has achieved success. However, with an investment strategy that has a broad allocation to equities, it is inevitable that some individual investments will not perform in line with expectations, even if the portfolio as a whole generates a good return. The alternative would have been to invest the entire fund capital in fixed income assets, which carry very low risk but also have considerably lower expected returns.

As a hypothetical example, if AP4's fund capital had, since its inception in 2001, been invested in such a low-risk strategy instead, the fund capital today would have amounted to around SEK 200

billion rather than the current figure of almost SEK 550 billion. This represents a contribution to the pension system of almost SEK 350 billion from AP4 alone. In other words, it is the balanced risk-taking approach of the AP Funds involving equities that has created most of the current surplus in the pension system.

Major economic uncertainty requires a focus on diversification

Over the past decade or so, we have experienced several tumultuous events such as the financial crisis, euro crisis, refugees, pandemic and war. These have created significant imbalances that many economies are continuing to grapple with. In addition, recent years have seen an escalation of geopolitical tensions and increased political uncertainty, affecting many of the world's major economies.

All of the above means there is great uncertainty in our assessment of future economic development. This uncertainty is reflected in AP4's macroeconomic scenario analysis, which is a key element in determining the benchmark portfolio for operational asset management, the Dynamic Normal Portfolio (DNP), as our analysis in recent years has produced an unusually large number of fairly different scenarios, all of which have had a reasonably high probability.

In view of the uncertain economic situation, AP4 has been working intensively for several years to increase the diversification and robustness of the portfolio. The aim of this is to maintain the long-term return potential of the portfolio, while also offering better protection against the negative scenarios we have identified. This work has continued in 2024, an

example of which is the redesign of – and increased allocation to – the Defensive Equities asset class. Defensive Equities were introduced into AP4's portfolio in 2022 and are composed of global equities designed to provide relatively good characteristics in the more challenging economic environments found in our scenario analysis.

One-sided market and increased concentration

Although 2024 brought a good return for a broad, well-diversified portfolio of the kind AP4 has, the year was also characterised by a one-sided, flow-driven market. A significant amount of capital flowed to the USA, resulting in a strong US dollar and a US stock market that outperformed other major stock markets.

The one-sidedness does not stop there. If we examine the performance of the US stock market in more detail, we find that just a small number of companies were responsible for the bulk of the strong return – namely the companies commonly referred to as the "Magnificent Seven" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla).

One consequence of this one-sided, flow-driven market is that the standardised market capitalisation-weighted indices used by many as the basis for their

asset management have become increasingly concentrated. For example, a global market capitalisation-weighted equity index at the end of the year contained as much as 67% US-listed equities, with the “Magnificent Seven” companies accounting for 30% of the value of US-based companies. This means that global standard indices are now so concentrated it can be argued they no longer provide effectively diversified portfolios.

The development described above also risks periodically becoming self-reinforcing in that much of today’s capital is almost routinely allocated to standard market capitalisation-weighted indices. For example, these are often used as entry-level savings products and as the basis for the asset allocation of many portfolios. The result is that new savings and new flows are automatically allocated to the USA to a significant extent and to those few companies where the major concentrations already exist.

The one-sided market has also created major differences in valuations and profit expectations, both between markets and between companies. There is a chicken and egg debate to be had here of course, as much of the differences are naturally due to differences in economic development and future potential. However, there

is no escaping the fact that the differences are starting to look challenging in some quarters.

All in all, therefore, we can expect periods of major market movements and great volatility, particularly when there are uncertainties about the reasonableness of the large differences in valuations and expectations, and when many investors want to change to a similar positioning in a similar way at the same time.

Europe needs to regain optimism and self-confidence

Europe is undoubtedly facing many major structural and political challenges and in recent years has experienced a significantly worse economic performance overall than the USA. Up to now, it also seems that Europe has been almost unable to recognise this fact, which makes it difficult to find the energy and focus to take the necessary actions to change the situation.

It is therefore positive that the problem now appears to be gradually gaining recognition and becoming a higher priority on the EU’s political agenda. One indication of this is that the issue of Europe’s long-term competitiveness and productivity development is being discussed and debated more intensively within the EU and many of its Member States.



Managing part of the fund capital in the Swedish pension system is the best job in the world.

Niklas Ekvall, CEO

Two important results of the increased focus on Europe’s competitiveness are the comprehensive EU reports presented in 2024 by Enrico Letta and Mario Draghi respectively. The reports describe in detail several of the strategic and structural challenges that are facing Europe, and also contain a number of suggested solutions of varying scope.

In my view, there are two measures mentioned in the above reports which, if successful, would be of particular significance, and both of these relate to areas where Europe diverges significantly from the USA in a negative way. The first is to ensure that the EU’s internal market for goods and services starts to function as the “single market” it was intended to be. Unfortunately, this is far from being the case today. The second is to achieve a better-functioning and more homogeneous EU market for corporate financing and the supply of risk capital. If these by no means new ideas could be

converted from ambition to reality, this could significantly strengthen Europe’s competitiveness and growth potential.

Just as important as the above, however, is Europe’s ability to shake off its current, sometimes almost paralysing, pessimism and regain a self-confidence and optimism about the future that in many respects is justified. Europe not only faces challenges and problems, but also without doubt has many strengths. For example, we carry out world-class research in many areas and we have many companies that are world leaders in their respective fields. Overall, Europe also has a well-educated population and well-functioning democracies and societies, which provide their citizens with a quality of life that ranks very high on those lists that attempt to measure this admittedly hard-to-define parameter.

A modern system platform makes us ready for the challenges of the future

AP4 and AP3 are in the midst of implementing a new portfolio system, undoubtedly one of the most extensive and challenging projects that a pension fund can undertake. When the new system comes into operation, AP3 and AP4 will have implemented modern, cloud-based system platforms

that will significantly enhance functionality and efficiency all the way from investment decision to custodian bank.

This project clearly demonstrates the strength of the AP Funds when we work together and use our combined efforts to achieve a common purpose. The platform, together with the experience gained from our joint project, will undoubtedly also provide great opportunities for further value-creating collaborations between our funds.

Changes for the buffer funds – we will build on strength

At the end of January, the Swedish government and the pension group, with broad parliamentary support, announced future changes to the management of buffer capital. Under the proposal, from 1 January 2026 the number of buffer funds will be reduced from the current five to three funds by distributing the assets in AP1 equally between AP3 and AP4 and incorporating AP6 into AP2.

It is a good and natural thing to regularly review the pension system and the buffer funds to ensure they are meeting their objectives and that the Swedish people have confidence in the pension system. It is now our task to implement the proposed change in the best way possible for the

pension system and with full vigour and commitment.

The AP Funds are proud to have delivered high returns that have contributed to strengthen the pension system. The AP Funds have built up competent, professional organisations that have a strong culture and investment processes. We are at the forefront in international comparison in terms of our good return, cost-efficiency and sustainability work.

Our starting point in implementing the change will be to build on the strengths and competencies that have been developed over a long period, with the aim of establishing an even stronger asset management organisation and an even more attractive workplace.

Finally, I would like to thank all AP4 employees for your sense of responsibility and commitment, and for your contribution to our ambitious work during the year. It is an honour to have you as colleagues and to manage part of the fund capital in the Swedish pension system together with you. It’s the best job in the world.

Stockholm, 20 February 2025

Niklas Ekvall, CEO

Portfolio development – AP4 contributes to the stability of the pension system

Return after costs

AP4 contributes to the stability of the pension system by generating a return that over time exceeds the performance of the income index, as the pension liability is increased in line with the income index.

AP4's Board of Directors has also set a return target that is based on an assessment of the pension system's long-term return

requirement combined with an assessment of the medium-term market conditions. The return target, which is CPI + 3 percentage points, aims to achieve well-balanced risk-taking in asset management.

AP4's return at fund level is evaluated over two time periods – since the start of the new pension

system in 2001 and over the last ten-year period. AP4 has exceeded both the performance of the income index and the return target over both these time periods, meaning that AP4 has contributed to the funding and stability of the pension system.

In 2024, the portfolio return was 10.1% (9.6%) after costs. This was

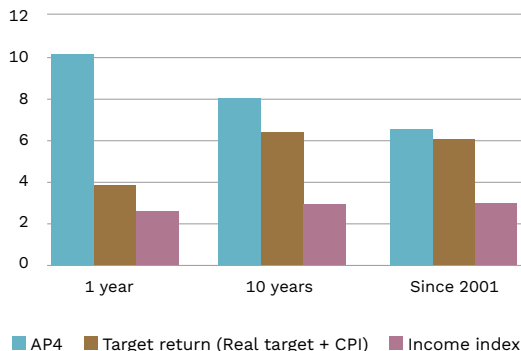
higher than both the performance of the income index of 2.6% (4.6%) and the Board's return target of 3.8% (7.5%). The normalisation of inflation in 2024 to 0.8% (4.4%) helped to lower the return target in nominal terms compared with the previous year.

Contribution to the pension system

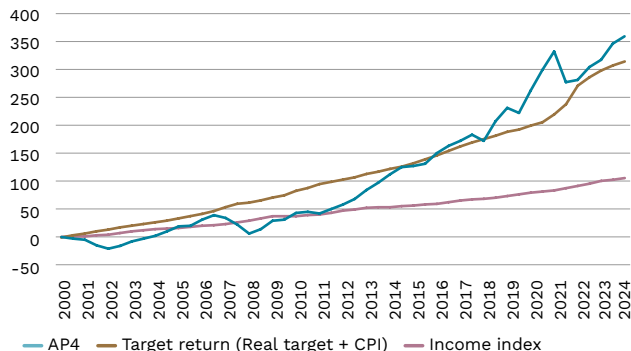
On the launch of the new pension system in 2001, AP4's opening fund capital was SEK 134 billion. During the period 2001–2024, AP4 paid a net sum of SEK 70 billion to the pension system to cover deficits in pension payments. If the opening fund capital had yielded the same return as the income index up to and including 2024, the net result contribution would have been almost SEK 140 billion and the

fund capital would have amounted to just over SEK 200 billion. AP4's return has been significantly higher than the performance of the income index, however, resulting in total fund capital at the end of 2024 of SEK 548 billion. This represents a net result contribution of almost SEK 340 billion relative to the performance of the income index, which has helped to strengthen the pension system accordingly.

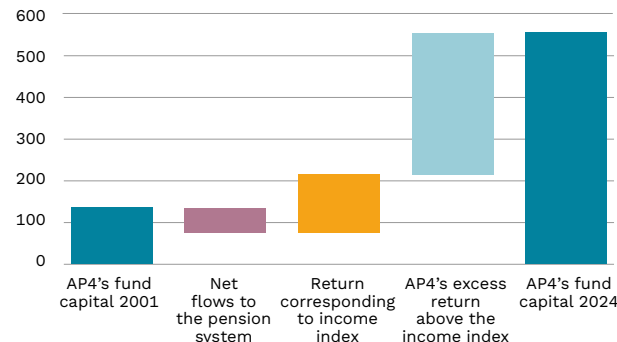
Annualised return after costs, %



Return after costs since start in 2001, %



Contribution to the pension system 2001–2024, SEK bn



Asset allocation

Every three years, AP4 conducts an Asset Liability Management (ALM) analysis of the pension system's long-term need for a return over 40 years. The most recent was carried out in 2023, as described on page 17.

The Board then decides on the Dynamic Normal Portfolio (DNP), the benchmark portfolio for operative asset management that defines the strategic weight and benchmark index for each asset class. The DNP is reviewed and updated every two years, and this was done in 2024, as described on page 18.

With the DNP and an active risk mandate, AP4's organisation then manages the portfolio in the form of actual underlying investments in the Operational Portfolio (OP).

AP4 conducts cost-effective asset management

It is vitally important that AP4 conducts cost-efficient asset management that provides a good return after costs and also boosts confidence in AP4 as a government agency and a manager of public pension funds.

AP4 conducts cost-efficient management, which can be seen in the international comparison conducted annually by CEM Benchmarking. In the 2023 analysis, AP4's cost level was over 30% lower than that of comparable pension funds.

The lower cost level can be

credited to a number of factors. AP4 has sufficiently large fund capital to conduct cost-efficient asset management and has deliberately chosen an asset allocation with a focus on asset classes that are less cost-intensive to manage.

The lower cost level is also attributable to AP4 choosing a larger share of cost-efficient internal asset management than the comparison group. AP4 also pays lower management fees for equivalent external management assignments than the comparison group does.

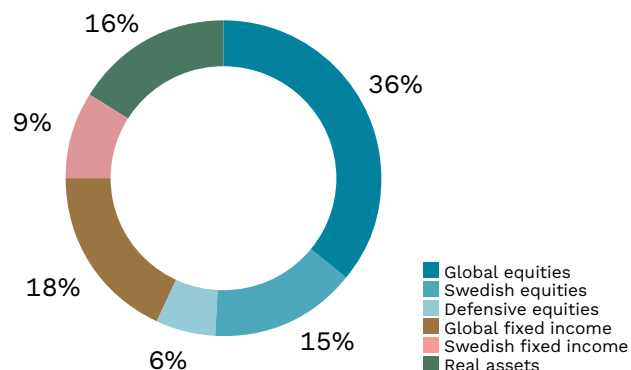
AP4's total management cost was 0.07% (0.08%), measured as a percentage of average fund capital. The total management cost comprises AP4's internal operating expenses for conducting asset management, which amounted to 0.06% of the average fund capital in 2024, as well as commission expenses.

Commission expenses consist mainly of fees paid to external asset managers and of custodian fees. These amounted to 0.01% in 2024 and are the result of an active decision to manage certain assets

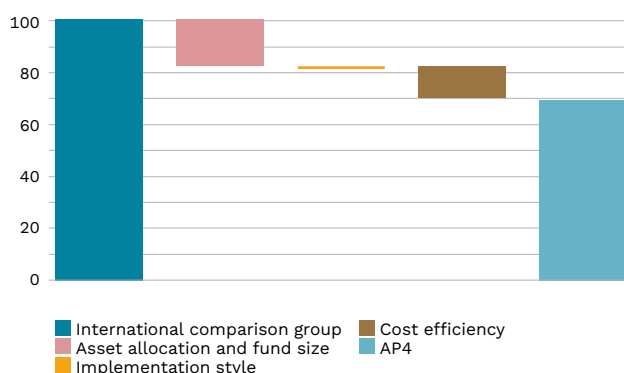
using external asset managers. This is done when it is deemed to provide a higher return after costs than building up internal asset management.

AP4 conducts cost-effective asset management. The overall management cost ratio of 0.07% is low and has been decreasing in recent years.

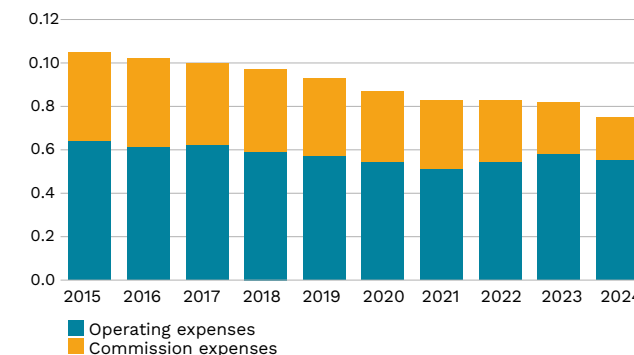
Asset allocation as per 31/12/2024



International cost comparison, %



Management cost ratio, %



Collaboration between the AP Funds

Collaboration between the AP Funds contributes to cost efficiency, efficient resource use and exchange of experience and knowledge.

The AP Funds' Collaboration Council was established in 2016 to develop cooperation and collaboration between the funds in areas other than investment operations. This work takes place within eleven function-oriented collaboration groups. There has been an ongoing exchange of experience and coordination within such areas as procurement-related issues, regulatory matters, reporting requirements, IT security and the implementation of system support. Collaboration also takes place through the Council on Ethics of the AP Funds; see page 25.

Implementation of effective, future-proof, system support

As part of the modernisation and streamlining of AP4's system support, an implementation project for a new portfolio system has been under way during 2024. This will continue and commissioning is planned for 2025.

The new portfolio system will give AP4 a modern, cloud-based, integrated system platform that

manages all the stages of the investment process, from investment decision to final financial reporting, in a single comprehensive solution.

The benefits of a new system solution include the ability to react more quickly to new and changing needs, both from within the organisation and from the outside world. The faster delivery of well-founded analyses reduces the time to investment decisions. The new system solution will also increase transparency and the availability of data for reporting and compliance monitoring, which in turn leads to lower operational risk through reduced complexity in infrastructure and management. Having more efficient system support will free up time for strategically important development and analysis and establish a system support that is standardised, flexible and scalable and also less reliant on people.

The implementation project is very extensive and has an impact on AP4's entire investment process, order placement, transaction



Anders Yngwe and Oscar Blomquist, Project managers for the implementation of the new system solution at AP4.

settlement, risk and return measurement, and reporting.

The project has been running since 2019, when preparatory work to analyse and evaluate new potential systems and suppliers was carried out.

In order to capitalise on synergies and to ensure that the project and product are highly cost-effective, AP3 – which faced the same development needs – and AP4 decided to conduct joint procurement. Implementation is also taking place in conjunction with AP3. This will ensure cost-effective system management, both during implementation and in subsequent operation, and will provide opportunities for continued and increased collaboration between AP3 and AP4.

Multiple awards during the year

AP4 has received a number of awards over the years for asset management and sustainability work, including European Pension Fund of the Year at the Investment & Pensions Europe (IPE) Awards 2022 and the Long-Term Investment Strategy award in 2023. AP4 received a number of industry awards once again in 2024.

AP4 received six awards at the IPE Conference & Awards 2024 in the following categories: Commitment to Diversity – for work to achieve diversity on company boards and in the organisation itself, Investment Innovation – for climate strategies in global equity management, Public Pension Fund, Active Management, Sweden and Equities.

At Environmental Finance's Sustainable Investment Awards 2024, AP4 received the Sovereign Wealth Fund of the Year award in recognition of AP4's thematic sustainability analysis project. AP4 has received this award before in recognition of quantitative asset management strategies to reduce climate risks in the portfolio.

In the annual evaluation of pension funds' transparency in reporting, Global Pension Transparency Benchmark, AP4 ranked 12th overall and joint 4th in terms of sustainability reporting. In total, 75 leading pension funds in 15 countries are compared on the four categories of: Return, Costs, Governance and Sustainability. The results show that AP4 is a global leader among pension funds in transparent reporting.



Niklas Ekvall, CEO of AP4, receives the award in the Investment Innovation category at the IPE Awards 2024.



Frida Olsson, Senior Portfolio Manager, receives the Young Investor Professional award at the IPE Real Estate Awards 2024.



MAGDALENA HÖGBERG
Head of Allocation, Liquid
Markets & Analysis

Market development and portfolio returns in 2024

Early 2024 was a time of both optimism and caution in the global markets. Global inflation began to slow, giving central banks room to adjust their monetary policy. At the same time, 2023 was characterised by strong stock markets, leading many strategists to make cautious forecasts for stock market development in 2024.

Market development 2024

Stock markets continued their strong trend from 2023. Globally, equities rose by around 20% in local currency, driven by a strong growth outlook in the USA, falling global inflation and strong company reports.

As in 2023, the performance of the stock markets was largely driven by US equities and by the IT sector. The performance of large technology companies in the USA was particularly noteworthy. The so-called “Magnificent Seven” – Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla – continued to dominate the market and accounted for a large proportion of the stock market’s rise. The strong performance of US equities has reinforced the trend towards more concentrated equity indices, which has prevailed since before the pandemic. US equities

now make up around 67% of the MSCI global equity index, with the Magnificent Seven accounting for just over 20% of the index.

Global economic growth was broadly sideways in 2024, although there were major differences between regions. The US economy remained strong, while the EU and China developed weakly, although China began to show some signs of recovery following the stimulus measures announced in the autumn. The pandemic continues to have an impact, albeit a diminishing one, on global consumption patterns. Industrial production is weak, but the service sector is showing growth.

Geopolitical tensions continued to affect global markets. Trade relations, particularly between the USA and China, were a source of concern, while the energy markets were affected by conflicts in the Middle East. A large proportion of

the world’s population also went to the polls in 2024 with over 100 countries holding elections during the year, including eight of the world’s ten most populous nations, such as Brazil, India and the USA. The US presidential election had a particularly strong impact in the financial markets in the autumn, with Trump’s victory leading to rising long-term US interest rates and significant differences in the returns of equities depending on whether they were deemed winners or losers from the election outcome. US equities strengthened following the election result, while European and sustainability stocks weakened.

Continued volatility expected in 2025

The fixed income markets were characterised by a series of interest rate cuts by several major central banks, including the Riksbank, the

Fed and the ECB. These cuts were a response to easing inflationary pressures and a sluggish global economy. In the USA, where growth has been stronger, stubborn inflation has fuelled speculation about how much and how quickly the Fed will cut interest rates. The volatility in the fixed income market has therefore remained high. For example, the US 10-year yield rose by almost 0.5 percentage points in October, a movement similar to that seen during the 2022 inflation shock.

The currency markets also fluctuated widely during the year, with uncertainty about the global economy and political tensions contributing to volatility. The US dollar strengthened during the year, while the Swedish krona weakened. Positioning in the foreign exchange market was extreme at times, with record-large positions for

a strengthening of the US dollar and a weakening of the Japanese yen. The market impact of many investors holding similar positions can be significant, as we saw in the early autumn when a rate rise from the Bank of Japan led to strong volatility as many investors simultaneously tried to close positions they had taken on the expectation of a weaker Japanese yen.

We expect the political and economic developments in the USA to continue to play a crucial role for global markets in 2025. Global growth is expected to be at a similar level as in 2024. The latest macroeconomic data from the USA indicates a slight acceleration in growth, while the outlook for Germany and the euro area remains weak. The fall in core inflation is lagging, but the data indicates a continued gradual decline. There is considerable uncertainty

about inflation, however, as a degree of doubt still exists about US economic policy and we envisage some risk of overheating in the USA if Trump fulfils his campaign promises. Ongoing uncertainty about macroeconomic developments and concentrated positioning in most markets such as the currency markets, and to some extent the equity markets, are likely to lead to continued market volatility in 2025.

Updated long-term portfolio

Given the market development in 2024, which in many cases was volatile and US-dominated, it is gratifying that the total return for AP4's portfolio performed well, driven primarily by strong equity markets and with a positive contribution from all asset classes.

In 2024, we worked to update the Dynamic Normal Portfolio (DNP), the benchmark portfolio established by the Board of Directors. The DNP captures the main risk premiums for investments over a ten-year horizon through allocations to equities, fixed income, real assets and open currency exposure. We base the allocation on a macroeconomic scenario analysis, which influences our long-term return and risk assumptions for all asset classes. Our baseline scenario indicates a

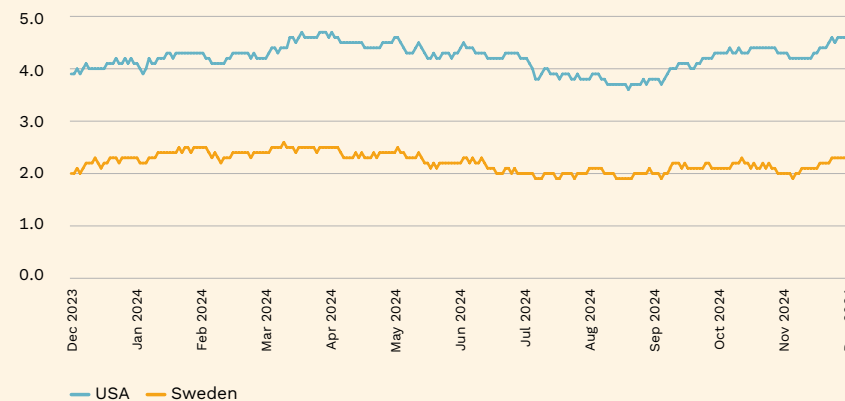
positive environment for high-risk assets such as equities, although we are seeing signs of greater uncertainty about macroeconomic developments over the next decade. Overall, this means we see an opportunity to increase the allocation to equities at the expense of fixed income assets.

The heightened macroeconomic uncertainty has prompted a strong focus on diversification in the portfolio, particularly through the allocation to the Defensive Equities asset class. Defensive equities were introduced in AP4's portfolio in 2022 and are a global equity exposure designed to provide better portfolio characteristics compared with a market-weighted equity allocation in the more difficult macroeconomic environments identified as potential by DNP's scenario analysis. Our aim when introducing Defensive Equities was to mitigate the effects of rising interest rates. In our work last year, we focused on adapting the allocation to a world of greater macroeconomic uncertainty. We are also seeking to address some of the high company-specific concentration that exists in many parts of the equities market. We are therefore increasing the equity allocation primarily in Defensive Equities. We also believe that we can achieve greater diversification

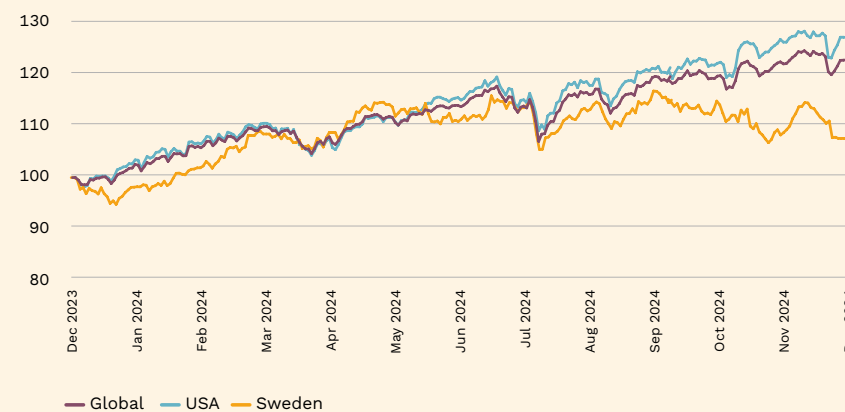
from our fixed income portfolio if growth slows because we are closer to our long-term interest rate assumptions in countries such as the USA.

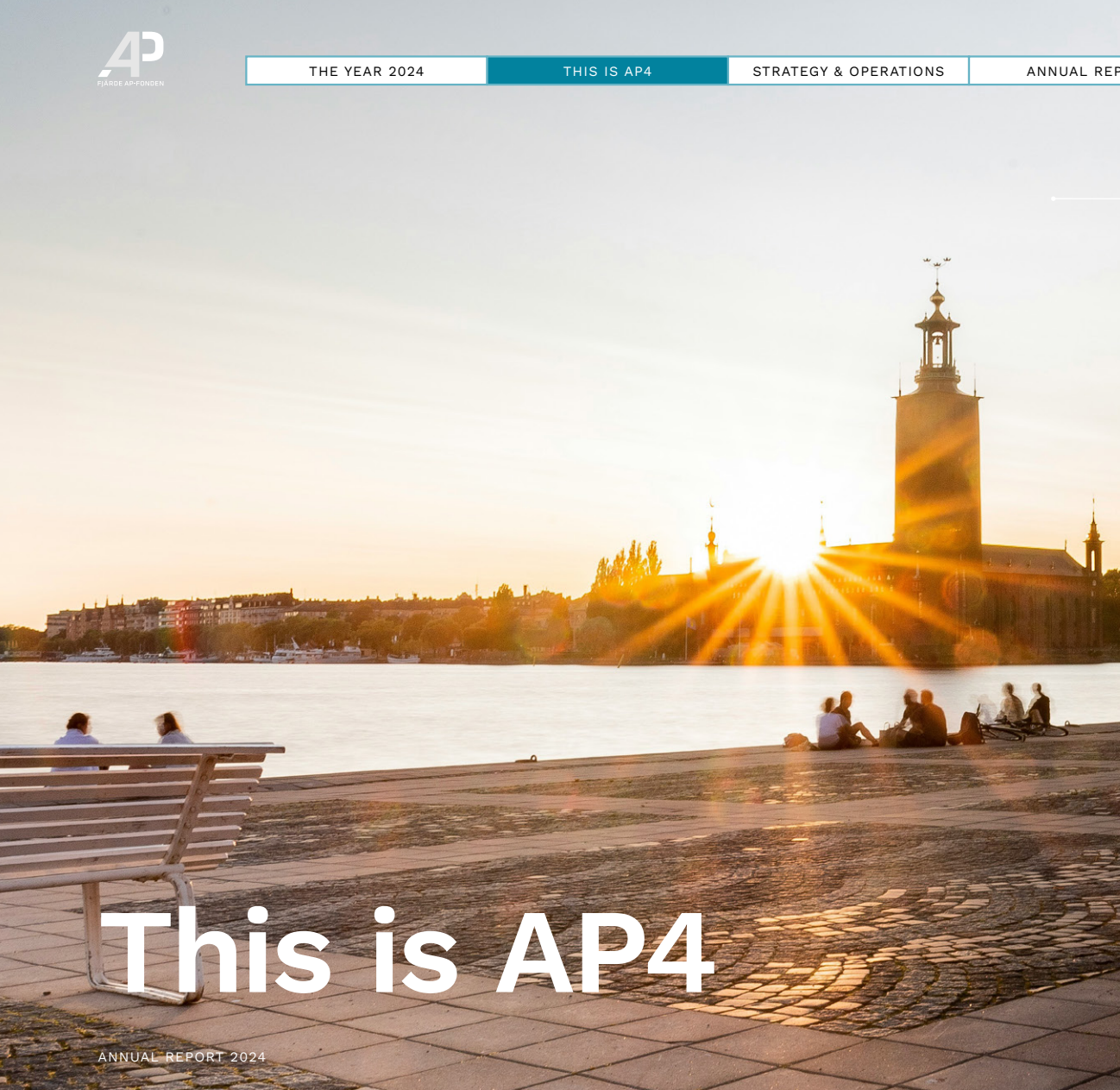
The active return for AP4's portfolio was negative, mainly within the asset classes of equities, real assets and currency. The main reasons for the negative active return in equities were private equity and the strong performance of US equities compared with other regions. The latter has meant that diversifying into other equity regions, such as emerging markets, did not pay off, which had a negative impact on the portfolio's active return in global equities relative to the DNP. The active return for our property and infrastructure investments continues to be affected by valuation adjustments in the wake of the higher interest rate situation we have found ourselves in since 2022. In 2024, we have developed our asset management and, among other things, strengthened our ability to change our positioning when we see deviations from the market pricing we believe to be justified in the long term. During the year, we mostly exploited fixed income opportunities, where we actively adjusted our positioning on the yield curve, particularly with regard to long-term US rates.

10-year government bond yields in 2024, %



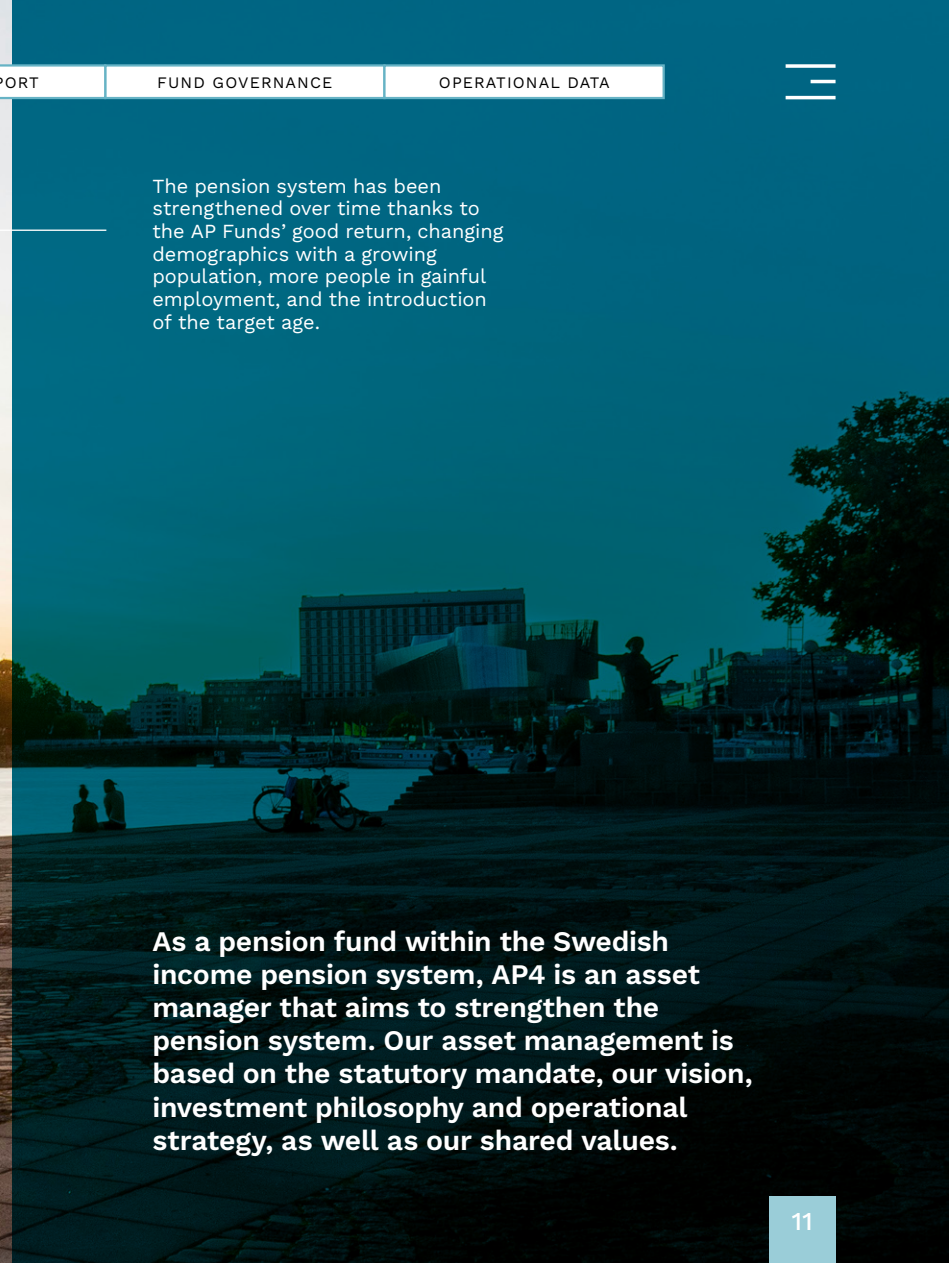
Stock markets in 2024, local currency





This is AP4

The pension system has been strengthened over time thanks to the AP Funds' good return, changing demographics with a growing population, more people in gainful employment, and the introduction of the target age.



As a pension fund within the Swedish income pension system, AP4 is an asset manager that aims to strengthen the pension system. Our asset management is based on the statutory mandate, our vision, investment philosophy and operational strategy, as well as our shared values.

The pension system and AP4

AP4's mission is to manage part of the Swedish national pension system's buffer capital in order to strengthen the pension system with a high long-term return and thereby contribute to the financial security of current and future Swedish pensioners.

AP4 is a government agency and its mission in the pension system is governed by the Swedish National Pension Funds Act (Lagen (2000:192) om allmänna pensionsfonder). The mission involves – in addition to managing the capital to achieve a high long-term return – managing the fund capital in an exemplary way through responsible investments and responsible ownership. The law also stipulates a specific focus on promoting sustainable development without compromising on the overall objective of a high return.

The income pension system

Everyone who has worked in Sweden receives a national public pension, which is based on their own income during their working life. The national pension system has two parts, the income pension and the premium pension. Every year, 18.5% of the pensionable income of those who have worked or received other pensionable

income is allocated to the pension system. 16 percentage points go towards the person's income pension and 2.5 percentage points towards the premium pension. Payment is made in part through payroll taxes that are paid by the employer and in part through the national public pension tax that all wage-earners pay. In addition, outside of the public pension system, it is common for people to have occupational pensions, which are paid for by their employer, as well as private pension savings.

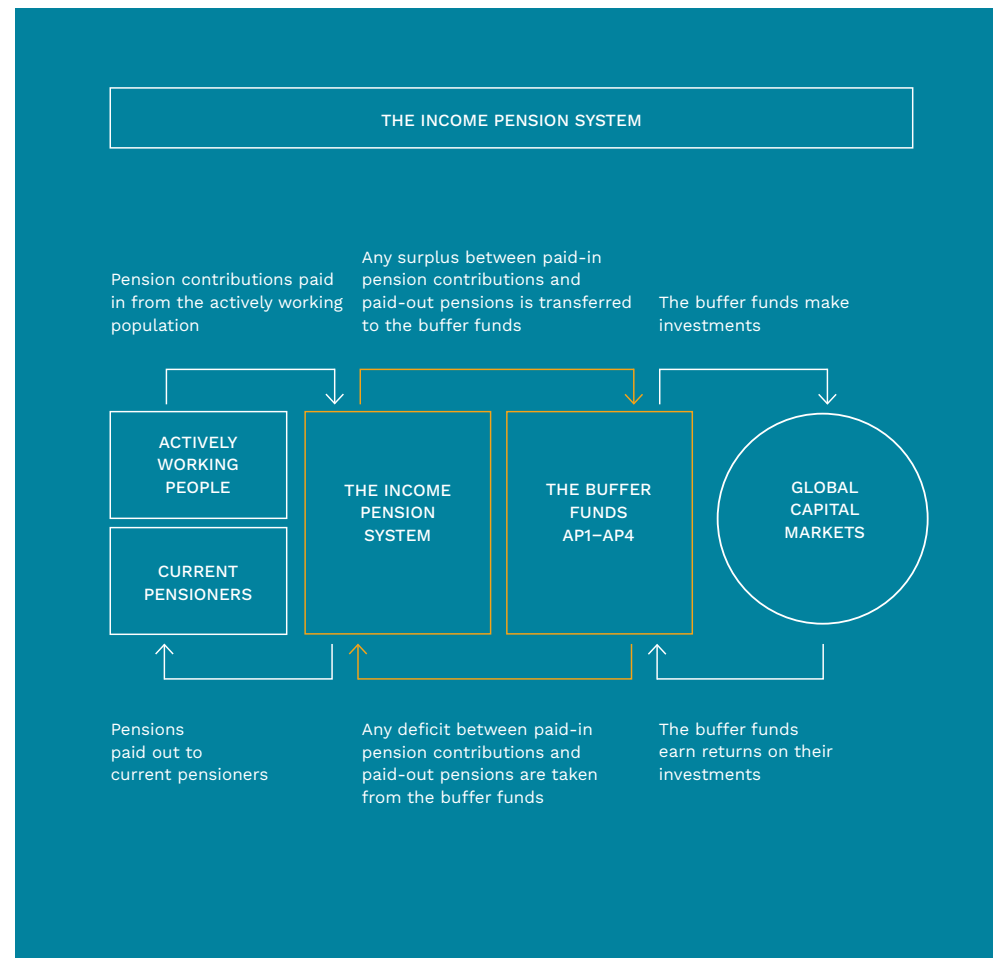
The role of the AP Funds

The income pension system is one where the pension contributions paid by people who have worked during the year are used to pay pensions to current pensioners. If payments to the system during a given year are less than what is needed to pay out pensions, a deficit arises. In such case, the AP Funds' managed capital is used as a buffer to cover the deficit and,

conversely, if payments to the system are greater than what is needed to pay out, the money goes to the AP Funds (AP1–AP4) for management.

If the pension system for some reason becomes unbalanced, i.e. the obligations become greater than the assets, a balancing mechanism is activated, referred to as the brake. Through this balancing, income pensions are upwardly indexed at a slower pace until the pension system's assets are once again as large as its obligations.

The pension system has gradually been strengthened thanks to good returns from the AP Funds, changing demographics with a growing population, more people in gainful employment, and changes to the pension system, such as the introduction of the target age. The system has worked well and as intended.



The AP Funds' support to the pension system over time

When the new pension system was launched in 2001, it was estimated that the AP Funds would be net contributors to the pension system for the period from around 2010 to 2050, mainly due to a larger proportion of pensioners relative to the actively working population during this period and the phasing out of the previous pension system. Since 2009, when the four AP Funds began paying out money to the pension system, AP1–AP4 have together paid almost SEK 340 billion to the pension system. Thanks to the gradual strengthening of the pension system, the AP Funds are now expected to be net contributors for only a few more years. This is because of the large numbers of people born in the 1990s and 2000s that are actively working and paying money into the system.

Stakeholder dialogue provides better understanding

AP4's mission involves continuous dialogue and collaboration with a number of different stakeholder groups, which in various ways both influence and are impacted by the AP Funds' activities. Engaging in dialogue with these stakeholders provides an understanding of the AP Funds' mission and activities,

our returns and our sustainability work. To increase the transparency of our reporting and communication, it is therefore important to take the views of stakeholders into account in these areas. A description of stakeholders and dialogues is provided on page 77.

Risk analysis

To complement the stakeholder dialogue, and to gain a better understanding of the risk areas that may impact on AP4, a risk analysis is performed within asset management to identify and assess material sustainability risks in the investment portfolio. This risk analysis is based on the standards and risk areas contained in the ESRS and applies the principle of double materiality, i.e. impact materiality and financial materiality.

Impact materiality

Impact materiality describes how the activities of the portfolio companies may have a negative impact on people and the environment.

Risks relating to the portfolio's impact were assessed as being greatest within:

- climate change
- business ethics
- labour in the value chain
- biodiversity

Financial materiality

Financial materiality describes how people and the environment may affect the financial position of the companies. A concentration of sustainability risks was identified within the energy, raw materials, power and industry sectors.

Financial risks for the portfolio were assessed as being greatest within:

- climate change
- biodiversity
- consumer behaviour
- business ethics

A more detailed description of the sustainability risks in the portfolio is provided on pages 78–81.

Pension system reviews

The Pensions group – a working group containing representatives from all eight parliamentary parties and tasked with safeguarding the pension agreement – has launched three reviews on how the public pension system and the management of its buffer capital can be developed and strengthened.

AP4 believes that performing regular reviews of the pension system and the buffer funds ensures the best possible conditions for achieving targets and continuing to strengthen confidence in the pension system.

Review of the buffer funds

This review was tasked with examining and proposing measures to modernise and streamline the overall management of the buffer funds AP1–AP4 and AP6. Key issues raised were increased collaboration or a degree of consolidation of the buffer funds, ensuring the necessary expertise on Boards, and the rights of labour market parties to nominate Board members. The report was presented in June 2024 and consultation responses were submitted at the end of October.

AP4's response to the consultation can be read in full at [→ www.ap4.se/aktuellt/remissvar](https://www.ap4.se/aktuellt/remissvar).

On 31 January 2025, the government announced that the Pensions group, the parliamentary working group tasked

with safeguarding the pension agreement and which currently has representatives from all eight parliamentary parties, has agreed to reduce the number of buffer funds from five to three. This will be done by combining the three current buffer funds in Stockholm into two. The consolidation will take place by dividing the assets of AP1 equally between AP3 and AP4. AP6 will be incorporated into AP2, which will remain in Gothenburg. A bill is expected to come before the Swedish parliament by 18 March, with the aim of implementing the changes by 1 January 2026.

Gas in the pension system

A review of the management of surpluses in the pension system (referred to as the "gas") has been performed by a working group in the Government

Offices and was presented in early December 2024. The introduction of a gas into the pension system has been examined before (SOU 2004:105) and the working group has used this earlier investigation as its starting point.

Analysis of contribution levels

The review entitled "Analysis of the level of contributions in the public income-based pension system (Dir 2024:29)" is examining whether current pension contributions are at the right level to maintain pension levels. Discussions have focused in particular on increasing the contribution from 17.21 to 18.5% of salary, which was also the level in the original pension agreement. The review findings are expected to be presented in March 2025.



AP4's strategic platform

AP4's purpose is to contribute to the strength of the pension system by managing its fund capital to achieve a high long-term return, making responsible investments and taking active ownership responsibility. AP4's strategic platform is based on the statutory mandate, our vision, investment philosophy and operational strategy, as well as our values. We strive to be a global role model in our industry and to act with courage and a long-term approach. In this way, we contribute to the financial security of current and future Swedish pensioners.

Our mission

AP4 is a government agency tasked with managing fund capital for a high long-term return so as to provide the greatest possible benefit to the income pension system. This work also considers how to reduce the risk of pension cuts. The fund capital must also be managed in an exemplary way through responsible investments and responsible ownership, without compromising the goal of achieving a high long-term return.

The solvency of the pension system is ensured by the AP Funds having the necessary payment capacity. This means that pensions can be paid even when pension payments exceed pension contributions.

Our vision

Our vision is to be a global role model that delivers a first-class return and takes a long-term, sustainable and responsible approach. Our vision is a fundamental part of our identity and our work and it drives our efforts to be at the forefront of pension funds.

Long-termism is an important aspect of our vision and we benefit from our unique mandate to be long-term, which allows us to capture risk premiums. We have the courage to believe in ourselves and act accordingly and we also have the resilience to hold on to investment decisions that we believe in.

Sustainability and responsibility are also central elements of our

vision. We invest sustainably and we take responsibility for the companies we have a stake in. We are conscious that we are managing the money of current and future pensioners and we take this responsibility very seriously. As a key operator in society, we give consideration to our stakeholders and we act responsibly with the capital that we manage.

Our values

At AP4, we work for a healthy corporate culture, which is one of the most important preconditions for building and maintaining a sustainable and successful organisation. Our values underpin our actions to achieve our full potential and best results together.

Our investment philosophy

The investment philosophy is based on three distinguishing features that define AP4 as an asset manager, as well as six different investment beliefs that specify how we are to act to create added value in our asset management. The investment philosophy is described on page 17.

Our operational strategy

AP4's operational strategy describes the focus and activities for AP4's development as an asset management organisation. The operational strategy is based on six key development areas. Three of these areas are central to AP4's operations as an asset manager – the investment portfolio, system support and sustainability. Three other areas describe how we need to work together to develop as an organisation and achieve our goals.

Our employees

Our employees are vital for our value creation in the public pension system and it is they who help us to fulfil our mission. It is therefore crucial for us to attract, retain and develop people with different perspectives and mindsets if we are to remain a leading pension fund, both now and in the future.

Employees with great responsibility

Working at AP4 is an opportunity to contribute to a socially important mission, to use your specialist expertise and to continuously develop and grow in your role. We are a cost-efficient organisation that conducts knowledge-intensive operations with relatively few employees. This means that every employee has great responsibility and plays an important role in the operation's results and success. This also entails a dependence on individual persons, which is why it is important to identify the right competencies in every recruitment process to develop and drive the business forward in the long term. AP4 has a major need for a range of key competencies and regular competence inventories are made, resulting in development plans at both unit and individual levels.

Work environment and culture

A good, positive corporate culture is one of the most important preconditions for building and maintaining an organisation that is sustainable and successful over time. Encouraging a balanced work life combined with good leadership are therefore important areas that AP4 works with on a

continuous basis. In practice, this means that our work environment is characterised by a shared view of professionalism, working methods and implementation strength.

Employee surveys are conducted every year and in 2024 the employee survey showed results at a continued high level for all areas measured by the survey. To maintain these results over time, everyone at AP4 works with clear action plans for each target area, both at unit level and in a dedicated employee group.

Our culture supports and facilitates working in an engaged, unassuming and safe manner. We work together in order to solve daily challenges – and we take initiative to raise questions, reconsider and think new. We strive to maintain a sustainable, inclusive and attractive workplace where everyone has the opportunity to contribute. Our talented employees, with their range of skills and mindsets, make a difference to the success of our organisation.

Key metrics for employees and AP4's direct environmental impact are presented on page 76.

Strategic development areas

- Future-proofed investment portfolio
- First-class system support
- Leadership in sustainability
- Continuous development for specialists
- Simplicity as a guiding principle
- Creative co-operation

Values

- We are professional
- We have implementation power
- We challenge and think new
- Together we are successful



Strategy and operations

In AP4's macroeconomic baseline scenario for the next 5–15 years, the global economy grows at a good pace, thanks to strong performance in the USA, but a somewhat weaker performance in the EU and China. This provides hope that protectionism and geopolitical confrontations will be limited.

AP4's asset management structure takes advantage of the opportunity to invest over several time horizons. The pension system's needs are analysed for the long term over 40 years and from a medium-term perspective of 5–15 years that takes into account macroeconomic and market conditions. Individual investment decisions are made with time horizons of up to 10 years.

Asset management structure designed for the mandate

The goal of AP4's asset management is to achieve a high long-term return that contributes to the pension system's strength and lowers the risk for reduced pensions. A prerequisite for this is the integration of sustainability factors into asset management.

Investment philosophy dictates overarching focus

AP4's asset management is based on the long-term needs of the pension system, the statutory assignment and associated investment regulations and the investment opportunities this provides.

AP4's Board has adopted an investment philosophy that is based on AP4's mission and the preconditions it includes and that constitutes an overall direction for operational management. The investment philosophy is characterised by three essential distinguishing features, i.e. preconditions that to some extent distinguish AP4 and create opportunities for successful asset management.

These features are:

- the ability to act long-term
- a large degree of freedom to formulate the asset management in the best way within the framework of the Swedish National Pension Funds Act
- a portfolio size that enables cost-efficient asset management

without limiting investment opportunities.

These features are complemented with so-called investment beliefs, which clarify how AP4 is to act to create value added in asset management.

The investment beliefs pertain to:

- well-balanced risk-taking
- inefficient markets
- diversification
- sustainability
- competent organisation
- structured processes

Asset management structure with three time horizons

The asset management structure takes advantage of the opportunity to invest over several time horizons. For each time horizon, the Board stipulates goals and investment guidelines.

Long-term real return target

From a 40-year perspective, AP4 performs an ALM analysis that

assesses the pension system's long-term need for return levels and the need for payments from the AP Funds to cover any deficits. When doing so, AP4 applies the principle of generation neutrality, i.e. that one generation should not receive a higher pension at the expense of another generation. These assessments are made with a time perspective of up to 40 years. The analysis of the pension system is combined with a very long-term assessment of expected returns for various asset classes. This culminates in a long-term return target, which is currently a 3.5% annual real rate of return, and decisions on ranges for the portion of equities in the portfolio (50–70%), the fixed income portfolio's average duration (3–9 years), and currency exposure (20–40%).

Medium-term real return target

From a medium-term perspective, with a 5–15 year interval, it is possible to make assessments in greater detail of macroeconomic parameters such as growth and

inflation. It is also possible to make a market assessment that takes into account valuation levels, for example. These assessments form the foundation of a more detailed analysis of expected returns various asset classes. This leads to the Board's decisions about the Dynamic Normal Portfolio (DNP), which is the benchmark portfolio for asset management that comprises a weighted market index. Decisions are also made on a medium-term return target over 10 years, which for 2024 was a 3% annual real return. For 2025, this target has been raised to 3.5%.

The DNP is reviewed in this way every two years, when AP4's scenario analysis is also updated. This is described in more detail on page 18.

Day-to-day asset management with active return target

The operative asset management thereafter comes into play, making investment decisions with a time horizon of up to 10 years. This entails allocation decisions among various asset classes and a broadening to assets that are not represented in the DNP. The goal of asset management is to outperform the return of the DNP by 1 percentage point per year with a 5-year evaluation horizon. The asset management is governed by a risk mandate of a maximum 5% active risk in relation to the DNP.

Within the context of ongoing asset management, decisions are also made on the choice of investment strategy, such as active or passive management, and whether management should take place internally within AP4 or externally. AP4 uses external management where the asset management strategy is difficult to pursue internally or where it is not cost-effective to develop internal management. Active management is ideally conducted within strategies with structurally great opportunities to generate excess returns, for example due to structural imbalances in financial pricing or significant barriers to entry. AP4 decides on the choice of management strategy, based on an assessment of what is expected to provide the best return after costs for the chosen strategy.

Finally, ongoing investment decisions are made regarding individual stocks, bonds and other financial instruments within the asset classes and asset management mandate.

The Board governs and follows up

AP4's Board of Directors adopts an annual business plan and the governance documents that regulate AP4's asset management structure, including sustainability work. The governance documents are reviewed every year and are

revised when necessary. AP4's CEO is responsible, together with the Heads of the respective asset management units, for the asset management work and for ensuring that sustainability is integrated in AP4's investment processes.

Asset management structure that integrates sustainability

The Board of Directors has assigned AP4's CEO the task of assessing the sustainability matters that arise in the investment operations. The CEO reports on a regular basis to the Board about how such issues are being dealt with and about the achievement of goals. The Board prioritises sustainability-related issues that have bearing on the asset management strategies, and such issues are addressed at essentially every board meeting.

Portfolio asset classes and management

AP4 invests in most asset classes in order to provide the conditions for achieving the return target over time. AP4's asset classes are listed equities, which are divided into Swedish, global and defensive, as well as Swedish and global fixed income and real assets. A more detailed description of the allocation, return and sustainability aspects of the assets is provided on pages 19–22. Detailed return data by asset class over longer time horizons is provided on page 74.



PER HAMMARLUND
Investment Strategist

Updated macroeconomic scenario analysis

AP4 uses a scenario analysis with a time horizon of five to fifteen years to support the Board's decisions on the Dynamic Normal Portfolio (DNP), medium-term asset allocation and return targets. The scenario analysis identifies a macroeconomic baseline scenario which is compared against a number of possible alternative scenarios.

The global economy has undergone major fluctuations recently. The recovery from the global financial crisis of 2008–2010 was characterised by low inflation, expansionary monetary policy, stable growth and strong financial markets. This trend came to an abrupt end with the pandemic, which caused a sharp economic slowdown and significant market falls, followed by fiscal stimulus, an energy shock, high inflation and a tightening of monetary policy. At the same time, the globalisation and liberalisation efforts of the world economy of the 1980s and 1990s has been gradually replaced, since 11 September 2001, by greater regionalisation and varying degrees of mercantilism and protectionism.

Baseline scenario

In our baseline scenario for the next 5–15 years, the global economy grows at a good pace, thanks to strong performance in

the USA, but somewhat weaker in the EU and China. Generative AI could potentially boost growth, but it will probably be the end of the period before the effects of AI materialise. Inflation is approaching the central banks' targets and is higher than after the global financial crisis. Deglobalisation, protectionism and relatively high demand for labour, as well as rising public consumption and investment, driven by the green transition and the development of AI, among other things, look set to prevent inflation falling below the targets.

In the previous scenario update in 2022, we increased our interest rate assumptions based on expectations of higher inflation. In this year's baseline scenario, we are increasing the term premium, i.e. the compensation that investors require to buy bonds with longer maturities (10 years). The reason behind this is a further weakening of public finances, along with a

moderate increase in volatility and uncertainty concerning inflation.

The alternative scenarios

We see four alternatives to the baseline scenario:

- 1 a rollercoaster scenario where inflation and growth fluctuate strongly, driven by repeated price shocks resulting from geopolitical tensions and misaligned economic policies.
- 2 a stagflation scenario with volatile, high inflation; similar to the rollercoaster scenario but with lower growth.
- 3 a stagnation scenario with both low growth and low inflation, caused by structural problems and a lack of productive green investments and innovations.
- 4 a Goldilocks scenario with strong growth and inflation figures around the targets, based on technological innovations and productivity-enhancing reforms.

The future

Our view is that the likelihood of more mercantilist economic policies has gradually increased since the election of Donald Trump as president in 2016, which could lead to economic policy confrontations between the USA and China in particular. There is also a significant risk of the wars in Ukraine and the Middle East escalating and spreading. Overall, the alternative scenarios, in particular the rollercoaster scenario, therefore have a relatively high level of probability. The baseline scenario is fundamentally positive for the global economy. This is a credible hope but no guarantee that protectionism and geopolitical confrontations will be limited.

Asset management by asset class:

Global equities

Strategy

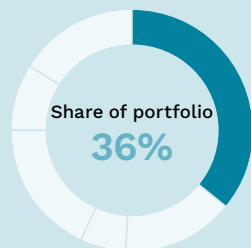
Includes systematic quantitative management combined with fundamental company selection in climate-intensive sectors. An alpha platform, emerging markets and unlisted equities are managed through external funds.

Return

17.4% for 2024. Average of 9.1% over 5 years.

Sustainability in asset management

Implements low-carbon strategies, fundamental company selection in resource-intensive sectors, conducts company dialogues in collaboration with other investors and votes at shareholder meetings.



JAN PETERSSON
Senior Portfolio Manager,
Global equities, climate-
intensive sectors



FREDRIK SKOGLUND
Portfolio Manager, Global
equities, climate-intensive
sectors

→ Read more about AP4's systematic quantitative management of Global equities on page 31.

Global equity management in climate-intensive sectors

AP4 has had a dedicated team working on fundamental company selection in climate-intensive sectors for several years. One of the aims is to concentrate holdings in companies that not only have strong business models but are also at the forefront of the transition to climate-neutral operations.

To remain in AP4's portfolio, companies must have clear goals and ambitions that are aligned with the Paris Agreement, and must have significant and growing investments in fossil-free energy production. This is important as several traditional energy companies are, or are becoming, the world's largest investors in fossil-free energy sources, and they will therefore play an important role in the climate transition.

The aim is to identify companies in these sectors that are actively involved in the climate transition by investing in renewable energy and through new technologies that limit carbon emissions. A starting point for this is AP4's thematic sustainability analysis, which identifies sectors and value chains that can both contribute to and benefit from the climate transition.

→ We deepen our knowledge of the companies' operations and their

environmental work, and we hold meetings with both the companies and external analysts to gain as much knowledge as possible. We then select a number of companies in each sector in which to invest. At the same time, we work with thematic investments globally, where, among other things, energy transition and recycling are themes that AP4 prioritises and in which we see structural growth, says Jan Petersson, Senior Portfolio Manager at AP4.

In the energy sector, AP4 has chosen to invest only in integrated energy companies that have a stated goal of being carbon neutral in terms of Scope 3 by 2050. This means that most US fossil energy companies are excluded from the portfolio. Within the energy industry, AP4 has a strong focus on grid operators and integrated companies that both generate and distribute energy, where the majority of energy generation is fossil-free.

Concentrating holdings in carbon-intensive sectors in a smaller number of companies provides greater opportunity to influence and contribute to continued positive development at the companies in which AP4 is an owner.

→ During the year, we have analysed the energy sector and its future development. The analysis was carried out with the support of external consultants. An important conclusion from this work is that the development of renewable energy sources such as wind and solar will continue to grow at a rapid rate and with increasing profitability as production costs continue to trend downwards, explains Fredrik Skoglund, Portfolio Manager at AP4.

In the commodities sector, AP4 focuses on companies in electrification metals, companies that have made good progress in the development of both green cement

and green steel, and within the chemicals industry, established gas companies that have made good progress in the development of carbon capture and hydrogen. In the transport sector, AP4 focuses on rail transport.

→ Another insight is that natural gas will continue to be an important energy source in the energy transition. Society will not be able to rely entirely on renewable energy until 2040 and natural gas and nuclear power will provide an important supplement during this transition phase. Another important dimension is the rapid development of AI, which is prompting a large increase in energy demand, as high-capacity data centres are energy-hungry. In the USA, for example, this has led to the restarting of previously closed nuclear power plants in order to meet this high demand for energy, concludes Jan Petersson.

Asset management by asset class:

Swedish equities

Strategy

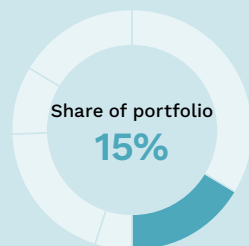
Management is based on fundamental company analysis. The goal is to identify companies with long-term favourable growth in value and equities with revaluation potential. Active corporate governance is a key part of the strategy.

Return

8.4% for 2024. Average of 9.3% over 5 years.

Sustainability in asset management:

Sector-based risk analysis of sustainability challenges. Works on nomination committees to establish the best possible boards; also votes at general meetings.



JANNIS KITSAKIS
Head of Swedish equities

Swedish equities – based on fundamental analysis

Swedish equities are actively managed based on fundamental company analysis. The investment model is based on a long-term mandate with the ability to bear risk over time – even during challenging times. Corporate governance is a key cornerstone of AP4's asset management.

→ A key fundament of our asset management is that we are very long-term in our investments. The long horizon of our mandate allows us to maintain our strategy even during turbulent times. AP4 is not forced to sell shares due to outflows; on the contrary, downturns can present investment opportunities. Our long-term approach makes us an attractive owner for a lot of companies, opening many doors for us. AP4 is a significant shareholder on the Swedish market and we have a good network and good opportunities for dialogue with the companies we invest in, says Jannis Kitsakis, Head of Swedish equities at AP4.

As one of Sweden's ten largest institutional owners, active corporate governance is a central part of the asset management model at AP4.

→ Taking an active and long-term approach to ownership is a cornerstone of AP4's Swedish equity management investment philosophy. In our corporate governance work, we work primarily

on nomination committees but also by maintaining a dialogue with the companies and other major shareholders. The aim is to overweight companies that can be tomorrow's winners, while building a robust and stable portfolio that can perform well in different market climates, says Jannis Kitsakis.

→ For us, active management means having close contact with our portfolio companies. We familiarise ourselves with our holdings and try to understand the world in which they operate. We take the opportunity to meet the companies whenever one arises. Another important part of our model, which also serves as a risk tool, is to engage with our companies, for example through work on nomination committees. Here we help to draft proposals for the company boards. We also give our views on incentive programmes and other proposals at an early stage, before they are submitted to the annual general meetings, says Jannis Kitsakis.

So far in the 2020s, the stock market and listed companies have been greatly affected by various external factors. The COVID-19 pandemic, wars, and dramatic changes in inflation and interest rates have in many cases affected both supply and demand for companies. Although the world remained unpredictable and turbulent in 2024, many aspects of the companies' everyday operations have begun to normalise. For many companies, 2024 was a relatively weak year, but hopes of economic improvement and so higher company profits in the coming year nevertheless led to a strong and stable stock market for much of the year.

→ Returns at sector and company level have varied. Many industrial and technology companies have performed well, to the benefit of AP4's ownership in Lifco, Sectra, Mycronic and Yubico, among others. Two sectors where AP4 has overweight and which have underperformed during the year are the consumer and healthcare sectors, says Jannis Kitsakis.

In the wake of high inflation and high interest rates, consumers have faced a challenging environment and held back on purchases of capital goods, for example, which has affected AP4's holdings in Dometic and Husqvarna, among others. The healthcare sector has been volatile over the year, particularly during the second half of the year when concerns following the US presidential election, for example, had a negative impact on the sector's stock market performance. Some companies have also had to cope with internal challenges, which has led to negative share price performance in 2024, including Getinge and Elekta, where AP4 is overweight.

→ Other signs that the stock market has begun to normalise in 2024 and that risk appetite has returned include an increase in activity. We have seen both IPOs of new companies and public offerings from already listed companies. For example, AP4 has accepted two offerings with good bid premiums; Concentric +61% and Probi +42%. We look to the future with confidence, as we have an investment model that we believe in and that suits our long-term mandate. We are an experienced and competent team with good resources, and above all, we have a portfolio of good companies that are well positioned for the future – both operationally and with valuation support, says Jannis Kitsakis.

Asset management by asset class: Fixed income

Strategy

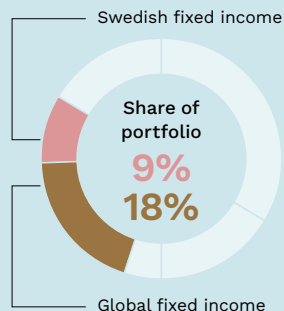
Active management of global and Swedish fixed income assets under two mandates, one for government and supranational bonds (known as SSA) and one for liquid credits. Global fixed income also contains a mandate to manage illiquid, high-yield credits.

Return

1.3% for 2024. Average of 0.5% over 5 years.

Sustainability in asset management

Assesses sustainability trends in investment decisions, invests in green and social bonds.



TORBJÖRN KRONBLAD
Head of Fixed income



JONAS RANNEBY
Senior Portfolio Manager,
Fixed income

Volatile fixed income market provided asset management opportunities

Several factors caused US interest rates to rise in the first quarter of 2024. Growth indicators were high, inflation fell more slowly than anticipated and the labour market was stronger than expected. AP4 then increased its exposure to the falling interest rates.

The liquid and creditworthy fixed income portfolio is managed internally with two different mandates. One mandate invests in bonds issued by governments and supranational organisations. The management of this mandate focuses on the macroeconomic situation, as well as monetary and fiscal policy, with the aim of anticipating their impact on interest rate movements in different countries.

The other mandate invests in liquid and creditworthy bonds issued by companies. Management here focuses partly on assessing the credit risk of companies and different types of instruments, and principally on assessing the movement of interest rate spreads between different types of issuers. In addition to these two internally managed mandates, the Global fixed income asset class also contains an externally managed portfolio of illiquid, high-yield credits.

Government bonds portfolio

→ From late spring until the end of 2024, the growth and labour market trends slowed and inflation levelled off," says Torbjörn Kronblad, Head of Fixed income at AP4. The US Federal Reserve confirmed that inflation was close to its target and therefore shifted its focus to the labour market, which the Fed did not want to see weaken further, says Torbjörn Kronblad.

As a result, long-term interest rates fell to increasingly lower levels until mid-September. This trend slowed as Trump began to gain ground in the opinion polls in the run-up to the US presidential election. Interest rates then rose until November, when concerns increased about future trade, immigration and fiscal policies.

→ The fixed income portfolio has a high risk appetite and increased its exposure to falling long-term interest rates during the year, leading to high volatility in performance. Nevertheless, the fixed

income portfolios have achieved a modest positive return over the year. Uncertainty has increased heading into 2025, as the Fed may need to hold off on further interest rate cuts. This is because uncertainty about inflation, the labour market and growth has increased in the short term following the US presidential election.

Credit portfolio

In 2024, the global credit market navigated a complex landscape dominated by inflation, central banks and the geopolitical situation, which presented both challenges and opportunities for investors.

→ At the beginning of the year, the credit outlook was favourable, with attractive spread levels compared with government bonds, strong investor interest, anticipated interest rate cuts and modest growth. The first half of the year was also characterised by steadily declining spread levels, while the second half was characterised by

volatility and a positive impact on the market following the US presidential election. The return for the actively managed credit mandate at AP4 was also good this year, driven mainly by an overweight in banks, subordinated bonds and a recovery in the European real estate market, says Jonas Ranneby, Senior Portfolio Manager at AP4.

Many factors also appear favourable for the credit market heading into 2025, such as anticipated modest growth, the expectation of further interest rate cuts and continued strong investor interest. At the same time, interest rate spreads are also at historically low levels, even more so on the USD market than the EUR market.

→ This means it is difficult to see interest rate spreads narrowing to any great extent, but if the macro-economic situation develops as expected, levels should remain relatively stable. The biggest threat to the credit market is inflation becoming entrenched in the USA, which would mean an end to interest rate cuts or in the worst case scenario even interest rate hikes, concludes Jonas Ranneby.

Asset management by asset class:

Real assets

Strategy

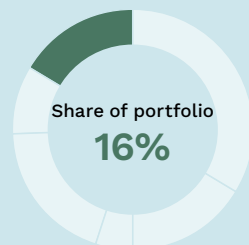
Investments in listed and unlisted real estate companies, joint-venture companies and funds focused on real estate and infrastructure investments.

Return

2.9% for 2024. Average of 4.7% over 5 years.

Sustainability in asset management

Evaluates and stipulates requirements for the sustainability work and reporting of directly owned companies and external asset managers. Active corporate governance work and dialogue with investments on climate impact and climate strategy.



FRIDA OLSSON

Senior Portfolio Manager,
Alternative Investments

AP4's real estate strategy – a long-term commitment

The asset class Real assets consists of listed and unlisted real estate investments and unlisted infrastructure. AP4's exposure to real estate has gradually increased since its launch in 2001, both as a result of very good returns and also through active allocation decisions.

AP4's total real estate exposure amounts to SEK 60 billion, corresponding to 11% of the total fund capital. AP4's largest holding is Vasakronan, which currently owns properties worth approximately SEK 178 billion, focused on office premises and city centre retail in Sweden's four largest cities. The company, which originated from AP-fastigheter, which was founded in 1988, has developed into one of Sweden's largest real estate companies. Vasakronan is considered to be at the forefront globally in terms of integrating sustainability into its operations.

As the return from office properties over time is relatively sensitive to the business cycle, AP4 has sought to balance its real estate exposure with residential and community properties, primarily care homes, through the formation of Rikshem in 2010 and the investment in Svenska Handelsfastigheter in 2016.

→ Rikshem, which currently owns properties worth almost SEK 60 billion, has a geographical focus on over ten relatively large cities, with a particular emphasis on Greater Stockholm and the Uppsala region. Rikshem's rental income has historically been stable and has tracked inflation well, says Frida Olsson, Senior Portfolio Manager at AP4.

Svenska Handelsfastigheter, whose real estate portfolio currently totals approximately SEK 19 billion, focuses primarily on retail properties in well-established retail areas in well-connected locations. In this segment, rents also do not fluctuate much and occupancy rates are high and stable, as exposure to the cyclically unsensitive grocery and discount retailing sectors is very high.

These three companies, which make up the majority of AP4's

unlisted real estate holdings, are long-term, financially stable suppliers of offices and residential properties. AP4 is a long-term, active owner in these companies.

→ Around 10 years ago, we also began investing in listed real estate equities. By building up this portfolio, which currently accounts for around 20% of our real estate assets, we were initially able to add exposure to the very strong performance of the Stockholm office market between 2015 and 2019. We then reallocated this capital to other segments that are continuing to benefit from structurally favourable conditions – primarily warehousing, light industry and grocery stores, explains Frida Olsson.

In recent years, the focus has been on increasing exposure to higher-yielding properties (more than around 6% yield), primarily in the listed portfolios, but also

through further investment by AP4 in Svenska Handelsfastigheter in 2023 and 2024.

→ The advantage of these properties is that they provide a higher return on equity from ongoing management than residential and offices. This makes our return less dependent on value increases. We can also clearly see that high-yield real estate segments have provided a significantly better return as interest rates have increased, explains Frida Olsson.

Infrastructure investments complement real estate investments and the long-term returns provide stability and inflation protection in the portfolio. AP4 began building up this portfolio in 2018 and it has grown to account for almost 5% of AP4's fund capital.

Asset management by asset class:

Defensive equities

Strategy

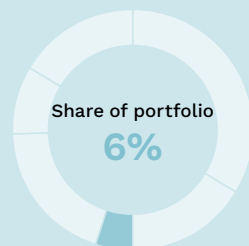
Quantitative management.

Return

14.5% for 2024. Average of 8.2% over 3 years when the asset class was introduced.

Sustainability in asset management

Adds return potential and has a stabilising effect in a more challenging economic environment. Does not invest in excluded companies.



Equities for turbulent markets

Defensive equities contribute to AP4's overall portfolio by complementing Swedish and global equities, primarily in times of macroeconomic uncertainty and in weaker market scenarios. By 2025, Defensive equities will amount to 7% of the DNP.

Defensive equities is an asset class composed of individual equities that is designed to contribute to the portfolio's expected return, while also being less sensitive to stock market fluctuations. Defensive equities contribute to AP4's overall portfolio by complementing the Global equities and Swedish equities asset classes, primarily with a lower level of risk in times of macroeconomic uncertainty and in weaker market scenarios.

Defensive equities are managed through quantitative equity selection in developed equity markets with the aim of creating exposure to selected factors such as low volatility, quality companies and low concentration risk. Defensive equities are typically stable and less sensitive to market fluctuations, making the asset class better equipped to handle any stock market falls, for example linked to

the current high concentration of US tech stocks in a market-weighted global stock market index. The composition of Defensive equities is dynamic and factor exposure can be continuously adapted to AP4's scenario analysis, which is described on page 18.

The initial weighting for Defensive equities was 5% of the Dynamic Normal Portfolio (DNP), the benchmark portfolio decided on by the Board and the basis for asset allocation in operational asset management. The asset class's share in the DNP was financed by reducing the weights in the Global fixed income and Global equities asset classes. The share of Defensive equities will increase to 7% of the DNP in 2025, as described in the market commentary on page 10.

Our view on sustainability

A key requirement for successful long-term asset management is to integrate sustainability aspects into investment processes and individual investment decisions, as this is deemed to contribute to a better risk-adjusted return over time.

Governance of AP4's sustainability work

As AP4 manages public pension funds, the starting point for sustainability matters is the core values of the Swedish state. The AP Funds have developed a common set of values for managing the Funds' assets, common guidelines for which assets the Funds should not invest in and common guidelines for reporting the sustainability objective.

AP4's overall management of sustainability and corporate governance issues is described in the Sustainability policy and the Corporate governance policy, respectively, which are adopted annually by the Board of Directors. These policies stipulate the objectives, goals and guidelines for sustainability work. These policies apply to all investment activities, whether the investments are made

in Sweden or internationally, and to both internal asset management and external asset management mandates.

The CEO has overall responsibility for sustainability matters in day-to-day operations. Unit managers in asset management and portfolio managers are responsible for dealing with sustainability matters within their respective investment mandates. The CEO reports the progress and development of sustainability work to the Board on a regular basis.

Broad management of sustainability aspects

AP4's fundamental approach is a broad perspective on sustainability aspects in its investment activities, where material sustainability aspects within climate and environment, social responsibility and corporate governance are considered and managed, such as:

- Climate and environment, including climate change, climate transition, resource efficiency, biodiversity and hazardous emissions
- Social aspects, such as human rights and workers' rights
- Corporate governance aspects, such as shareholders' rights, board composition, remuneration issues, transparency and aspects of business ethics such as corruption

AP4's management analyses and integrates sustainability aspects into its asset management tailored to each asset class and management model.

AP4's investments in listed equities and credits are subject to regular screening for violations of international conventions. If a company is identified in this process, a more in-depth analysis is initiated, followed by dialogue, which is AP4's main means of influencing companies. AP4 engages in dialogue with companies through

its own management and through the Council on Ethics of the AP Funds. Read more about this on pages 25–26.

Five implementation strategies

AP4 has five main implementation strategies for carrying out sustainability work in the investment portfolio:

1. Measuring and reporting on sustainability

AP4 continuously evaluates sustainability data for use in asset management strategies and in reporting. Transparent reporting is also something that AP4 expects from the companies and organisations in which AP4 is invested.

2. Integrating sustainability in investment processes

AP4 integrates sustainability factors in its investment decisions in a structured manner, tailored to each asset class and investment process. Sustainability is an important evaluation criterion for external asset management services used.

3. Influencing as an owner, investor and societal actor

Corporate governance is a tool for creating and safeguarding asset value over time. AP4 takes responsibility as an owner and investor by influencing companies

through dialogues, as well as other investors and political decision-makers, on sustainability matters. AP4 works together with other investors to achieve greater strength in dialogues and other advocacy work.

4. Reducing sustainability risks in the portfolio

AP4 is reducing its exposure to assets associated with elevated sustainability risks. AP4 also excludes companies whose activities are not deemed to align with an exemplary interpretation of the international conventions that Sweden has signed or the international guidelines that Sweden supports. Nor does AP4 invest in securities issued by companies or countries that are subject to EU or UN sanctions.

5. Investing in strong sustainability trends

AP4 makes thematic investments that contribute to and benefit from the sustainability transition. Understanding and analysis of various sustainability aspects can contribute to the return by identifying investment opportunities for AP4, such as specific sectors or companies that can be expected to contribute to and benefit from the transition to a more sustainable society.

Focus areas for sustainability in the asset management

AP4 has defined two sustainability areas that are financially material, as they have an impact on the portfolio's long-term return and risk characteristics and are also investable.

Climate & Environment

We identify systemic risks with global impacts on society, economies and expected returns. We include issues such as climate change, climate transition, resource efficiency, biodiversity and hazardous emissions.

Corporate Governance

We take responsibility in order to contribute to the good development of the companies and better risk-adjusted returns. We address issues such as shareholders' rights, board composition, diversity, remuneration issues and transparency, as well as aspects of business ethics such as corruption and human rights.



The Council on Ethics of the AP Funds – a key part of AP4’s sustainability work

The Council on Ethics of the AP Funds (the Council on Ethics) is a collaboration between AP1–AP4 to use their joint strength to influence companies to strive for sustainable value creation and for transparent reporting.

The Council on Ethics works mainly with companies in the AP Funds’ equity portfolios of foreign listed companies. The collaboration between the AP Funds in the joint Council on Ethics improves time and cost efficiency and provides more capital and greater strength as a party in advocacy dialogues. The collaboration also provides an opportunity to engage in more company dialogues and international investor initiatives.

One of the most important tasks of the Council on Ethics is to identify, analyse and influence listed companies that are deemed to be in violation of international conventions and encourage them to address and remedy accidents and incidents that have occurred. Another aim of this work is to ensure that the company has systems and procedures in place to prevent future incidents and accidents.

The Council on Ethics is also tasked by the AP Funds to work proactively on prioritised, material

and complex sustainability risks and so support or complement the work carried out by the respective AP Funds.

Successful advocacy for greater corporate responsibility

In 2024, there were 3,307 companies screened and 89 were found to have a confirmed violation of an international convention or a suspected risk of a violation. The Council on Ethics has conducted reactive advocacy dialogues with 47 companies in all parts of the world. The progress of the company dialogues is measured in terms of the milestones achieved. During the year, the Council on Ethics held dialogues with eight companies which achieved the final objectives specified by the Council on Ethics and these company dialogues have therefore been successfully concluded. This means that the Council on Ethics has influenced these companies to address and remedy problems and,

not least, ensure that measures are taken to prevent anything similar from recurring.

Project work in system-critical areas

The proactive work of the Council on Ethics takes the form of projects and during the year it worked on 10 projects and investor initiatives. This includes direct dialogue with 51 global companies. Below are the overarching, prioritised focus areas in which the proactive projects take place.

Antimicrobial resistance

Antimicrobial resistance (AMR) is considered a significant systemic risk for both society and the AP Funds’ portfolios over time and the Council on Ethics works to increase awareness of AMR and to influence positive change through dialogues with relevant companies. AMR occurs when bacteria, viruses, fungi and parasites no longer respond to medicines, making infections more difficult to treat and increasing

the risk of disease spread, severe illness and death. The main contributor to the development of AMR is the overuse and misuse of antibiotics in intensive industrial animal production.

Climate

The climate transition is system-critical and the Council on Ethics is working in two areas: the mining sector’s handling of sustainability challenges given the increased demand for critical minerals and metals as part of the transition, and the transition of emission-intensive industries, with a focus on steel production. This work complements and supports the climate work and investments of each AP Fund.

Tech companies and human rights

Online platforms and big tech companies are playing an increasingly important role in society. This brings many opportunities but also presents several human rights challenges. The Council on Ethics leads an international collaboration project involving over 30 international institutional investors and conducts advocacy

dialogues with a number of major tech companies, such as Alphabet (Google), Meta Platforms (Facebook) and Microsoft, with the aim of influencing the companies to strengthen their human rights work.

Water

Having access to enough water of good quality is essential for everything from health and sanitation to food production, power generation and other industrial processes. Water is also affected by other global challenges, including climate change, biodiversity loss and forced migration.

Child labour and forced labour

Child labour and forced labour occur all over the world, but are particularly common in certain industries and regions. Companies can be exposed to this in their direct operations or through their supply chains. This is a serious problem and the Council on Ethics strives to prevent companies from exploiting workers both through dialogue with individual companies that have significant negative impacts and proactively at sector level.

2024

3,307

of the AP Funds’ companies were screened

89

companies identified with confirmed or risk of violation

47

ongoing reactive company dialogues

34

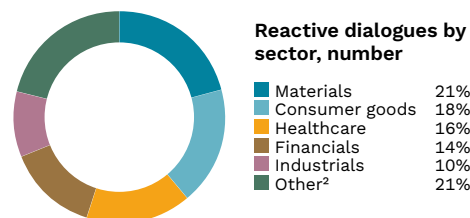
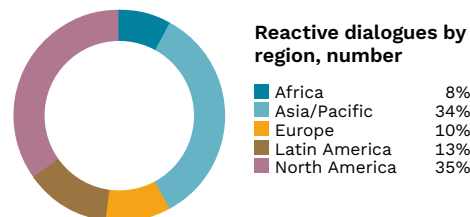
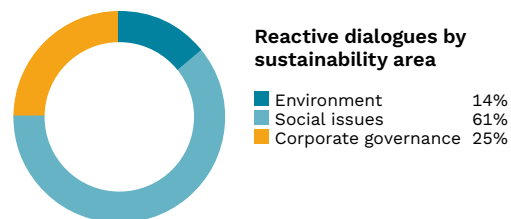
milestones achieved in reactive company dialogues

10

proactive projects in the focus areas

Breakdown of reactive company dialogues

Breakdown of the Council on Ethics' reactive company dialogues in 2024 by region, sector and sustainability area, where it is suspected or confirmed that a violation of an international convention occurred.



Screening of the AP Funds' holdings	2024	2023
Number of screened companies in the AP Funds' portfolios	3,307	3,510
of which, with confirmed violation	12	18
of which, at risk of violation	77	66
of which, with no remarks from screening	3,218	3,426

Outcome of number of companies in active dialogue	2024	2023
Number of companies in active dialogue at start of year	54	86
Companies with concluded dialogue with objectives achieved	-8	-7
Companies with concluded dialogue for other reasons ¹	-	-5
Companies with which new dialogues have been opened during the year	3	3
Companies recommended for exclusion by the Council on Ethics	-1	-3
Changes in the AP Funds' holdings	-1	-20
Number of companies in active dialogue at end of year	47	54

1. Number of companies with concluded dialogue for other reasons, such as the company having sold the business concerned.

2. Other refers to the sectors Utilities, Consumer staples, Energy.

Assets in which fund capital is not invested

As AP4 manages public pension funds, the core values of the Swedish state provide the starting point for how the fund capital is invested.

The core values of the Swedish state are specified as follows:

- Sweden's instrument of government, which is based on democracy, fundamental rights and freedoms, the equal value of all people and the freedom and dignity of the individual
- UN international conventions to which Sweden is a signatory, including those relating to the environment, human rights, labour law, corruption and inhumane weapons
- The ILO core conventions
- International frameworks that Sweden supports, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights (UNGP)
- Sweden's positions on issues of international law

Common Fund guidelines

The AP Funds have developed a common set of values, guidelines for reporting the sustainability objective

and for which assets the Funds should not invest in. These are available on AP4's website.

Application of exclusions

Sustainability-based exclusions are removed from the DNP benchmark portfolio decided by the Board of Directors. If the exclusion relates to directly owned holdings, these are divested directly from the portfolio, whether equities or fixed income assets. In cases where AP4 has invested in a mutual fund, AP4 evaluates the fund manager's sustainability process and the likelihood of the manager investing in a company that AP4 has excluded. AP4 requests an assurance from the manager that it only holds the asset in question as an exceptional case and informs the manager that holding an excluded company may mean that the fund management assignment is ended. The sustainability work of external managers and the underlying holdings are then followed up on a regular basis by AP4.

AP4 does not invest in:



Nuclear weapons

AP4 does not invest in nuclear weapons companies as the continued updating and modernisation of nuclear weapons programmes is not in line with the Non-Proliferation Treaty's aim of eliminating these weapons in the long term.



Tobacco and cannabis

The WHO Framework Convention on Tobacco Control seeks to sharply reduce tobacco consumption, which is why AP4 does not invest in tobacco companies. AP4 also does not invest in companies active in cannabis, based on the UN conventions on narcotic preparations.



Fossil-based companies that are not aligned with the Paris Agreement

AP4 does not invest in companies in which thermal coal or oil sands constitute a significant part of the sales, as these energy sources are not aligned with the Paris Agreement.



Cluster munitions and mines

Based on the UN's Mine Ban Treaty and the Convention on Cluster Munitions, AP4 does not invest in companies that operate in this area.



Specific companies

AP4's sustainability screen excludes companies linked to serious violations of international conventions. AP4 also excludes specific companies on the recommendation of the Council on Ethics.

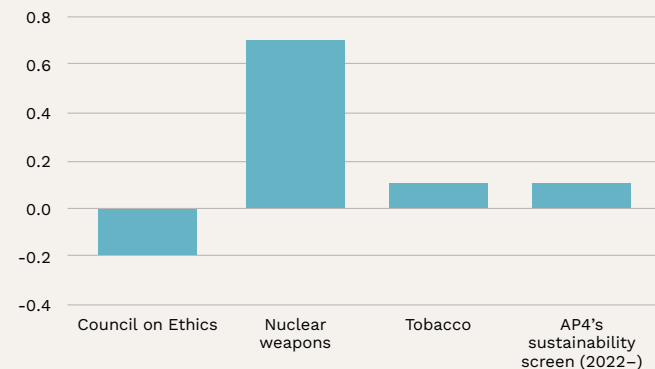
Return impact of sustainability-based divestments

AP4 monitors the return impact of sustainability-based divestments over the evaluation horizon of five years, or from the start of the sustainability decision in the case of a period shorter than five years. These decisions are not business-based in the sense that they are expected to contribute to returns. A positive return contribution shows the effect of having opted out of these companies compared

with the global equity portfolio's benchmark index.

Not owning companies with operations in nuclear weapons and tobacco has made a positive contribution to returns over the past five years. Companies that have been excluded by the Council on Ethics because of serious violations of conventions have performed relatively better than a global stock market index over the past five years, however.

Return contribution of sustainability decisions over 5 years (2020–2024), %



1) Refers to the accumulated return over 5 years, or less if the decision relates to a period shorter than 5 years. The return contribution is calculated on the basis of Global equities.

Focus area: Climate & Environment

Climate & Environment is a focus area for sustainability in AP4's asset management. The focus area includes climate change and climate adaptation, as well as areas such as biodiversity, resource efficiency and waste.

Climate & Environment is financially material and entails a systemic risk that affects the ecological, social and financial stability in both the global economy and in individual countries. Sectors and companies with links to Climate & Environment are exposed to significant risks and opportunities – physical, regulatory, technological and social. These risks could have a substantial impact on asset values and opportunities to generate returns over the long term.

The last hundred or so years of industrialisation and development of society have increased the global temperature by approximately 1°C. The current Nationally Determined Contributions to reduce carbon dioxide emissions are not enough and the world is heading towards a temperature increase of 2°C or significantly more by 2100. With rising temperatures and increased risk of extreme weather events causing widespread damage to nature and people, the cost of not acting quickly enough is far

too high. AP4 analyses the climate transition to identify what needs to be prioritised if the world is to successfully meet its climate targets and achieve climate neutrality. This analysis represents a key tool for AP4's climate scenario analysis and its thematic sustainability analysis and it also provides the basis for individual investment decisions in the asset management organisation.

Climate transition in line with the Paris Agreement

AP4 supports the Paris Agreement and the more ambitious Swedish environmental objective to achieve net zero GHG emissions (CO₂e) by 2045. In 2024, the listed equity portfolio's CO₂e Scope 1 + 2 emissions were reduced by a further 15%. AP4 has reduced CO₂e emissions for the listed equity portfolio by 70% since 2010. AP4's target is to further cut emissions in half from the 2020 level by 2030, with the ambition to achieve net zero emissions by 2040 at the latest.

Transparent climate reporting

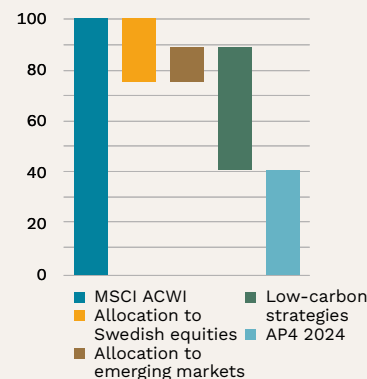
AP4 measures and reports CO₂e emissions in accordance with joint guidelines used by the AP Funds. AP4 reports CO₂e emissions for listed equities, unlisted real estate companies, liquid credits and government bonds. Together, these account for 85% of AP4's fund capital at the end of the year. See pages 83–84 for a breakdown of CO₂e emissions over time.

AP4 is working continuously to broaden its measurement and reporting to cover an even larger share of the portfolio as data with sufficient coverage and quality becomes available.

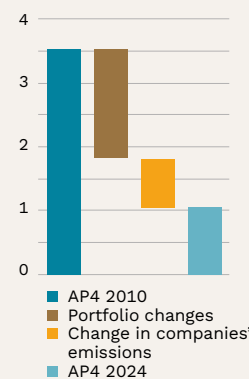
Investments in strong sustainability trends

The key to a successful climate transition is the rapid expansion of a fossil-free energy system. This will require significant investment in the generation, storage and distribution of fossil-free electrical energy.

Contribution to lower CO₂e emissions compared with global equity index, %

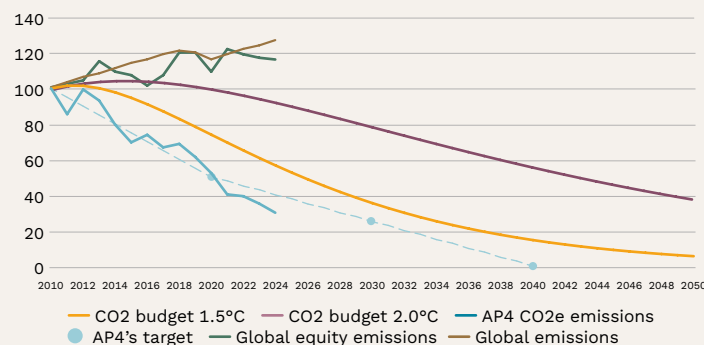


Change in CO₂e emissions 2010–2024, MtCO₂e



Since 2010, AP4's carbon emissions have decreased by 70%. Overall this means that AP4's carbon footprint is approximately 60% lower than for a broad global equity index. Of the emissions reduction since 2010, 48 percentage points are attributable to the fact that AP4 has reduced the portfolio's carbon emissions through portfolio changes. Companies' emissions reductions over the same period accounted for a reduction of 22 percentage points. Achieving the climate goals going forward requires that the companies that AP4 has ownership in continue to reduce carbon emissions in their own respective operations.

Annual greenhouse gas emissions, CO₂e¹



AP4's carbon emissions for the listed equity portfolio have continued to decrease. Unfortunately, we are not seeing a corresponding trend in global emissions, nor in the emissions of listed companies globally. For AP4 to achieve its net zero target, the portfolio companies need to reduce their emissions.

1. Source: Robbie Andrew (2019) based on Global Carbon Project and IPCC SR15 and AP4's calculations. AP4's emissions relate to the listed equity portfolio's Scope 1 and 2 emissions. Index 2010 = 100.

Access to reasonably priced energy is a prerequisite for maintaining a standard of living that makes the climate transition socially acceptable and therefore politically feasible. AP4 continuously analyses sustainability trends and developments in various sectors. The different asset management units actively seek out investments that they believe will contribute to and benefit from the transition to a sustainable society. The goal is to make good investments from both sustainability and financial perspectives. Thematic investments are based on an analysis that AP4 conducted for the first time in 2018 and which has since been updated on a regular basis. The analysis was based on a broad analysis of external factors to identify investment themes covering around 90% of global greenhouse gas emissions.

The following five main investment themes were identified:

- Decarbonise the energy system
- Clean up industry
- Fossil-free transport
- Protect the biosphere
- Green buildings and infrastructure

The thematic analysis focuses on understanding which value chains are affected and which are expected to be the winners and

losers in the sustainability transition. The thematic analysis underpins all investment processes, forms the basis for fundamental selections in resource-intensive sectors and also provides a basis to help identify dedicated thematic investments.

Based on the thematic sustainability analysis, during 2024 AP4 made new investments amounting to a total of SEK 4.6 billion. These investments consisted primarily of new commitments in unlisted equities. The themes of Clean up industry, Social sustainability (incl. health) and Green buildings and infrastructure were the main investment themes during the year.

Technology is developing at a rapid pace and the cost of a particular technology is usually critical to its success. AP4 is following developments in areas such as hydrogen production, energy storage and carbon capture. New areas specifically examined in 2024 were nuclear power, smart electricity grids and sustainable mining and transition metals.

Influence as owner

Over time AP4 has reduced the carbon footprint of its portfolio through portfolio changes. To achieve the climate goals, the companies that AP4 invests in must also reduce carbon

emissions in their own respective operations.

Responsible, long-term owners have an important role here. Many of the companies that currently have a large carbon footprint will be important for the transition. International owners together play an important role in exerting influence to ensure the transition is as effective as possible. Investors can define thresholds for unacceptable activities, such as the exploration and new exploitation of coal and oil. AP4 believes that systematically divesting from these companies is neither taking responsibility nor making a constructive contribution to the transition.

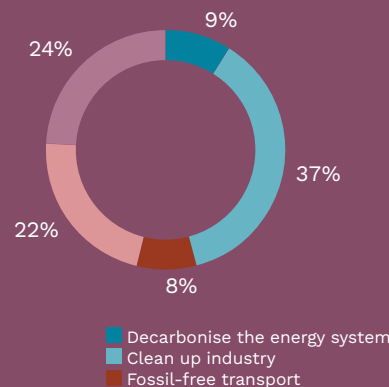
In its ownership role, AP4 influences companies and cooperates with other investors to broaden knowledge about how the climate issue can be addressed in the asset management operations. AP4 also engages in dialogues with political decision-makers to create conditions for the climate transition.

Thematic investments

AP4 identifies sustainability areas and global trends in which investments can generate expected favourable returns and contribute to sustainable development. The analysis focuses on understanding which value chains are affected and which are expected to be the winners and losers in the sustainability transition. The UN's 2030 Agenda, with its Global Goals, is aimed at governments rather than companies. Most of AP4's thematic investments are nevertheless considered to contribute directly or indirectly to several of the Global Goals.

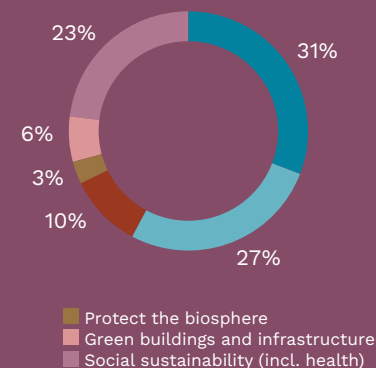
Breakdown of thematic sustainability investments 2024

In 2024, thematic investments were made totalling SEK 4.6 billion.



Breakdown of thematic sustainability investments 2020–2024

During the period 2020–2024, AP4 has made investments totalling SEK 42.6 billion.





MIKAEL ANVEDEN
Head of Strategic Investment
Analysis

Quantitative approach gave greater depth to AP4's climate scenario analysis in 2024

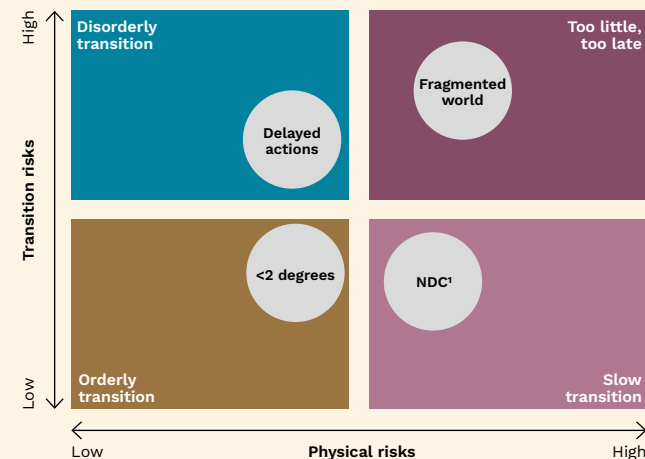
AP4's general climate scenario analysis is based on an assessment of the climate transition and its impact on expected growth and inflation. The starting premise is achievement of the Paris Agreement's goals, which entails a relatively rapid climate transition.

As a complement to the more general climate scenario analysis, AP4 works specifically with quantitative climate scenario analysis and thematic sustainability analysis of potential investment opportunities, two approaches that provide insights for strategic portfolio decisions as well as for the individual asset management mandates.

→ During the year, we have performed a quantitative climate scenario analysis in order to analyse our portfolio and generate insights for our asset management mandates, with the goal of further developing our climate strategies, says Mikael Anveden, Head of Strategic Investment Analysis at AP4.

The quantitative climate scenario analysis uses model-based frameworks from partners to try to estimate the impact, in terms of risk and return, of the sustainability transition and climate change on AP4's portfolio. As its starting point, AP4 uses four of the scenarios defined by the Network for Greening the Financial System (NGFS), a network of central banks and financial supervisory authorities that aims to contribute to green finance and to develop recommendations in this area.

→ In the analysis, we have assessed the impact on the portfolio of some of the NGFS climate scenarios: one scenario with



predominantly physical risks and another with mainly transition risks. The analysis has primarily concerned our existing equities and fixed income portfolio to give us an idea of how the portfolio might behave in different scenarios, says Mikael Anveden.

The results of the quantitative climate scenario analysis show that AP4 outperforms the benchmark on Scope 1 and 2 emissions, fossil fuels and adaptation to the Paris Agreement, indicating that AP4 has a portfolio that is better suited to managing the climate transition and climate change.

→ These successes are the result of our systematic sustainability strategies in global equities and our forward-looking climate ranking, the AP4 Alignment Score. This ranking assesses companies' alignment with the Paris Agreement, their ability to handle rising carbon emissions costs, and how the future energy transition may affect the market for the companies' products. One development this year is the inclusion of Scope 3 emissions in the AP4 Alignment Score. This is an important step forward, as Scope 3 often accounts for a large proportion of a company's carbon emissions and is a vital consideration for fully understanding a company's risk.

The NGFS produces scenarios for the transition involving different degrees of transition risk and physical risk. Transition risks arise from the shift to a greener economy, while physical risks relate to the direct impact of climate change.

1. NDC stands for Nationally Determined Contribution – national climate action plans.

The AP4 Alignment Score forms the basis for both a divestment and an optimisation strategy within our global equity portfolio, says Mikael Anveden.

One area where the climate scenario analysis identified potential for improvement is green revenues and patents. During the year, AP4 integrated new data sources within these areas into the models, which is an important step towards identifying and supporting innovative, sustainable companies. The quantitative climate scenario analysis is updated annually.



JULIA RIPA
Senior Analyst



PONTUS LIDBRINK
Head of Systematic equities

Systematic climate strategies an important part of the global equities portfolio

In AP4's systematic climate strategies, company selection takes place using quantitative equity strategies. The aim is to reduce climate impact while also generating a stable return. We continue to move towards our goal of achieving net zero in the portfolio by 2040 and halving our emissions again by 2030, measured from 2020.

During the year, AP4 further developed its internal sustainability ranking, the AP4 Alignment Score. As before, this examines how well companies are aligned with the 2°C target as well as the cost of current and future emissions. It now also takes into account indirect emissions (Scope 3) and green innovation, i.e. companies that invest in research and development to reduce climate impact, such as electric cars.

→ We want to create a robust portfolio that can handle different market scenarios while also minimising exposure to unwanted systematic sustainability risks. The benefits of this were clear in the aftermath of the US presidential election, when many sustainability strategies were negatively impacted while our portfolio performed well, says Pontus Lidbrink, Head of Systematic equities at AP4.

The AP4 Alignment Score provides a good picture of how well companies are aligned with the energy transition and how their products would be received in a greener society. Companies that have high carbon emissions and that need to be the driving forces in the climate transition tend to be either the best or the worst performers in the ranking.

→ This equity strategy focuses on companies that are important for the transition and supports companies that are in a transition process, while we also want to avoid being invested in companies with high emissions that do not have transition plans. Companies with lower emissions fall in the middle of the ranking and are not the main focus of this strategy. The strategy helps to weight the portfolio towards those companies that contribute to and benefit from the energy transition, says Julia Ripa, Senior Analyst at AP4.

It is a widely held view that there is a lack of knowledge and guidance for investors on how to address temperature alignment in portfolios.

→ To remedy this, AP4, together with Invesco (an independent global investment company), published a report during the year comparing a range of data on how well companies are aligned with the Paris Agreement. This report is a tool to help investors interpret and use different types of data so that they can more easily understand how different measurement methods can affect a portfolio's alignment with the Paris Agreement, explains Julia Ripa.

AP4 is continuing to invest in its systematic climate strategies and is further developing this work.

→ One example of an interesting area right now is Scope 3 carbon emissions, which represent a large proportion of many companies' emissions and are important to include in order to fully understand a company's risk. We have already included Scope 3 in our equity strategies and in 2025 we plan to continue this development work. We are seeing rapid development in Scope 3 data, which is enabling us to further develop our strategies, says Pontus Lidbrink.

AP4 continuously examines the impact of various climate parameters on the portfolio and intends to reduce the systematic risks in the portfolio. Related areas that AP4 is monitoring are biodiversity, physical risks and global water scarcity.

Metrics and goals

Focus area Climate & Environment

Goals	Outcome	
Contribute to a decrease in global climate emissions in accordance with the Paris Agreement	<p>-15% Change in portfolio's CO2e emissions in 2024.</p> <p>-70% Change in portfolio's CO2e emissions since 2010.</p>	<p>AP4's portfolio is to reach net zero by 2040 at the latest.</p> <p>Intermediate target to cut CO2e emissions in half by 2030 at the latest compared with 2020.</p> <p>For performance over time, see table in the Operational Data section on page 83.</p>
Make investments that reduce climate risk in the portfolio	<p>41% Portfolio's CO2e emissions as share of global equity index (MSCI ACWI).</p> <p>43% Portfolio's CO2e intensity as share of global equity index (MSCI ACWI).</p>	<p>Measures the listed equity portfolio's CO2e emissions based on each company's CO2e emissions weighted according to AP4's share of ownership in the respective companies.</p> <p>Measures the respective companies' CO2e emissions in relation to their revenue, weighted according to AP4's portfolio share in the respective companies.</p>
Make proactive investments that contribute to and benefit from the climate transition	<p>SEK 4.6 ^{bn} Proactive investments based on sustainability trends that contribute to and benefit from the transition to a sustainable society.</p>	<p>New commitments to proactive sustainability investments in the unlisted portfolio amounted to SEK 2.5 billion.</p> <p>In 2024, such new investments amounted to SEK 1.1 billion within listed equities and SEK 1.0 billion within fixed income.</p>

Goals	Outcome	
Evaluate potential asset management strategies based on identified indicators	<p>Achieved Description of analysis and implementation.</p>	<p>Updated climate scenario analysis. See interview on page 30.</p> <p>Updated quantitative climate model for systematic Global equities. See interview on page 31.</p> <p>Updated roadmaps for climate-intensive sectors. See interview on page 19.</p>
Advocate for climate transition	<p>-11% Changed CO2e emissions owing to AP4's portfolio changes in 2024.</p> <p>-4% Changed CO2e emissions owing to portfolio companies' reduced emissions in 2024.</p>	<p>AP4 has reduced the portfolio's CO2e emissions through portfolio changes. Since 2010, emissions have been reduced by 48 percentage points due to portfolio changes and by 22 percentage points as a result of reductions in emissions by companies. To achieve the climate goals, the companies that AP4 has invested in must also reduce CO2e emissions in their respective operations.</p> <p>AP4 supports organisations such as the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+ (CA100+). The latter aims to influence the 168 companies with the largest carbon emissions to take measures to reduce their carbon footprints.</p> <p>In 2024, AP4 has conducted company dialogues within the energy sector on climate goals and submitted shareholder proposals for such ahead of annual general meetings.</p>



Photo: Vasakronan, Gustav Kaiser

Focus area: Corporate governance – for long-term company development

Corporate governance work aims to generate the highest possible return over time with the goal that the companies' operations will develop and be conducted responsibly.

Active corporate governance is an effective tool for creating and preserving shareholder value over time. Within the corporate governance framework, AP4 works with matters such as board composition, capital structure, structuring of long-term remuneration programmes, diversity of human capital, the portfolio companies' work with sustainability matters and transparency in reporting. The work takes into account the views of the company's various stakeholders in order to best promote the company's long-term development. AP4 takes into consideration other owners' interests as well as what is best for the company in question.

Owners and market participants

Well-functioning stock markets are fundamental for long-term investors to be able to generate

high and long-term sustainable returns. AP4 often works together with other owners and market participants through various cooperation initiatives and industry organisations, as described on page 37.

Ownership policy – a guardrail

AP4's corporate governance work aims to create the most value for each individual company and is based on the assessment that is continuously made of each individual company's specific situation and needs. The work is also based on the key principles of the ownership policy concerning shareholder rights, influence on material issues including sustainability, and the importance of transparent and relevant information. AP4's corporate governance work is characterised by responsibility, active engagement and a long-term approach.

The tools and conditions for exercising corporate governance vary between different forms of investment. Ownership tools used by AP4 include ongoing dialogue with companies in which AP4 is an owner, both individually and in conjunction with other shareholders, work on nomination committees and voting at general meetings.

Corporate governance in Swedish companies

AP4's holdings in Swedish listed equities are selected through fundamental active management, which has resulted in AP4 becoming a significant owner in a number of companies. AP4 is among the ten largest owners in more than 100 companies and among the five largest owners in around 70 companies. We closely monitor developments in these companies and maintain an

ongoing dialogue with their boards and management. AP4's decisions and positions on corporate governance are based on an individual analysis of each company's situation and conditions for value creation.

In 46 companies, AP4 has participated on the companies' nomination committees ahead of the annual general meetings for 2024 and has a responsibility for evaluating the work and performance of the boards as well as for the succession within the boards.

In addition to the decisions that are customarily handled by nomination committees, AP4 works mainly with governance issues that are subject to a resolution at a general meeting of shareholders, such as capital structure, remuneration and incentive programmes, and strategic matters. AP4 also works with a specific focus on incentive programmes. We want programmes that provide clear incentives and train the executive management's focus on the long-term development that we want to see at the individual companies.

Work on nomination committees

AP4 was represented on the nomination committees of 46 companies ahead of the annual general meetings for 2024. At a majority of the companies, AP4 has been working on the nomination

committees for many years, which provides the opportunity to deepen our knowledge and understanding of the challenges that the companies face. In 2024, the value of the holdings in these companies represented approximately 53% of the total value of AP4's Swedish equity portfolio. Working on nomination committees provides an opportunity to influence long-term value creation in a large part of the total Swedish equity portfolio and is also a significant risk management tool for AP4.

As an active owner, one of the most important duties is to evaluate and make recommendations for elections of company boards. AP4 does this by serving on nomination committees, where a significant aspect entails evaluating the board's work and performance, and analysing and identifying the competencies and experience that are needed for each individual company's board. These assessments by AP4 are always grounded in the analysis that is continuously performed for each investment. AP4 interviews some or all of the board members of all companies. Typically all board members are interviewed and the chair of the board is interviewed to a special extent.

Over time, AP4 has seen that the workload for boards of listed companies has grown in scope,

complexity and time. This has required a greater work effort by directors and placed higher demands on experience and expertise that are essential to the individual company. The recruitment of new members is usually based on a long-term succession plan and has a strong focus on the specific challenges and competence needs of the companies. Recruitment processes are increasingly adopting a global perspective in order to find the most suitable candidates.

Increased diversity on company boards

For many years, AP4 has advocated for at least one person from the underrepresented gender being included as a final candidate in nominations for new board members. This has yielded good results over time and has helped bring about a higher share of women on the company boards for which AP4 participates on the nomination committee. For the companies in which AP4 worked on the nomination committee in 2024, the share of women directors was 36%. This level is in line with the average for listed Swedish companies overall, which is 36%. In 2024, the proportion of women among newly elected directors where AP4 worked on the nomination committees was 45%.

Work on nomination committees

Work on nomination committees	2024	2023	2022	2021	2020
Swedish nomination committees on which AP4 has worked, number	46	56	46	40	39
- corresponding to % share of the number of companies in which AP4 was offered a seat on the nomination committee due to its ownership	92%	93%	92%	85%	98%
Share of women on Swedish company boards where AP4 worked on the nomination committee, %	36% ¹	38%	38%	36%	38%
Share of companies with final candidates of both genders where AP4 worked on the nomination committee, %	48% ²	28%	50%	47%	52%
Share of newly elected women directors on Swedish company boards where AP4 worked on the nomination committee, %	45%	54%	39%	20%	44%

Voting at general meetings

Voting at general meetings	2024	2023	2022	2021	2020
Voting at general meetings (annual and extraordinary) in Sweden, number	136	131	125	147	109
- corresponds to % participation at AGMs of AP4's total number of holdings in listed Swedish equities	79%	74%	88%	69%	51%
Voting at general meetings of foreign companies (annual and extraordinary), number	1,221	1,216	1,267	1,064	1,043
- corresponds to % participation at general meetings of AP4's total number of holdings in listed equities globally	100%	100%	100%	77%	73%

- 1) The decrease for the previous year is attributable entirely to the change in composition of companies where AP4 is a member of the nomination committee.
- 2) For many years, AP4 has advocated for at least one person from the underrepresented gender on each board being included as a final candidate in the recruitment of new board members. At those companies where new board members were proposed in 2024, all the final candidates were women at 28% of the companies. The proportion of companies with final candidates of both genders was 48%. The proportion of companies where all final candidates were men was 24%.

Voting at general meetings of Swedish companies

AP4 prioritises general meetings of Swedish companies in which it has a significant shareholding or where AP4 is one of the company's larger owners, as well as general meetings at which a matter of a principle nature is addressed. Through its work on nomination committees ahead of the 2024 AGM season, AP4 contributed to proposals on the election of board chairs, board members, board fees and auditors at 46 companies.

Many of the matters that were addressed ahead of and at Swedish companies' annual meetings in 2024 involved remuneration, capital structure and board work – matters that AP4 has worked with for many years. AP4 and the majority of Swedish owners want

to see remuneration programmes with relevant and clear performance requirements. During the year, AP4 considered around 80 proposals for employee incentive programmes. In some 30 cases, AP4 engaged the company in a detailed dialogue before its board adopted the proposal. In a dozen or so cases in which AP4 voted in favour of such proposals, the companies amended the proposals after receiving AP4's views. In five cases AP4 voted against the proposals, typically owing to insufficient, or the absence of, performance criteria. One proposal was submitted relating to an incentive programme for board members. Such proposals often have a short-term focus and, in addition, complex terms that could affect the integrity of

the board members, which is why AP4 does not normally support such proposals. Since AP4 has consistently communicated this view, the number of proposals has decreased in recent years at the companies where AP4 is an owner.

AP4 usually votes in favour of authorisations for issues without preferential rights of up to 10%. AP4 supports larger authorisations only in exceptional cases, where special reasons exist. In a few cases, AP4 has supported authorisations for up to 20% at smaller companies with a large predictable capital requirement, predominantly companies in the Life Sciences sector. Most shareholder proposals submitted to general meetings of Swedish companies by individual smaller shareholders have been of such an operational nature that

AP4 has determined that a general meeting is not the right decision-making forum and has therefore voted against them. In certain cases it was determined that the proposal was not in the company's or shareholders' interests.

Corporate governance in foreign companies

AP4's ownership in foreign companies is more dispersed and its share of ownership is often less than 0.1% of the company. AP4 uses a number of different ownership tools abroad, such as individual dialogue with companies, dialogue with companies in conjunction with other shareholders, collaboration in various investor initiatives, and voting and submitting proposals at general meetings. AP4 votes on the basis of AP4's Corporate governance policy and taking into account differences in the laws, regulations and practices of local markets. Shareholders' rights, influence and transparency of information provided by companies vary from country to country.

One example of AP4's work during the year is its submission, together with the Follow This organisation and 27 other institutional investors, of a shareholder proposal to Shell's annual general meeting. AP4 and the other investors submitted an advisory proposal to Shell that the company

should show greater clarity in its Energy Transition Strategy (ETS) to achieve carbon neutrality by 2050 and that the company should set targets for Scope 3 emissions in the medium term in line with the Paris Agreement. The shareholder proposal did not pass, but was supported by 19% of the votes at the annual general meeting. AP4 continues to work towards this goal in its dialogue with the company.

AP4 has maintained a dialogue with Amazon over several years. There are regular reports of incidents that indicate the company is not fulfilling its obligations in relation to trade union rights and the right to collective bargaining. In view of these serious reports and their perceived systematic nature, AP4, together with a group of investors, submitted a shareholder proposal to Amazon's annual general meeting in 2024. The Board of Directors was asked to commission an independent, third-party review of how Amazon is fulfilling its obligations in relation to labour rights, as outlined in Amazon's Global Human Rights Principles. More than 30% of shareholders voted in favour of this proposal at the AGM. AP4 is continuing its dialogue with Amazon.

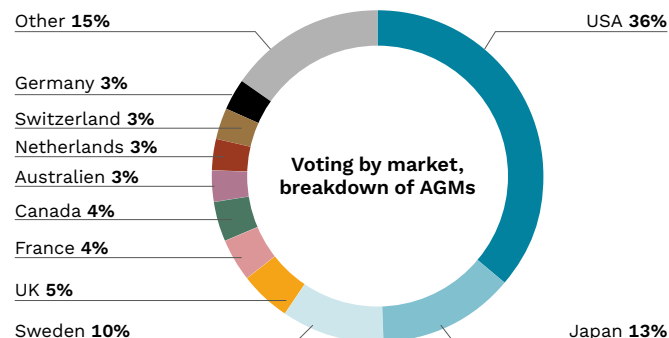
AP4 has visited TotalEnergie in Uganda to deepen our knowledge of how their operations comply with our requirements in terms of both impact on nature and

ecosystems and social aspects.

AP4 collaborates with over 60 international investors in the Investor Initiative on Hazardous Chemicals (IIHC), where we engage together in dialogue with chemical companies to increase transparency and work to reduce, phase out and develop alternatives to so-called "forever chemicals" such as PFAS. The IIHC is coordinated by ChemSec, experts in hazardous chemicals.

Voting at general meetings of foreign companies

In foreign companies, AP4 votes, for example, in favour of proposals that protect the rights of small shareholders, the opportunity for shareholders to submit proposals at general meetings and to convene extraordinary general meetings, for greater diversity on company boards, that the CEO and chair of the board are not the same person, and that auditor's mandate is for no longer than 10 years. AP4 supports proposals that are designed to ensure the companies do good work and have transparent reporting on sustainability, i.e. how the company manages climate and environment, social responsibility and corporate governance. This includes, for example, how the companies work to reduce their emissions of carbon dioxide and hazardous chemicals, protect human rights and the health and



safety of their employees, promote good business ethics, combat corruption and ensure transparency concerning any lobbying activities of the company.

In 2024, AP4 voted against 8% of proposals for the re-election of directors. These mainly pertained to re-election of directors or a chair of a board committee that drafted proposals to the general meeting that were not in compliance with generally accepted corporate governance practice. It also applied to directors involved who failed to heed the urgings of previous general meetings for improvements. These may relate, for example, to the content and transparency of remuneration for senior executives, lack of diversity on the board or the proposal of the CEO as chair of the board, as well as transparency relating, for example, to remuneration programmes for senior executives where the composition and independence of the board were not in compliance with best practice.

AP4 voted against 37% and 65%, respectively, of board recommendations pertaining to variable remuneration programmes and takeover protections.

With respect to shareholder proposals pertaining to climate matters, health, corporate governance, social aspects and human rights, AP4 voted in favour of the shareholder proposals in 75% of cases. Occasionally, similar shareholder proposals are submitted

to several companies on different sustainability matters. In those cases where shareholders have proposed something that the company in question has already provided information about or has already achieved, or if the proposal is too detailed, AP4 has generally voted against the proposal. There are certain shareholder proposals, therefore, that AP4 does not support.

Corporate governance in unlisted companies

AP4 invests in unlisted real estate companies, funds and private equity companies. AP4 wants to be a significant investor and is represented on a total of 77 investor bodies such as boards or LPACs, corresponding to 83% of investments. AP4 is active on the boards of seven unlisted companies. Alongside the formal corporate governance regulated in investor agreements, AP4 also pursues informal governance, mainly through a range of dialogues. This may involve driving issues that are in line with AP4's ownership agenda but have not yet been adopted by the board or other shareholders in order to bring about change or development. It may also include dialogue with other investors to influence a company or asset manager to move in a specific direction.

Finally, AP4 also works long-term in various industry organisations and forums to create better conditions for good corporate governance.

Metrics and goals

Focus area Corporate governance

Goals

Participate on nomination committees by virtue of ownership stake

Outcome

46

Number of nomination committees in listed Swedish companies

53%

Share of portfolio value where AP4 is represented on nomination committees

77

investor bodies in unlisted investments

One of the most important duties for an active owner is to evaluate and appoint a company's board. AP4 does this by serving on the nomination committees of listed companies. AP4 has chosen to refrain from taking a seat on a small number of nomination committees, for example because the company holding is being divested or in some cases when another institutional owner is deemed well suited for the work.

AP4 has served on 77 investor bodies in unlisted investments, including boards, nomination committees and investor committees.

Advocate for greater diversity among board members, especially in terms of gender balance

45%

Share of women among newly elected directors

The share of women among newly elected directors was lower in 2024 than in the previous year.

Exercise voting rights at Swedish companies' AGMs

136

Number of Swedish company AGMs at which AP4 voted

AP4 prioritises general meetings of Swedish companies in which it has a significant shareholding or where AP4 is one of the company's larger owners as well as general meetings at which a matter of a principle nature is addressed.

Exercise voting rights at foreign companies' AGMs

1,221

Number of foreign company AGMs at which AP4 voted

When AP4 votes at general meetings of foreign companies, its focus is on issues related to transparent reporting and satisfactory handling of issues that pertain to climate matters, the environment, social aspects and corporate governance.

Support initiatives that advocate for shareholders' rights and companies' work with sustainability

Achieved

Qualitative assessment

AP4 is a co-founder of the Institutional Owners Association (IÄF) and a member of the ICGN. AP4 also supports the Institutional Investors Group on Climate Change (IIGCC), the Transition Pathway Initiative (TPI) and Climate Action 100+ (CA100+), which strive to influence companies with the largest carbon emissions to take measures to reduce their carbon footprints. See also next page.

AP4's sustainability collaborations

By collaborating with other investors in the area of sustainability, AP4 gains greater strength to influence companies toward change. Presented here are a few investor partnerships and industry organisations that AP4 works through.



Institutional Owners Association

An association for institutional owners on the Swedish stock market that works to promote positive development of self-regulation on the stock market. IÄF is one of the principals of the Association for Generally Accepted Principles in the Securities Market, which operates through a number of self-regulation bodies in the Swedish market, including the Swedish Securities Council, the Swedish Securities Council's self-regulation committee, the Swedish Corporate Governance Board, the Council for Swedish Financial Reporting Supervision and the Swedish Financial Reporting Board.



Investor Initiative on Hazardous Chemicals (IIHC)

An investor-led collaboration of 60 institutional investors coordinated through ChemSec, the International Chemical Secretariat, a non-profit environmental organisation. Its goal is to reduce the adverse effects of hazardous chemicals and the associated economic risks through joint advocacy dialogue with companies. The investors are demanding greater transparency in company reporting, a public, time-bound phase-out plan and that the companies develop safer alternatives to hazardous chemicals.



Transition Pathway Initiative

An international collaboration led by institutional investors that provides an open database assessing how companies are transitioning in line with the Paris Agreement. The assessment is academically robust and independent and is based on public information and uses transparent methodology. The company assessments provide support for other investor collaborations such as CA100+. AP4 collaborates with AP1, AP3 and AP7, which have a joint representative in the TPI's investor Steering Group.



International Corporate Governance Network

An international collaboration led by institutional investors that promotes the development of effective standards of corporate governance and investor stewardship worldwide to contribute to effective markets and sustainable economies. The ICGN was established in 1995.



The Institutional Investors Group on Climate Change

A membership body for institutional investors to work together to curb climate change. Among other things, the IIGCC facilitates collaboration between institutional investors and the coordination of advocacy dialogues with companies, politicians and other investors. The IIGCC develops guidance, tools and frameworks.



Climate Action 100+

An investor-led collaboration that aims to engage in dialogue with and influence the listed companies that emit the largest amounts of greenhouse gases to take necessary action on climate change.



Principles for Responsible Investments

An organisation that works for responsible investment aimed at increasing the responsible action of companies and operators in relation to ethics and the environment. AP4 has been a signatory of the principles since 2007.

The Fourth Swedish National Pension Fund’s sustainability report for 2024

The Fourth Swedish National Pension Fund (AP4) has prepared a sustainability report for the 2024 financial year.

The sustainability report is based on the AP Funds’ joint guidelines for reporting on how the goal of exemplary asset management has been achieved. AP4 strives to follow the guidelines for sustainability reporting set out

in the Swedish Annual Accounts Act, as amended by SFS 2016:947 (which includes the directive on non-financial disclosures).

Sustainability reporting is presented in this report on pages 11–37 and on pages 73–88.

Auditor’s opinion regarding the Fourth Swedish National Pension Fund’s sustainability report

For the Fourth Swedish National Pension Fund, corporate identity number 802005-1952

Engagement and responsibility
It is the Board of Directors that is responsible for the sustainability report for the year 2024 and for its preparation in accordance with the Fourth Swedish National Pension Fund’s principles for sustainability reporting.

means that our examination of the sustainability report is substantially different and 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.

The scope of the audit
Our examination has been conducted in accordance with FAR’s auditing standard RevR 12, The auditor’s opinion regarding the statutory sustainability report. This

Opinion
A sustainability report has been prepared.

Stockholm, 20 February 2025

Stockholm, 20 February 2025

Johan Gyllenhoff Chair of the Board	Henrik Rättzén Vice Chair of the Board	Helén Eliasson
Monika Elling	Anders Johansson	Per Strömberg
Roine Vestman	Ingrid Werner	Aleksandar Zuza
	Niklas Ekvall CEO	

Helena Kaiser de Carolis Authorised Public Accountant	Peter Nilsson Authorised Public Accountant
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Annual Report

According to the Swedish National Pension Funds Act (Lagen (2000:192) om allmänna pensionfonder), the annual report shall be prepared in accordance with generally accepted accounting principles, entailing that the assets in which the AP Funds invest shall be recognised at market value.

AP4's return after costs was over 10.1% for 2024. The net result for the year was SEK 50.7 billion. After net payments for the year of SEK 2.0 billion from AP4 to the pension system, AP4's fund capital increased from SEK 499.6 billion at the beginning of 2024 to SEK 548.2 billion at its end.

Directors' Report 2024

AP4's return after costs was 10.1% (9.6%). The net result was SEK 50.7 billion (43.9). Fund capital at year-end 2024 amounted to SEK 548.2 billion (499.6). Over the last ten-year period, 2015–2024, the return after costs has averaged 8.0% (8.5%) per year and the cumulative surplus over the ten-year period has been almost SEK 313 billion.

Result and fund capital

The net result for the year was SEK 50.7 billion (43.9). After net transfers for the year of SEK 2.0 billion (4.8) from AP4 to the national pension system, AP4's fund capital increased by SEK 48.7 billion (39.1) from SEK 499.6 billion at the beginning of 2024 to SEK 548.2 billion at its end.

SEK billion	2024	2023
Fund capital, opening balance	499.6	460.5
Net payments to the pension system	-2.0	-4.8
Net result for the year	50.7	43.9
FUND CAPITAL, CLOSING BALANCE	548.2	499.6

Mission, commitment and long-term return target

AP4's mission is based on the statutory mission to manage the fund assets in such a way that they provide the greatest possible benefit to the income pension system. The total risk level must be low and the fund capital must be invested at the chosen risk level in a way that achieves a high long-term return.

In order to give substance to the long-term mission, every three years AP4 conducts an Asset Liability Management (ALM) analysis of its obligations in the pension system. In this analysis, AP4 strives to strike a balance between the expected return and risk that best contributes to a long-term strengthening of the pension system while at the same time limiting the risk for reductions of outgoing pension payments through activation of the automated balancing mechanism. In this work, AP4 ensures that one generation of pensioners does not benefit at the expense of another.

The analysis is used to set AP4's long-term return targets and suitable long-term ranges for the proportion of equities, currency exposure and average duration of fixed income investments.

AP4 last performed such an ALM analysis in 2023 and concluded that the long-term real return target of 3.5% on average per year should be maintained. The appropriate range for AP4's equity allocation was kept unchanged at 50–70% of the fund capital. The ranges for currency exposure and the average duration of the fixed income portfolio were also kept unchanged at 20–40% and 3–9 years respectively. This is deemed to continue to ensure a well-considered balance between the system's long-term financial position and the risks for balancing.

Benchmark portfolio and medium-term return target

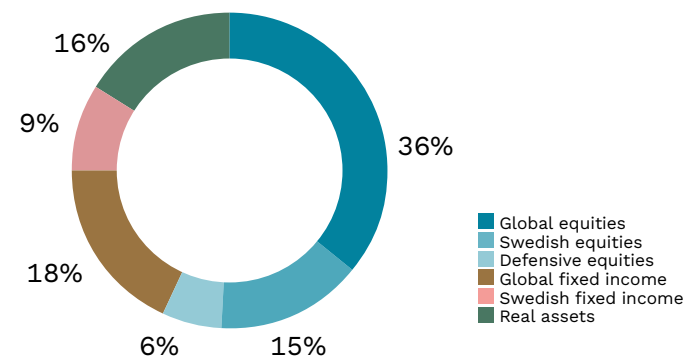
The Dynamic Normal Portfolio (DNP) embodies the Board's decisions on AP4's medium-term asset allocation. The DNP is a benchmark portfolio of a number of asset classes represented by various market indexes – where such relevant indexes exist – such as for listed equities and fixed income assets. A real return target is set for the asset class Real assets. Decisions on sustainability-based exclusions are reflected in the design of the DNP. In connection with decisions on the DNP, the Board also decides on a medium-term return target over a 10-year period.

Every two years, AP4 performs an analysis of medium-term macroeconomic and market-related conditions. This analysis provides the basis for the Board's decisions on the DNP and medium-term return target. Such an analysis was performed in 2024 and led to decisions on the following changes for 2025:

- The proportion of the Defensive equities asset class in the DNP is increased from 5% to 7%, with a corresponding decrease in Fixed income from 27% to 25%.
- The duration of the Global fixed income asset class is increased from 5 to 6 years.
- The medium-term return target is increased from 3.0% to 3.5% per year.

AP4's long-term mission and the higher expected return for equities compared with fixed income assets justifies a higher allocation to equities in the portfolio. AP4 has considerable exposure to Sweden in equities and fixed income investments, which is justified partly by higher expected returns relative to many other markets and partly by favourable opportunities for AP4 to generate excess returns in this market as well as to lower currency hedging costs.

Asset allocation as per 31/12/2024



Operative portfolio

The day-to-day management of AP4's fund capital is based on the asset allocation stipulated by the DNP and the active risk mandate of 5% active risk (ex-ante tracking error) that the Board has decided on. The portfolio's active return is evaluated in relation to the performance of the DNP. The total return for AP4's portfolio was 10.2% (9.6%) before costs and 10.1% (9.6%) after costs.

All asset classes reported a positive return in 2024. The strong performance of the stock markets in 2024 was the main contributor to the positive return. The Global equities asset class had a return of 17.4% (17.7%), Swedish equities 8.4% (18.3%) and Defensive equities 14.5% (15.0%). The Global fixed income asset class had a return of 0.1% (4.6%) and Swedish fixed income 3.6% (3.7%). Real assets, consisting mainly of unlisted real estate and infrastructure, reported a return of 2.9% (-5.4%).

Annual return, %	AP4	Return target	Income index
1 year	10.1	3.8	2.6
5 years	6.8	7.4	3.4
10 years	8.0	6.4	3.0
Since 2001	6.6	6.1	3.0

AP4's long-term return is evaluated over two time periods – since the start of the new pension system in 2001 and over the last ten-year period. The goal is to exceed both the performance of the income index and the return target set by the Board of Directors.

Since the start in 2001, the annualised return after costs has averaged 6.6%, compared with the real return target which, indexed for inflation, has averaged 6.1%. The income index has increased by 3.0% per year over the same period of time.

Over the past ten-year period, the return after costs has averaged 8.0% per year, the real return target has averaged 6.4% per year and the income index has increased by an average of 3.0% per year.

Asset class	Market value, SEK bn	Portfolio-return ¹ , %	Exposure ² , %	Return contribution ¹ , %	Net result contribution ² , SEK bn
Global equities	200.0	17.4	36.5	6.0	30.1
Swedish equities	81.7	8.4	14.9	1.4	6.7
Defensive equities	32.4	14.5	5.9	0.8	3.7
Global fixed income	97.1	0.1	17.7	0.0	0.1
Swedish fixed income	48.3	3.6	8.8	0.4	1.8
Real assets	88.6	2.9	16.2	0.5	2.4
Other assets ³	0.0	0.0	0.0	0.0	0.0
Currencies	0.0	1.1	0.0	1.1	6.2
Total investments	548.1	10.2	100.0	10.2	51.0

1) Portfolio return, return contribution and net result contribution are reported before costs. The portfolio return after costs was 10.1% (9.6%). The result after costs was SEK 50.7 billion (43.9).

2) Underlying values of derivative instruments in the passive allocation are distributed among the respective asset classes.

3) Consists mainly of various overlay mandates.

The active return relative to the DNP was -1.4 percentage points before costs. One reason for the negative active return was that the Global equities asset class performed worse than the benchmark index, mainly because unlisted equities had a lower return than the benchmark index. The return on Real assets was below the target return of CPI + 3 percentage points. Swedish equities performed marginally worse than the benchmark index.

AP4's active return is evaluated over a five-year period. For the most recent evaluation period, the active return for AP4's portfolio has, on average, been -0.7 (0.3) percentage points per year, which is lower than the active return target of 1.0 percentage points per year.

Other assets consist mainly of asset allocations in the form of so-called overlay mandates. The return contribution in 2024 was 0.0 percentage points (0.0).

Annual active return before costs, %	2024	5 years (2020–2024)
AP4	-1.4	-0.7
Active return target	1.0	1.0

Portfolio risks

Portfolio risk for the operative portfolio at year-end 2024, measured as a 12-month historical standard deviation based on daily observations, decreased to 5.4% from the preceding year's level of 5.7%. Using daily market movements during a one-year period as a measure of risk is standard practice, but has limited relevance as AP4's investment horizon is considerably longer.

Active risk for the Operative portfolio is measured in relation to the DNP. Active risk for AP4's operative asset management, measured with a 12-month historical standard deviation based on daily observations, decreased during the year and was 1.4% (1.8%) at year-end. Further information is provided in Note 20.

Equities exposure

Equities exposure at year-end was 57.3% (55.2%). Equities exposure varied during the year between 55.1% (51.7%) and 58.2% (57.3%).

Currency exposure

Open currency exposure, i.e. the share of assets in foreign currencies that is not neutralised through currency hedges, was 19.4% (21.6%) of total

assets at year-end. The return contribution from AP4's open currency exposure was 1.1 (-0.1) percentage points. Over a five-year period, AP4's open currency exposure has contributed an average of 0.9 (1.0) percentage points to the return per year. AP4's open currency exposure in the operative portfolio in 2024 varied between 17.9% (16.8%) and 22.0% (21.6%).

Interest rate risk

Interest rate risk, measured in terms of modified duration, varied during 2024 between 4.0% (3.4%) and 5.4% (4.2%) during the past year. At year-end, modified duration of the fixed income portfolio was 4.8% (4.2%). The share of listed AAA¹ credit risk classified bonds decreased during the year and was 56% (57%) of the fixed income portfolio at year-end. The share of BBB¹-rated bonds at year-end was 22% (23%).

Exposure to issuers

AP4's ten largest exposures to issuers together amounted to slightly more than SEK 187 billion (151) at year-end 2024. Of these, 54% (46%) consisted of sovereign exposures and 13% (11%) consisted of exposures to the banking and financial sector. The ten largest holdings in the banking and financial sector represented a combined exposure of SEK 46 billion (39).

Costs

AP4's total management cost ratio was 0.07% (0.08%), measured as a percentage of average fund capital. The total management cost consists of operating expenses and commission expenses.

Operating expenses

Operating expenses consist mainly of personnel costs, information costs and IT costs. AP4's operating expenses amounted to SEK 291 (281) million. This corresponds to a management cost ratio of 0.06% (0.06%), measured in terms of operating expenses as a proportion of average fund capital.

Personnel costs amounted to SEK 170 (162) million. The increase compared with the previous year is partly the result of general salary development and partly of the conversion of variable salary to fixed salary. The Board of Directors has decided that as of 2024, variable remuneration will no longer apply.

1. The credit risk classification (rating) presented pertains to an internal standard. The assessment in this standard is based on the ratings issued by the selected rating agency (Moody's Analytics UK Ltd).

Multi-year overview

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Opening fund capital (SEK bn)	499.6	460.5	527.6	449.4	418.0	349.3	356.6	333.9	310.0	294.9
Net payments to the pension system (SEK bn)	-2.0	-4.8	-4.7	-7.5	-7.9	-6.5	-6.8	-7.4	-6.6	-4.9
Net result for the year (SEK bn)	50.7	43.9	-62.5	85.7	39.3	75.2	-0.5	30.1	30.5	20.1
Closing fund capital (SEK bn)	548.2	499.6	460.5	527.6	449.4	418.0	349.3	356.6	333.9	310.0
Return, total portfolio before costs (%)	10.2	9.6	-11.8	19.3	9.7	21.8	-0.1	9.2	10.1	6.9
Return, total portfolio after costs (%)	10.1	9.6	-11.9	19.2	9.6	21.7	-0.2	9.1	10.0	6.8
Active return before costs (%) ¹	-1.4	-3.4	-3.8	3.5	2.4	4.4	2.3	-1.1	1.0	4.8
Return, total portfolio after costs, annualised 5 yrs (%)	6.8	8.9	6.9	11.6	9.8	9.3	8.1	11.5	12.0	9.7
Return, total portfolio after costs, annualised 10 yrs (%)	8.0	8.5	9.2	11.8	9.7	9.9	9.9	7.3	6.7	6.7
Standard deviation ex-post, total portfolio (%) ²	5.4	5.7	9.4	6.1	13.6	5.3	6.4	4.1	7.3	8.8
Standard deviation total portfolio, ex-post, 10 yrs (%) ³	9.1	9.1	9.0	7.8	8.3	6.7	7.5	8.6	8.8	9.0
Active risk ex-post, active management (%) ⁴	1.4	1.8	2.0	1.9	1.7	1.2	1.5	1.7	2.7	2.8
Currency exposure at balance sheet date (%)	19	22	19	21	21	20	18	18	27	27
Share of externally managed capital (%) ⁵	21	21	20	16	14	15	16	17	23	22
Asset management costs, excl. commission expenses (%)	0.06	0.06	0.05	0.05	0.06	0.06	0.06	0.06	0.06	0.06
Asset management costs incl. commission expenses (%)	0.07	0.08	0.08	0.08	0.09	0.10	0.10	0.10	0.10	0.11

1) AP4's operative portfolio is evaluated against a benchmark portfolio made up of a number of market indexes with set asset weights. The market indexes used are hedged to SEK. AP4 can use its tax status as a state pension fund and during 2024 this gave a positive contribution of 0.17 (0.19) percentage points.

2) Pertains to daily return data unless indicated otherwise.

3) Pertains to quarterly data for total assets.

4) Active risk, calculated as standard deviation, measured on a yearly basis, in the difference in the return between the operative portfolio and the benchmark portfolio.

5) Includes investments in private equity companies.

Information costs and IT costs amounted to SEK 84 (87) million. The change compared with the previous year is partly the result of general cost increases and partly because, unlike in the previous year, it has been possible to capitalise most of the costs associated with the implementation of a new portfolio system.

Other management costs amounted to SEK 37 (32) million. The increase compared with the previous year is the result of general cost increases.

Commission expenses

Commission expenses consist mainly of fees paid to external asset managers and of custodian fees.

Commission costs amounted to SEK 104 (118) million. This corresponds to a commission cost ratio of 0.01% (0.02%), measured in terms of commission costs as a proportion of average fund capital.

Commission costs decreased as a result of lower external management fees, due to the restructuring or liquidation of certain external fund investments. The proportion of externally managed capital was 21% (21%) at year-end.

Collaboration between the AP Funds

The AP Funds' Collaboration Council was established in 2016 with the aim of collaborating in areas outside of the investment operations with the goal to achieve cost efficiency, efficient use of resources and exchange of experience and knowledge. Collaboration takes place in eleven collaboration groups, all of which are driven based on the value added that is created for each of the individual AP Funds as well as for the Funds jointly.

Every year each collaboration group formulates its own mission statement and action plan, which is followed up and reported semi-annually to the Collaboration Council. At the end of the year, this work is summarised in a report to the Funds' CEOs.

An ongoing exchange of experience and coordination took place during the year in areas such as procurement-related issues, regulatory matters, reporting requirements, IT security and in the field of systems, where AP3 and AP4 have continued to collaborate on the development and implementation of a new system platform.

Implementation of a new portfolio system

AP4 carried out the public procurement of a new portfolio system jointly with AP3. The portfolio system procured covers the entire business flow

and includes analysis and portfolio management, order placement, compliance monitoring, transaction administration, financial accounting, and the monitoring and reporting of risk and return. The new portfolio system is standardised, flexible and scalable and will replace several existing systems, helping to simplify the system infrastructure and reduce dependency on human resources. The benefits of the new system solution will also increase the ability to respond more rapidly to new and changing needs both from within the organisation and from the outside world. The implementation phase has been ongoing during 2024 and production is planned to start in 2025.

Personnel

The average number of employees during the year was 67 (66), calculated as full-time equivalents. At year-end the total number of employees was 69 (76). Employee turnover at AP4 was 21% (12%). After adjusting for temporary/hourly rate employees, primarily students, employee turnover was 11%.

In May 2024, the government appointed Johan Gyllenhoff as Chair of the Board. He had been Acting Chair since October 2023. At the same time, Henrik Rättzén, a Board member since 2019, was appointed Vice Chair and Roine Vestman was appointed as a new Board member.

Remuneration

For a manager of public pension funds it is essential that employee remuneration levels for AP4's employees are reasonable, justifiable and explainable. AP4 strives to ensure that its remuneration is in line with the market and enables AP4 to recruit and retain competent personnel. AP4 shall not be a salary leader. The Board bears ultimate responsibility for remuneration issues. Every year the Board adopts principles for remuneration and other terms of employment.

The Board is responsible for monitoring compliance with the government's guidelines for terms of employment for senior executives in the AP Funds. The Board solicits the help of external consultants to monitor compliance with the remuneration principles. The Board has appointed a Remuneration Committee that is tasked with serving in an advisory role for the Board and for drafting remuneration matters for the CEO and senior executives. The Remuneration Committee also conducts drafting work for matters related to AP4's principles for remuneration and other terms of employment for all employees.

In 2024, total remuneration for an AP4 employee consists of fixed salary, pension provisions and other benefits. From 2024 onwards, no variable remuneration is paid. Other benefits are of limited value and are offered to all employees. Examples include healthcare insurance, group insurance and a wellness subsidy. At year-end, AP4 had five parking spaces that employees could use in exchange for taxation as benefit. Further information is provided in Note 6 and in AP4's Fund Governance Report on pages 69–70.

Review of the buffer funds

The "Buffer funds review (Fi 2024/01401)" was tasked with examining and proposing measures to modernise and streamline the overall management of the buffer funds AP1–AP4 and AP6. Key issues raised were increased collaboration or a degree of consolidation of the buffer funds, ensuring the necessary expertise on Boards, and the rights of labour market parties to nominate Board members. The report was presented in June 2024 and AP4 submitted its consultation response at the end of October.

Significant events after the end of the financial year

On 31 January 2025, the government announced that the Pension group, the parliamentary working group tasked with safeguarding the pension agreement and which currently has representatives from all eight parliamentary parties, has agreed to reduce the number of buffer funds from five to three. This will be done by combining the three current buffer funds in Stockholm into two. The consolidation will take place by dividing the assets of AP1 equally between AP3 and AP4. AP6 will be incorporated into AP2, which will remain in Gothenburg. According to the government's list of bills, a bill is expected to come before the Swedish parliament by 18 March, with the aim of implementing the changes by 1 January 2026.

In response to the announcement, AP4, together with AP1 and AP3, has immediately initiated the extensive and complex project that this change entails.

Income Statement

SEKm	Note	2024	2023
OPERATING INCOME			
Net interest income	2	4,041	2,391
Dividends received		5,744	5,341
Net income, listed equities and participations	3	32,184	39,951
Net income, unlisted equities and participations	4	1,466	-7,652
Net income, fixed income assets		-1,759	2,492
Net income, derivative instruments		1,066	1,827
Net income, changes in exchange rates		8,366	-26
Commission expenses	5	-104	-118
TOTAL OPERATING INCOME		51,004	44,206
OPERATING EXPENSES			
Personnel costs	6	-170	-162
Other administrative expenses	7	-121	-119
TOTAL OPERATING EXPENSES		-291	-281
NET RESULT FOR THE YEAR		50,713	43,925

Balance Sheet

SEKm	Note	31/12/2024	31/12/2023
ASSETS			
Equities and participations, listed	8, 19	330,690	280,855
Equities and participations, unlisted	9, 18, 19	102,405	88,588
Bonds and other fixed income assets	10, 19	119,709	108,385
Derivative instruments	11, 19, 21	6,050	15,656
Cash and cash equivalents		6,512	6,804
Other assets	12, 21	183	216
Prepaid expenses and accrued income	13	2,179	1,383
TOTAL ASSETS		567,728	501,887
LIABILITIES AND FUND CAPITAL			
Liabilities			
Derivative instruments	11, 21	17,504	1,425
Other liabilities	14, 21	444	101
Prepaid income and accrued expenses	15	1,540	810
Total liabilities		19,488	2,336
Fund capital			
Fund capital, opening balance	16	499,551	460,459
Net payments to the pension system		-2,024	-4,833
Net result for the year		50,713	43,925
Total fund capital		548,240	499,551
TOTAL LIABILITIES AND FUND CAPITAL		567,728	501,887
Pledged assets, contingent liabilities and commitments	17, 18		

Notes

The Fourth Swedish National Pension Fund (AP4), corporate identity number 802005-1952, is one of the buffer funds in the Swedish national pension system and has its registered office in Stockholm. The annual report for the 2024 financial year was approved by the Board of Directors on 20 February 2025. The income statement and balance sheet are subject to government approval.

Note 1. Accounting and valuation policies

According to the Swedish National Pension Funds Act (Lagen (2000:192) om allmänna pensionfonder), the annual report shall be prepared in accordance with generally accepted accounting principles, entailing that the assets that the AP Funds invest in shall be recognised at market value. Based on this principle, the First, Second, Third and Fourth Swedish National Pension Funds (AP1–AP4) have drawn up and applied uniform accounting and valuation policies, as summarised below.

The AP Funds' accounting and valuation policies are gradually being adapted to International Financial Reporting Standards (IFRS). A complete adaptation to IFRS would not materially affect the reported results and capital. AP4 meets the requirement to be classified as an investment company in accordance with IFRS 10. Compared with the current IFRSs, the only major difference is that a statement of cash flows has not been prepared and that IFRS 16 has not been applied.

Trade date accounting

Transactions in securities and derivative instruments in the money market, bond market, stock market and currency market are recognised on the balance sheet as per the trade date, i.e. at the point in time when the material rights and risks are transferred between parties. The receivable from or liability to the counterparty between the trade date and settlement date is recognised under Other assets and Other liabilities, respectively. Other transactions, mainly transactions in unlisted equities, are recognised on the balance sheet as per the settlement date, which is consistent with market practice.

Net accounting

Financial assets and liabilities are reported net on the balance sheet when there is a legal right to offset transactions and there is an intention to settle net or realise the asset and settle the liability simultaneously.

Translation of foreign currencies

Transactions in foreign currency are translated to Swedish kronor (SEK) at the exchange rate in effect on the transaction date. On the balance sheet date, assets and liabilities in foreign currency are translated to SEK at the exchange rate in effect on the balance sheet date. Changes in the value of assets and liabilities in foreign currency are broken down into a part attributable to the change in value of the asset or liability in local currency and to a part attributable to the changed exchange rate. The exchange gain or loss that arises from changes in exchange rates is reported in the income statement on the line "Net income, changes in exchange rates".

Equities in subsidiaries and associated companies

According to the Swedish National Pension Funds Act, both equities in and loans to subsidiaries and associated companies are measured at fair value. Fair value is determined using the same methods used for unlisted equities and participations. There is no requirement to prepare consolidated accounts. Loans to subsidiaries and associated companies that are intended to be held to maturity are measured at fair value in accordance with the fair value option provided in IFRS 9. However, the entire change in value is reported as part of the shareholding on the line Net income, unlisted equities and participations.

Valuation of financial instruments

All of AP4's investments are measured at fair value, whereby realised and unrealised changes in value are recognised through profit or loss. The lines Net income/loss for the various asset classes thus include realised and unrealised gains or losses. Equity instruments are held for trading and are therefore measured at fair value through profit or loss. Debt instruments are held for trading and are therefore measured at fair value through profit or loss. Loans to subsidiaries and associated companies are intended to

be held to maturity; however, the fair value option is used here in order to be in compliance with the requirements in the Swedish National Pension Funds Act for fair value measurement. The AP Funds measure all of their assets at fair value. There follows a description of how fair value is determined for AP4's various investments.

Listed equities and participations

For equities and participations traded in a regulated market or trading platform, fair value is determined based on official year-end market quotations according to AP4's designated index provider, usually an average price. Holdings not included in an index are valued at quoted prices observable in an active market. Brokerage fees paid are recognised as expenses under Net income, listed equities and participations.

Unlisted equities and participations

For equities and participations not traded on a regulated market or trading platform, fair value is determined based on a valuation obtained from the counterparty or other external party. The reported value is updated when a new valuation has been obtained and is adjusted for any cash flows up to the end of the accounting period. In cases where AP4 has good reason to believe that the valuation is incorrect, an adjustment is made of the received valuation.

Valuations of unlisted equities shall follow the International Private Equity and Venture Capital Valuation Guidelines (IPEV) or equivalent valuation principles and shall be based primarily on transactions with third parties, although other valuation methods may also be used.

Valuations of unlisted real estate equities are based on a valuation according to the net asset value method to the extent that the equities have not been subject to transactions on a secondary market. Holdings in unlisted real estate companies are valued, taking into account deferred tax liabilities, at the value used for property transactions, which differs from the valuation that is used in the accounting of the real estate companies.

Bonds and other fixed income assets

For bonds and other fixed income assets, fair value is calculated based on the official market quotation on the balance sheet date (usually the bid rate) according to AP4's designated index provider. Holdings not included in an index are valued at quoted prices observable in an active market. In cases where an instrument is not traded in an active market, and reliable market prices are not available, the instrument is measured using generally accepted valuation models, which entails that cash flows are discounted to the relevant yield curve.

Interest income includes interest calculated using the effective interest method based on amortised cost. Amortised cost is the discounted present value of future payments, where the discount rate consists of the effective interest rate at the date of acquisition. This means that acquired surplus and deficit values are allocated over the remaining term or until the next interest rate adjustment and are included in reported interest income. Changes in value attributable to changes in interest rates are reported in "Net income, fixed income assets", while changes in value attributable to exchange rate changes are reported in "Net income, changes in exchange rates".

Derivative instruments

For derivative instruments, fair value is based on year-end quotations. In cases where an instrument is not traded in an active market and reliable market prices are not available, the instrument is measured using generally accepted valuation models, in which observable market data is used as the input data.

Derivative contracts with positive fair value on the balance sheet date are reported as assets, while contracts with a negative fair value are reported as liabilities. Changes in value attributable to changes in exchange rates are reported in the income statement under "Net income, changes in exchange rates", while other changes in value are reported as "Net income, derivative instruments".

Repurchase transactions

In genuine repurchase transactions, so-called repos, the sold asset remains on the balance sheet and the payment received is recognised as a liability. The sold security is recognised as a pledged asset on the balance sheet among memorandum items. The difference between the settlement in the spot and futures markets is allocated over the term and recognised as interest.

Securities lending

Loaned securities are reported on the balance sheet at fair value, while the consideration received for the loan is reported as interest income in the income statement. Collateral received for loaned securities can consist of securities and/or cash. In cases where AP4 has the right of disposal over cash received as collateral, the collateral is reported on the balance sheet as an asset and corresponding liability. In cases where AP4 does not have disposal over the collateral, it is not reported on the balance sheet, but is specified separately in a note under the heading "Pledged assets, contingent liabilities and commitments". This item also includes the value of loaned securities and their related collateral.

Items recognised directly against fund capital

Incoming and outgoing payments that have been made against the pension system are reported directly in fund capital.

Commission expenses

Commission expenses are recognised in the income statement as a deduction from operating income. They consist of external costs for asset management services, such as custodian fees and fixed fees to external asset managers as well as fixed fees for listed funds. Performance-based fees, which are paid when asset managers achieve returns above the agreed level where profit-sharing is applied, are recognised as a deduction under net income for the relevant asset class.

Asset management fees for unlisted equities and participations are recognised as an acquisition cost and are therefore included in the unrecognised result.

Operating expenses

All asset management costs, excluding brokerage fees, fees paid to external asset managers and custodian fees, are recognised as operating expenses. Investments in equipment including internally developed and purchased software that are not of significant importance are normally expensed on an ongoing basis. Investments that do not meet these criteria are capitalised and depreciated over their estimated economic life.

Taxes

AP4 is exempt from all income tax on investments in Sweden. Taxes on dividends and withholding taxes assessed in certain countries are reported net in the income statement under the respective income classes.

AP4 has been registered for value-added tax (VAT) since 2012 and is thereby subject to VAT on purchases made abroad. AP4 is not entitled to recover VAT paid. Expensed VAT is included in the expense item to which it belongs.

Amounts in SEK millions

Amounts are specified in millions of Swedish kronor (SEKm), unless otherwise indicated.

Note 2. Net interest income

	2024	2023
Interest income		
Bonds and other fixed income assets	3,629	2,076
Other interest income	412	315
Total interest income	4,041	2,391
Interest expense		
Other interest expenses	0	0
Total interest expense	0	0
NET INTEREST INCOME	4,041	2,391

Note 3. Net income, listed equities and participations

	2024	2023
Income, listed equities and participations	32,232	40,008
Less brokerage fees	-48	-57
NET INCOME, LISTED EQUITIES AND PARTICIPATIONS	32,184	39,951

Note 4. Net income, unlisted equities and participations

	2024	2023
Capital gains/losses	371	329
Unrealised changes in value	1,095	-7,981
NET INCOME, UNLISTED EQUITIES AND PARTICIPATIONS	1,466	-7,652

External asset management fees for unlisted assets are reported as part of the asset's cost and are thereby charged against unrealised net income for unlisted assets. Consequently, refunded management fees have a positive effect on unrealised income. During the year a total of SEK 347 (358) million was paid in asset management fees for unlisted assets, of which SEK 347 (358) million qualifies for refunds. Also during the year, SEK 42 (37) million was refunded, and the unrealised result for unlisted equities and participations was thereby negatively affected by SEK 305 (-321) million net.

Note 5. Commission expenses

	2024	2023
External asset management fees, listed assets	-91	-103
Other commission expenses, including custodian fees	-13	-15
COMMISSION EXPENSES	-104	-118

Commission expenses do not include performance-based fees. Performance-based fees for the year totalled SEK 147 (-34) million and affect net income for the respective asset classes.

Note 6. Personnel

Number of employees

	2024		2023	
	Total	Women	Total	Women
Average number of employees ¹	67	26	66	25
Number of employees, 31 December ²	69	26	76	29
Number of persons in Executive Management, 31 December	7	3	7	3

1. The average number of persons employed is converted to full-time equivalents.
2. The number of employees as at 31 December refers to the total number of employees, both permanent and temporary.

Salaries and fees

Board fees are set by the government and were increased most recently in 2020 pursuant to government decision FI2020/00074/FPM of 9 January 2020. The Board sets the terms of employment for the CEO based on a recommendation from the Remuneration Committee. Every year, under commission by the Board of Directors and Remuneration Committee, an external consultant performs an examination of remuneration levels for senior executives of AP4. The Board can thereby verify that AP4 complies with the government's guidelines for remuneration of senior executives of the AP Funds. Read more about remuneration in the Fund Governance Report.

Variable remuneration

The Board of Directors has decided that as of 2024, variable remuneration will no longer apply. For 2023, the variable remuneration plan is part of AP4's remuneration policy and is adopted yearly by the Board. The plan covered all employees except for the CEO, senior executives, the CFO and the respective heads of Risk Control and Compliance. The basic principle was that variable remuneration was payable for the achievement of excess returns relative to the benchmark and reference indexes, provided that AP4 showed a positive total result for the 2023 financial year. The maximum outcome for a full-time equivalent employee was two months' salary. For 2024, SEK 138 (3,008) thousand has been expensed for variable remuneration relating to 2023, excluding social security contributions.

Pensions and similar benefits

The CEO's employment contract includes special stipulations for pension benefits and severance pay. The ordinary retirement age is 65, however, the employee has the right to remain in service until the end of the month in which they turn 69 (69).

Starting in 2023, pursuant to the Employment Protection Act (Lag om anställningsskydd – LAS), employees have the right to remain in service until the end of the month in which they turn 69. A mutual notice period of six months applies for the CEO. In the event that the Fund serves notice, the CEO is also entitled to severance pay equal to 18 months' salary. Severance pay is paid out monthly and is reduced by any other income from salary, assignments or own business.

Other members of the Executive Management as well as other employees have individual employment contracts in which the notice period is based on the applicable collective agreement between the Employers Organisation of Swedish Banking Institutions (BAO) and the Swedish Confederation of Professional Associations (SACO). Pension entitlements are either defined-benefit solutions in accordance with the applicable collective agreement between BAO and SACO, or defined-contribution solutions in accordance with AP4's pension policy, entailing a pension contribution of 30% of salary amounts higher than 7.5 times the Income Base Amount.

All employees are entitled to exchange a portion of their gross salary for pension contributions. In such cases, the pension contribution is increased by 5.8%, which corresponds to the difference between AP4's cost for payroll tax and its cost for the special employer's payroll tax on pension contributions. The procedure is cost-neutral for AP4.

AP4 has arranged private health insurance for all employees that covers a portion of the loss of income in the event of prolonged illness. The insurance is income-based and is activated in the event of illness lasting more than 90 days.

Other benefits

All employees have the opportunity to take out healthcare insurance and group life insurance, which are taxed as employment benefits.

AP4 also has 5 (5) parking spaces that employees have been able to book and these have been taxed as an employment benefit during the year.

The benefit value of the employment benefits above in 2024 was SEK 357 (336) thousand.

Note 6. Personnel cont.

Personnel costs, SEK thousand, 2024	Salaries and fees	Variable remuneration	Pension costs	Of which, salary exchange	Social security costs ²	Total
Board of Directors and CEO						
Chair of the Board Johan Gyllenhoff	217	-	-	-	68	285
Other board members ¹	871	-	-	-	273	1,144
CEO Niklas Ekvall	4,580	-	2,730	1,105	2,101	9,411
Other members of the Executive Management						
Head of Swedish Equities Jannis Kitsakis	2,800	-	1,349	-	1,207	5,356
Head of Risk & Business Support Nicklas Wikström	1,877	-	1,149	370	869	3,895
General Counsel Theresa Einarsson	1,869	-	882	127	801	3,552
Head of Sustainability, Finance & Communication Tobias Fransson	2,369	-	1,257	-	1,049	4,675
Head of Allocation, Liquid Markets & Analysis Magdalena Högberg	2,828	-	993	-	1,129	4,950
Head of Alternative Investments Jenny Askfelt Ruud	2,500	-	923	-	1,009	4,432
Other employees	72,193	138 ³	26,291	2,246	28,872	127,494
Total	92,104	138	35,574	3,848	37,379	165,195
Other personnel costs						5,157
TOTAL PERSONNEL COSTS						170,352

1. Individual directors' fees are reported in the Fund Governance Report.

2. Social security costs also include payroll tax.

3. Cost relates to variable remuneration for 2023.

Personnel costs, SEK thousand, 2023	Salaries and fees	Variable remuneration	Pension costs	Of which, salary exchange	Social security costs ²	Total
Board of Directors and CEO						
Acting Chair of the Board Johan Gyllenhoff as of October 2023	118	-	-	-	37	155
Chair of the Board Britta Burreau, to September 2023	156	-	-	-	49	205
Other board members ¹	843	-	-	-	249	1,092
CEO Niklas Ekvall	4,420	-	2,673	1,105	2,037	9,130
Other members of the Executive Management						
Head of Swedish Equities Jannis Kitsakis	2,724	-	1,294	-	1,170	5,188
Head of Risk & Business Support Nicklas Wikström	1,812	-	1,098	355	836	3,746
General Counsel Theresa Einarsson	1,675	-	888	169	742	3,305
Head of Sustainability, Finance & Communication Tobias Fransson	2,290	-	1,174	-	1,004	4,468
Head of Allocation, Liquid Markets & Analysis Magdalena Högberg	2,487	-	880	-	995	4,362
Head of Alternative Investments Jenny Askfelt Ruud	2,330	-	884	-	947	4,161
Other employees	68,766	3,008	22,600	1,787	27,832	122,206
Total	87,621	3,008	31,491	3,416	35,897	158,017
Other personnel costs						4,045
TOTAL PERSONNEL COSTS						162,062

1. Individual directors' fees are reported in the Fund Governance Report.

2. Social security costs also include payroll tax.

Note 7. Other administrative expenses

	2024	2023
Cost of premises	14	12
Information and IT costs	84	87
Purchased services	13	11
Other administrative expenses	10	9
TOTAL OTHER ADMINISTRATIVE EXPENSES	121	119
The item Purchased services includes fees paid to the accounting firm as follows:		
Audit assignment, PwC	1.0	1.0
Other audit services, PwC	0.1	0.3
Total fees paid to accounting firm	1.1	1.3

Note 8. Equities and participations, listed

	31/12/2024 Fair value	31/12/2023 Fair value
Swedish equities	99,249	96,708
Foreign equities	169,757	128,555
Participations in Swedish funds	811	836
Participations in foreign funds	60,873	54,756
TOTAL EQUITIES AND PARTICIPATIONS, LISTED	330,690	280,855¹

1. An adjustment has been made to the comparative figure for the previous year.

The scope of loaned securities as well as collateral received is shown in Note 17. A complete specification of shareholdings is available on AP4's website: www.ap4.se.

Note 8. Equities and participations, listed cont.

Five largest holdings of Swedish equities

31/12/2024	No. equities	Fair value	Capital, %	Votes, %
Lifco AB	23,671,010	7,589	5.21	3.25
Swedish Orphan Biovitrum AB	20,763,106	6,590	5.83	5.83
Atlas Copco AB	41,281,227	6,305	0.84	0.3
Getinge AB	21,007,390	3,814	7.71	4.81
Beijer Ref AB	20,461,256	3,337	4.04	2.69

31/12/2023

Lifco AB	25,921,906	6,408	5.71	3.56
Atlas Copco AB	41,448,288	6,361	0.84	0.30
Swedish Orphan Biovitrum AB	21,010,927	5,610	5.93	5.93
Getinge AB	20,213,022	4,534	7.42	4.63
Sagax AB	23,954,029	4,236	5.13	4.44

Five largest holdings of foreign equities

31/12/2024	No. equities	Fair value
Apple Inc	2,695,399	7,458
Nvidia Corp	4,458,449	6,615
Microsoft Corp	1,261,880	5,877
Alphabet Inc	2,051,893	4,304
Amazon.Com Inc	1,539,246	3,731

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Apple Inc	2,638,509	5,119
Microsoft Corp	1,169,771	4,433
Nvidia Corp	464,889	2,320
Amazon.Com, Inc	1,415,746	2,168
Meta Platforms, Inc	423,343	1,510

Note 9. Equities and participations, unlisted

	31/12/2024 Fair value	31/12/2023 Fair value
Equities in Swedish associated companies	46,944	42,475
Equities in foreign associated companies	1,371	1,215
Equities and participations in other Swedish unlisted companies	10,195	9,675
Equities and participations in other foreign unlisted companies	43,895	35,223
TOTAL EQUITIES AND PARTICIPATIONS, UNLISTED	102,405	88,588¹

1. An adjustment has been made to the comparative figure for the previous year.

Note 9. Equities and participations, unlisted cont.

Equities in associated companies, 31/12/2024	Corporate identity number	Domicile	No. equities	Capital, %	Votes, %	Fair value	Equity	Profit
Equities in Swedish associated companies								
Vasakronan Holding AB	556650-4196	Stockholm	1,000,000	25	25	25,074	82,700	3,798
Rikshem Intressenter AB	556806-2466	Stockholm	250	50	50	14,555	26,307	1,005
LSTH Svenska Handelsfastigheter AB	559009-2325	Stockholm	14,149,433	50	50	4,364	8,358	-1,233 ⁵
Polhem Infra KB	969789-2413	Stockholm	-	33	33	2,804	8,410	375
Cinder Invest AB	559256-2630	Stockholm	10,000	20	20	147	601	22
4 to 1 Investments AB	559313-2490	Stockholm	6,250	25	25	0	1	-1
4 to 1 Investments KB ¹	969795-3033	Stockholm	-	25	25	0	1	-5,805
AP4 Alternative Investments AB ²	559386-5347	Stockholm	25,000	100	100	0	0	0
AP4 Alternative Investments KB	969797-3965	Stockholm	-	100	100	0	0	0
AP4 Investment AB ³	559130-3929	Stockholm	50,000	100	100	0	0	0
AP4 Investment KB	969784-9959	Stockholm	-	100	100	0	0	0
Polhem Infra AB	559183-3917	Stockholm	20,000	33	33	0	1	1
Total equities in Swedish associated companies						46,944		
Equities in foreign associated companies								
ASE Holdings II S.à.r.l.		Luxembourg	479,928,632	46	46	878	Not public	Not public
ASE Holdings III S.à.r.l.		Luxembourg	715,075,291	36	36	389	Not public	Not public
ASE Holdings S.à.r.l.		Luxembourg	5,746,493	38	38	104	Not public	Not public
Total equities in foreign associated companies						1,371		

Other holdings, 31/12/2024	Corporate identity number	Domicile	Capital, %	Votes, %	Cost
Five largest holdings in other equities and participations, Swedish unlisted companies⁴					
Proventus Capital Partners IV B AB	559116-2580	Stockholm	18	0	2,193
P Capital Partners V B AB	559344-9563	Stockholm	17	0	989
Infranode I (No. 1) AB	556982-5283	Stockholm	20	0	914
Alfvén & Didrikson AB	556954-4066	Stockholm	26	17	784
Areim Investment 3-5 AB	559111-1165	Stockholm	49	9	641
Five largest holdings in other equities and participations, foreign unlisted companies³					
Infrastructure Alliance Europe 2 SCSp		Luxembourg	37	-	2,703
Infrastructure Alliance Europe 1 SCSp		Luxembourg	26	-	2,688
Bridgepoint Direct Lending III Unlevered B SCSp		Luxembourg	9	-	2,069
ASP LUX RAIF – PC FUND II		Luxembourg	12	-	1,925
LCM Partners COPS 4 SLP		Luxembourg	19	-	1,660

1. The underlying investment in Northvolt has been written down to zero as the company is being reorganised through a Chapter 11 process in the USA and it is currently very difficult to assess any potential remaining value.
2. AP4 and AP4 Alternative Investments AB co-own AP4 Alternative Investments KB (969797-3965), in which AP4 has a significant influence.
3. AP4 and AP4 Investment AB co-own AP4 Investment KB (969784-9959), in which AP4 has a significant influence.
4. Refers to AP4's holdings in limited partnerships and other similar structures in which AP4 does not have significant influence.
5. Refers to figures published as at 31 December 2023.

A complete specification of shareholdings is available at www.ap4.se.

Note 9. Equities and participations, unlisted cont.

Equities in associated companies, 31/12/2023	Corporate identity number	Domicile	No. equities	Capital, %	Votes, %	Fair value	Equity	Results
Equities in Swedish associated companies								
Vasakronan Holding AB	556650-4196	Stockholm	1,000,000	25	25	24,426	78,873	-10,903
Rikshem Intressenter AB	556806-2466	Stockholm	250	50	50	14,011	25,302	-3,916
Polhem Infra KB	969789-2413	Stockholm	-	33	33	2,424	7,273	-1,061
4 to 1 Investments KB	969795-3033	Stockholm	-	25	25	1,456	5,822	39
Cinder Invest AB	559256-2630	Stockholm	10,000	20	20	158	651	22
4 to 1 Investments AB	559313-2490	Stockholm	6,250	25	25	0	2	-1
AP4 Investment AB ¹	559130-3929	Stockholm	50,000	100	100	0	0	0
AP4 Alternative Investments AB ²	559386-5347	Stockholm	25,000	100	100	0	0	0
AP4 Alternative Investments KB	969797-3965	Stockholm	-	100	100	0	0	0
Polhem Infra AB	559183-3917	Stockholm	20,000	33	33	0	0	0
Total equities in Swedish associated companies						42,475		
Equities in foreign associated companies								
ASE Holdings II S.à.r.l.		Luxembourg	479,928,633	45	45	757	Not public	Not public
ASE Holdings III S.à.r.l.		Luxembourg	557,931,703	35	35	392	Not public	Not public
ASE Holdings S.à.r.l.		Luxembourg	3,218,428	38	38	66	Not public	Not public
Total equities in foreign associated companies						1,215		

Övriga innehav, 2023-12-31	Organisations-nummer	Säte	Kapital, %	Röster, %	Anskaffningsvärde
Fem största innehaven i övriga aktier och andelar, svenska onoterade företag³					
LSTH Svenska Handelsfastigheter AB	559009-2325	Stockholm	23	4	2 002
Infranode I (No. 1) AB	556982-5283	Stockholm	20	0	876
Alfvén & Didrikson AB	556954-4066	Stockholm	26	17	836
Areim Investment 3-5 AB	559111-1165	Stockholm	49	9	621
Gullspång Re:Food II Invest AB	559328-3467	Stockholm	32	9	567
Fem största innehaven i övriga aktier och andelar, utländska onoterade företag³					
Infrastructure Alliance Europe 2 SCSp		Luxemburg	37	-	2 726
Infrastructure Alliance Europe 1 SCSp		Luxemburg	26	-	2 313
ASP LUX RAIF – PC FUND II		Luxemburg	12	-	1 918
Bridgepoint Direct Lending III Unlevered B SCSp		Luxemburg	9	-	1 410
ACP Series 3 Partnership L.P.		USA	16	-	1 391

1. AP4 and AP4 Investment AB co-own AP4 Investment KB (969784-9959), in which AP4 has a significant influence.
2. AP4 and AP4 Alternative Investments AB co-own AP4 Alternative Investments KB (969797-3965), in which AP4 has a significant influence.
3. Refers to AP4's holdings in limited partnerships and other similar structures in which AP4 does not have significant influence.

A complete specification of shareholdings is available at www.ap4.se.

Note 10. Bonds and other fixed income assets

	31/12/2024 Fair value	31/12/2023 Fair value
Breakdown by issuer category		
Swedish government	176	-
Swedish mortgage institutions	25,567	19,551
Other Swedish financial companies	8,521	10,265
Swedish non-financial companies	400	1,008
Foreign governments	64,612	57,463
Other foreign issuers	20,433	20,098
TOTAL BONDS AND OTHER FIXED INCOME ASSETS	119,709	108,385¹
Breakdown by type of instrument		
Other bonds	113,105	99,092
Subordinated loans	5,319	4,863
Promissory note loans	10	8
Shareholder loans	-	7
Participations in foreign fixed income funds	1,275	4,378
Other instruments	-	37
TOTAL BONDS AND OTHER FIXED INCOME ASSETS	119,709	108,385¹

1. An adjustment has been made to the comparative figure for the previous year.

The scope of loaned securities as well as collateral received is shown in Note 17.

Note 11. Derivative instruments

	31/12/2024 Fair value		31/12/2023 Fair value	
	Positive	Negative	Positive	Negative
Equity-related instruments				
Forward contracts	-	-	5	102
Swaps	-	-	-	1
Total equity-related instruments	0	0	5	103
Of which cleared	-	-	-	-
Interest-related instruments				
FRA/Forward contracts	-	-	42	31
Swaps	303	369	17	173
Total interest-related instruments	303	369	59	204
Of which cleared	-	-	-	-
Currency-related instruments				
Options	620	196	760	453
Forward contracts	5,127	16,857	14,827	548
Swaps	-	82	5	117
Total currency-related instruments	5,747	17,135	15,592	1,118
Of which cleared	-	-	-	-
TOTAL DERIVATIVE INSTRUMENTS	6,050	17,504	15,656	1,425
Of which cleared	-	-	-	-

For details about areas of use and risk management for derivative instruments, see Note 20.

Note 11. Derivative instruments cont.

Maturity analysis

Most of AP4's derivatives have maturities of less than one year. Only a few currency futures, currency options, interest rate futures, credit default swaps, cross currency basis swaps and a total return swap have a longer maturity. Of these, 5 (7) contracts have a negative fair value. These are presented in the tables below.

Maturity analysis of derivative positions with negative fair value, with terms longer than 12 months, 2024

Maturity structure Term	>1 yr <3 yrs	>3 yrs <5 yrs	>5 yrs <10 yrs	>10 yrs
Cross Currency Basis Swap	-	-	-	-
Credit Default Swap	-	-83	-	-
Interest rate futures	-	-373	-	-
Total Return Swap	-	-	-	-
Currency forward contracts	-	0	-	-
Total	0	-456	0	0

Maturity analysis of derivative positions with negative fair value, with terms longer than 12 months, 2023

Maturity structure Term	>1 yr <3 yrs	>3 yrs <5 yrs	>5 yrs <10 yrs	>10 yrs
Cross Currency Basis Swap	-	-51	-66	-
Credit Default Swap	-	-175	-	-
Interest rate futures	0	-	-	-
Total Return Swap	-	-1	-	-
Currency forward contracts	-1	-	-	-
Total	-1	-227	-66	-

Note 12. Other assets

	31/12/2024	31/12/2023
Receivables from sold unliquidated assets	176	209
Other assets	7	7
TOTAL OTHER ASSETS	183	216

Note 13. Prepaid expenses and accrued income

	31/12/2024	31/12/2023
Accrued interest income	1,647	935
Accrued dividends and repayments	482	429
Other prepaid expenses and accrued income ¹	50	19
TOTAL PREPAID EXPENSES AND ACCRUED INCOME	2,179	1,383

1. This item includes prepaid licence fees of SEK 37 (3) million recognised in the income statement over 14 years.

Note 14. Other liabilities

	31/12/2024	31/12/2023
Accounts payable	20	18
Liabilities for purchased unliquidated assets	417	75
Other liabilities	7	8
TOTAL OTHER LIABILITIES	444	101

Note 15. Prepaid income and accrued expenses

	31/12/2024	31/12/2023
Accrued interest expenses	1,522	789
Accrued personnel costs	13	15
Accrued external asset management fees	1	-
Other accrued expenses	4	6
TOTAL PREPAID INCOME AND ACCRUED EXPENSES	1,540	810

Note 16. Fund capital

	31/12/2024	31/12/2023
FUND CAPITAL, OPENING BALANCE	499,551	460,459
Net payments to the pension system		
Paid-in pension contributions	89,186	85,004
Pension funds disbursed to the Swedish Pensions Agency	-90,923	-89,552
Transfer of pension rights to EG	-1	-1
Settlement of pension rights	-2	-15
Administration fees to the Swedish Pensions Agency	-284	-269
Total net payments to the pension system	-2,024	-4,833
Net result for the year	50,713	43,925
FUND CAPITAL, CLOSING BALANCE	548,240	499,551

Note 17. Pledged assets, contingent liabilities and commitments

	31/12/2024	31/12/2023
Pledged assets and contingent liabilities		
Securities on loan against collateral received in the form of securities ¹	24,112	13,623
Collateral pledged for exchange-cleared derivative contracts	3,806	3,410
Pledged assets pertaining to OTC derivative contracts ²	12,488	-
Commitments		
Investment commitments for future payments for alternative and strategic investments	30,450	33,372
Subscription commitments, see Note 18	4,549	4,549
Other commitments, see Note 18	5,000	5,000

1. Collateral received for loaned securities amounts to SEK 25,114 (14,057) million.
2. Collateral received for OTC derivative contracts amounts to SEK 137 (15,272) million.

Note 18. Related parties

The purpose of this note is to disclose how AP4's result and financial position have been affected by transactions and outstanding balances, including commitments, with related parties in accordance with the definitions in IAS 24. With respect to salaries and remuneration paid to the Board of Directors and senior executives, see Note 6. All associated companies are considered to be related parties to AP4, see also Note 9.

	31/12/2024	31/12/2023
Vasakronan Holding AB		
Interest income	9	9
Commitments ¹	4,500	4,500
Rikshem Intressenter AB		
Interest income	15	15
Commitments ²	5,000	5,000
LSTH Svenska Handelsfastigheter AB		
Shareholder contributions during the year	564	-

Not 18. Related parties cont.

	31/12/2024	31/12/2023
Polhem Infra KB		
Contributions during the year	255	-
ASE Holdings III S.à.r.L.		
Interest income	1	0
Shareholder contributions during the year	68	75
Shareholder loans	10	25
Cinder Invest AB		
Shareholder contributions during the year	5	30
Dividends received	-	5
ASE Holdings S.à.r.L.		
Shareholder contributions during the year	33	-
Commitments ³	49	49
4 to 1 Investments AB		
Shareholder contributions during the year	0	0
4 to 1 Investments KB		
Contributions during the year	0	0

1. At the request of Vasakronan, AP4 has committed to buying commercial paper in the company up to a value reported above.
2. At the request of Rikshem, AP4 has committed to providing loan financing to the company up to a value reported above.
3. At the request of ASE Holdings S.à.r.L., AP4 has committed to making a capital contribution up to a value reported above.

Note 19. Financial instruments, price and valuation hierarchy

Fair value	31/12/2024 Level 1	31/12/2024 Level 2	31/12/2024 Level 3	31/12/2024 Total
Financial assets				
Equities and participations, listed	284,725	45,965	-	330,690
Equities and participations, unlisted	-	-	102,405	102,405
Bonds and other fixed income assets	113,736	4,688	1,285	119,709
Derivative instruments	-	6,050	-	6,050
Total financial assets	398,461	56,703	103,690	558,854
Financial liabilities				
Derivative instruments	-	-17,504	-	-17,504
Total financial liabilities	-	-17,504	-	-17,504
NET FINANCIAL ASSETS AND LIABILITIES	398,461	39,199	103,690	541,350

Changes in Level 3	Equities and participations, unlisted	Equities and participations, listed	Bonds and other fixed income investments
Opening balance, 1/1/2024	88,588	-	4,430
Invested	9,874	-	582
Sold/repaid	-1,978	-	-715
Realised change in value	489	-	32
Unrealised change in value	5,432	-	-3,044
Transfers from Level 1 or 2	-	-	-
Transfers to Level 1 or 2	-	-	-
Closing balance, 31/12/2024	102,405	-	1,285

Fair value	31/12/2023 Level 1	31/12/2023 Level 2	31/12/2023 Level 3	31/12/2023 Total
Financial assets				
Equities and participations, listed	238,405	42,450	-	280,855
Equities and participations, unlisted	-	-	88,588	88,588
Bonds and other fixed income assets	98,548	5,407	4,430	108,385
Derivative instruments	46	15,610	-	15,656
Total financial assets	336,999	63,467	93,018	493,484
Financial liabilities				
Derivative instruments	-134	-1,291	-	-1,425
Total financial liabilities	-134	-1,291	-	-1,425
NET FINANCIAL ASSETS AND LIABILITIES	336,865	62,176	93,018¹	492,059

1. An adjustment has been made to the comparative figure for the previous year.

Changes in Level 3	Equities and participations, unlisted	Equities and participations, listed	Bonds and other fixed income investments
Opening balance, 1/1/2023	87,900	-	5,613
Invested	9,562	-	171
Sold/repaid	-2,019	-	-854
Realised change in value	501	-	62
Unrealised change in value	-7,356	-	-562
Transfers from Level 1 or 2	-	-	-
Transfers to Level 1 or 2	-	-	-
Closing balance, 31/12/2023	88,588	-	4,430

Note 19. Financial instruments, price and valuation hierarchy cont.

Level 1. Instruments with publicly quoted prices

Financial instruments traded in an active market. A market is considered to be active if it has quoted prices that are regularly updated more frequently than once a week and if the prices used are unadjusted for settled trades in the market. Approximately 74% of AP4's investments are classified in this level.

Level 2. Valuation methods based on observable market data

Financial instruments traded in a market that is not considered to be active, but where there are quoted prices that are unadjusted for trades, or observable input data that is updated regularly for indirect valuation using generally accepted models. At AP4 this category mainly includes market-quoted equity funds that are not considered to be active but where there is observable input data that is regularly updated for indirect valuation as well as OTC derivatives such as forward exchange contracts and interest rate swaps, but also fixed income instruments and funds containing interest-related instruments with low liquidity. OTC derivatives are valued using discount curves that are indirectly based on regularly updated observable input data that is interpolated or extrapolated to calculate non-observable interest rates. Input data for these interest rates that is used to discount the future cash flows of the instrument for valuation is updated regularly and is observable, though this does not apply for the interest rates. These instruments are therefore classified as Level 2.

Level 3. Valuation techniques based on non-observable market data

Financial instruments that are valued using a significant amount of non-observable data or that cannot otherwise be classified as Level 1 or Level 2. These mainly include unlisted equities and owner loans in directly held real estate companies and unlisted equities in private equity firms. For private equity firms, the IPEV's principles are used as the main framework and include several valuation methods such as valuation based on actual transactions, multiples valuations, calculations of net asset value and discounted cash flows. For holdings in directly owned real estate companies, the principles of IPD Svenskt Fastighetsindex are used as the

main framework, with two basic methods: the local market price method and the indirect return method (NPV approach). With the local market price method, the property holdings are compared with similar properties sold on the open market, while the indirect return method involves the use of forecast future cash flows discounted to net present value.

Sensitivity analysis

According to IFRS, a sensitivity analysis shall be presented using an alternative valuation for Level 3 assets. In terms of valuation methodology, an alternative valuation of these assets is associated with major difficulties. Generally speaking, for unlisted properties the yield requirement is of central importance, but assumptions about factors such as vacancies, operating costs, market and profit growth are also of great importance. For private equity firms, profit growth and the stock exchange's P/E multiple valuations are important.

Level 3 valuations normally include a delay, which in a positive-trending market entails a conservative valuation and vice versa. A sensitivity analysis of Vasakronan, AP4's largest property holding, with a fair value of equities and participations of SEK 25.1 billion, i.e. nearly 30% of unlisted equities in Level 3, has been performed by the real estate company. According to this analysis a change in required yield by +/- 0.25 percentage points would change the value of the shareholding in Vasakronan by approximately SEK -2.3/+2.6 billion.

For the valuation of AP4's investments in private equity firms reported in unlisted equities, corresponding to SEK 40.7 billion, significant assumptions are made about valuation multiples and future cash flows. A changed assumption for the EV/EBITDA multiple by +/- 5% would result in a change in the valuation of these investments by SEK +/- 5.1 billion. The valuation of AP4's high-yield fixed income assets reported in listed equities, as well as bonds and other fixed income assets, corresponding to SEK 14.4 billion, is based substantially on discount rates for interest income and repayment of loans. A change in the discount rate of +/- 1 percentage point for all maturities would result in a change in value by SEK +/- 0.3 billion.

Note 20. Risks

There follows a description of the management of AP4's main risks, which comprise operational and financial risks.

Operational risk

By operational risk is meant the "risk of loss resulting from inadequate or failed processes, human error, defective systems or external events". The definition includes legal risks. Examples of operational risks include conscious or unconscious mismanagement, which can be caused by substandard routines or instructions, inadequate systems, insufficient control and audit, and by criminal actions or external events.

The overall goal in managing operational risk is to achieve and maintain a good control culture and to reduce significant operational risks within AP4.

Established, Fund-wide process and methodology

Operational risks in AP4 are to be managed through an established joint-Fund process and methodology. This process includes process mapping, identification and valuation of risks, and shall be conducted for all identified processes. Key controls shall be in place for all material risks, which as far as possible reduces the likelihood of risks materialising or mitigates the consequences when undesirable events occur despite all. In the gradation of risks, existing key controls shall be quality-assured to ensure they have the desired functionality and are effective.

As part of the operational risk management process it is especially important to evaluate change processes and their effects on the operations. Operational risks are evaluated specifically in connection with the implementation of new products, system changes and organisational changes.

To minimise operational risks, a clear division of responsibilities and authorities shall be documented in written rules. Applicable processes and routines shall ensure good internal control and be documented in relevant instructions.

Responsibility and organisation

In the day-to-day activities all managers and employees shall maintain an awareness of risks in the business and their key controls, and act in such a way to ensure that the operations, assets or trust in AP4 among parties in the external operating environment are not jeopardised. Further, all units are responsible for ensuring that the daily operations meet the requirements for good internal control and allocate sufficient resources for this.

The operations, with the process owner as the responsible party, shall identify, assess and manage the risks in their respective areas of operation. Risk & Business Support is responsible for supporting and coordinating the management of operational risks throughout AP4. This responsibility includes developing and providing expert and methodology support and following up, evaluating and developing the risk management process. In addition, Risk & Business Support is responsible for conducting follow-ups at least yearly to ensure compliance with the joint risk management methodology for operational risks for all identified processes in AP4. The same applies for significant, identified change processes such as implementation of new products, system changes and organisational changes.

AP4's Legal unit is responsible for legal risk aspects of contracts and similar.

Financial risks

Financial risks, consisting mainly of market, credit and liquidity risks, are monitored and controlled by the independent Risk & Business Support unit, which reports directly to the CEO and the Board of Directors. The goal of asset management is to only take positions that are expected to generate favourable returns within established risk mandates. Therefore, the main risks that AP4 exposes itself to should consist of transparent financial risks, and in such case predominantly market risks where there are good opportunities to forecast risk premiums.

Market risks

Market risk is the risk that the value of an instrument will be negatively affected by variations in share prices, exchange rates or market interest

rates. Since AP4's holdings consists mainly of listed instruments with daily pricing in liquid markets, there are good opportunities to regularly measure and report on market risks through both forecast and realised risk levels. AP4's goal is to hold a high proportion of listed equities and fixed income instruments.

Equity price risk

Equity price risk refers to the expected variation in the market value of equities. Equity price risk is managed through diversification across regions, countries and sectors.

Interest rate risk

Only AP4's fixed income assets are included in the measurement of interest rate risk, which refers to expected variations in the market value of AP4's fixed income assets caused by nominal interest rate movements in fixed income markets. AP4 manages interest rate risk through diversification across regions and yield curves.

Currency risk

Currency risk refers to expected variations in exchange rates for assets denominated in foreign currencies. Currency risk arises in connection with investments that are quoted in foreign currencies. The Swedish National Pension Funds Act limits the total currency exposure in AP4 to a maximum of 40 percentage points. AP4's investment policy determines the ultimate currency exposure in the Dynamic Normal Portfolio (DNP).

Real estate price risk

By real estate price risk is meant the expected variation in the market value of real estate. Real estate price risk is managed through diversification of property types, such as office, residential, industrial, etc., and of regions, mainly within Sweden but also via other countries.

Risk in investments

Value at Risk (VaR) is used as a metric to calculate financial risk. Value at Risk is defined as the maximum loss that can arise with a given probability over a given period of time. In the table below, a time period of 1 year and 95% confidence level are used, unless stated otherwise.

Note 20. Risks cont.

Asset classes, 31/12/2024	VaR, ex-ante holding period 12 months	Contribution volatility % 12-month portfolio	VaR holding period 1 day ²
Global equities ¹	38,337	4.2	1,449
Swedish equities	21,823	2.4	682
Defensive equities	5,135	0.6	194
Global fixed income instruments ¹	3,454	0.4	125
Swedish fixed income instruments	390	0.0	16
Real assets ¹	24,110	2.7	105
Currency and other	-2,852	-0.3	-20
Total investments	90,397	10.0	2,551

Asset classes, 31/12/2023	VaR, ex-ante holding period 12 months	Contribution volatility % 12-month portfolio	VaR holding period 1 day ²
Global equities ¹	37,810	4.6	1,100
Swedish equities	27,340	3.3	915
Defensive equities	5,050	0.6	142
Global fixed income instruments ¹	2,372	0.3	112
Swedish fixed income instruments	249	0.0	11
Real assets ¹	30,693	3.8	234
Currency and other	-4,907	-0.6	-77
Total investments	98,607	12.0	2,437

- For certain AP4 assets, market quotations of asset prices with good periodicity are not available, or underlying holdings of an index are also missing. This makes it difficult to forecast the risks for these assets in a satisfactory manner in AP4's risk system, Barra. AP4 has therefore chosen to use alternative listed securities or other approximations for these holdings. Approximations have been used for a total of 18.6% of assets. Approximations have been made as follows. For unlisted real assets, corresponding to 13.6%, an aggregate weighting of three factors has been used: an equity factor, a real estate factor, and cash. For unlisted equities and high-yield fixed income instruments, corresponding to 5.0%, a European equity index and European high-yield index have been used, respectively.
- To enable comparisons with AP1, AP2 and AP3, AP4 has also estimated VaR based on a one-day holding period, a 95% confidence level, and a data length of one year in which the observations are given equal weight. In this context a simulation method with historical return distribution has been used for the calculation.

Note 20. Risks cont.

Currency exposure

AP4 hedges investments using currency derivatives to control its open currency exposure. AP4's open currency exposure at year-end was 19.4% (21.6%). AP4's currency exposure is shown in the table below.

Currency exposure 31/12/2024	USD	JPY	NOK	HKD	CHF	INR	Other	Total
Equities and participations	154,359	11,176	1,067	7,730	5,779	6,658	91,724	278,493
Bonds and other fixed income assets	52,192	9,711	0	0	0	0	26,182	88,085
Derivative instruments, excl. currency derivatives	0	0	0	0	0	0	-67	-67
Other receivables and liabilities, net	2,274	319	-371	91	141	0	2,095	4,549
Currency derivatives	-160,117	4,519	6,298	-1,859	-633	-1,518	-111,338	-264,648
Currency exposure, net	48,708	25,725	6,994	5,962	5,287	5,140	8,596	106,412

Currency exposure 31/12/2023	USD	JPY	HKD	INR	CHF	KRW	Other	Total
Equities and participations	118,538	9,961	6,402	5,062	5,199	3,638	73,447	222,247
Bonds and other fixed income assets	47,199	8,346	-	-	-	-	21,869	77,414
Derivative instruments, excl. currency derivatives	-48	15	-	-	-	-	-189	-222
Other receivables and liabilities, net	2,627	464	204	-	397	1	2,716	6,409
Currency derivatives	-118,154	1,689	-1,124	-620	-1,782	1	-77,996	-197,986
Currency exposure, net	50,162	20,475	5,482	4,442	3,814	3,640	19,847	107,862

Credit risk

Credit risk refers to the risk that an issuer or counterparty cannot meet its payment obligations. Credit exposure refers to the value that is exposed to credit risk through contracts with counterparties or issuers. Credit exposure thus includes both issuer and counterparty exposures. Total credit risk is limited by the selection of the interest rate index in the DNP and limits per rating category. Credit risk per pool of issuers or issuer is restricted by limits which include both issuer and counterparty risk.

The CEO approves all counterparties with which AP4 may conduct transactions (regarding both standardised and non-standardised instruments). Furthermore, it has been determined that when trading in OTC derivatives, ISDA (International Swaps and Derivatives Association) Master Agreements and CSAs (Credit Support Annex) are applied with all large counterparties.

Rating classes ¹ , 31/12/2024	Bonds ² , exposure	Non-standardised derivatives		
		Fair value ²	Collateral/ security	Residual risk
AAA	66,594			
AA	9,239	-7,673	4,811	-2,862
A	16,369	-4,737	6,558	1,821
BBB	26,357		798	798
BB	279			
No rating ³	607			
Total credit risk exposure	119,445	-12,410	12,167	-243

Rating classes ¹ , 31/12/2023	Bonds ² , exposure	Non-standardised derivatives		
		Fair value ²	Collateral/ security	Residual risk
AAA	59,466	-	-	-
AA	8,601	7,658	-6,492	1,166
A	11,503	6,032	-8,682	-2,651
BBB	23,540	0	-777	-777
BB	780	-	-	-
No rating ³	343	-	-	-
Total credit risk exposure	104,233	13,690	-15,951	-2,262

1. The credit risk classification (rating) presented pertains to an internal standard. The assessment in this standard is based on the ratings issued by the selected rating agency (Moody's Analytics UK Ltd).
2. Fair value, including accrued interest.
3. Pertains to subordinated loans, bonds and shareholder loans in Alternative investments and Real estate.

Note 20. Risks cont.

Management of derivatives

AP4 uses derivatives in most asset management mandates. Derivatives have several areas of use and purposes, where the most important are:

- Hedging of AP4's foreign investments, where derivatives are the only alternative.
- Improving the efficiency of index management, where derivatives are used to minimise transaction costs and simplify administration.
- Improving the efficiency of active management, where derivatives are used to minimise transaction costs and simplify administration as well as to enable positions to be taken that cannot be created using other instruments (short positions, volatility positions, etc.).
- Regulating the operative portfolio's risk with the help of strategic derivative positions.

The use of derivatives is limited both in terms of the nominal underlying values and market risk. All derivative positions and associated risks are subject to daily position and risk monitoring.

The CEO approves all counterparties with which AP4 may conduct transactions regarding both standardised and non-standardised instruments.

Further, when trading in OTC derivatives, ISDA and CSA agreements must exist for all large counterparties. ISDA Master Agreements refer to standard agreements for regulating derivatives trading between two counterparties. CSAs refer to an annex to an ISDA Master Agreement. CSAs regulate how collateral is to be pledged as outstanding liabilities in the form of liquid funds or securities.

Liquidity risk

Liquidity risk includes liquidity risk related to cash flows and liquidity risk in financial instruments.

Liquidity risk in a financial instrument consists of the risk that the instrument cannot be sold or can only be sold at a significantly lower price than the market-quoted price. A large share of AP4's securities are immediately available for trading or lending. Illiquid financial instruments consist primarily of assets in unlisted companies and real estate. OTC derivatives

and credit instruments may also become illiquid and/or show significant differences between the bid and ask prices from time to time.

Liquidity risk may also be high if large net payments are needed from the liabilities side, since AP4 has a payment obligation to the Swedish Pensions Agency. This makes it necessary to hold a large share of liquid instruments. At present AP4 makes monthly payments to the Swedish Pensions Agency that are relatively small in relation to existing capital, however, possible losses on currency forward contracts and equity index futures may be significant, and daily forecasts of liquidity in SEK and other currencies are to be prepared.

AP4's liquidity risk in financial instruments is limited by the investment universe as well as by limits for active risk combined with the choice of

benchmark index for fixed income securities and listed equities. Further, the Swedish National Pension Funds Act limits liquidity risk, as it stipulates that a minimum of 20% of AP4's total market value must be invested in debt instruments with low credit and liquidity risk.

The Board's rules limit liquidity risk through special rules for investments in fixed income assets and through careful monitoring of cash balances. AP4 invests a large share of the portfolio in listed equities and government bonds with good liquidity. Overall, liquidity risk in AP4 is considered to be low.

The table below provides a summary of AP4's liquidity risk according to the maturity structure. Bonds and fixed income instruments are stated at fair value, including accrued interest.

Maturity structure, 31/12/2024, Term	<1 yr	1<3 yrs	3<5 yrs	5<10 yrs	>10 yrs	Total
Nominal government	1,334	5,504	8,567	38,185	11,298	64,888
Nominal corporate	11,740	13,449	23,861	5,507	0	54,557
Total	13,074	18,953	32,428	43,692	11,298	119,445

Maturity structure, 31/12/2023, Term	<1 yr	1<3 yrs	3<5 yrs	5<10 yrs	>10 yrs	Total
Nominal government	5,439	8,790	6,074	26,801	10,309	57,413
Nominal corporate	11,311	17,184	11,244	7,079	0	46,818
Total	16,750	25,974	17,318	33,880	10,309	104,231

All liabilities have terms of less than one year except for a few credit default swaps and cross currency basis swaps; see Note 11. However, the combined market value of these contracts is limited, and they have therefore been omitted from the table above.

Note 21. Financial assets and liabilities that are netted on the balance sheet or subject to netting agreements

31/12/2024	Amounts not netted on the balance sheet							Total on balance sheet
	Gross amount	Netted amount on balance sheet	Net amount on balance sheet	Offsetting of financial instruments under agreements	Collateral received/pledged	Net amount after offsetting	Other ¹	
Assets								
Derivative instruments	6,050	-	6,050	5,926	110	14	-	6,050
Total	6,050	-	6,050	5,926	110	14	-	6,050
Liabilities								
Derivative instruments	17,504	-	17,504	5,926	11,315	263	-	17,504
Total	17,504	-	17,504	5,926	11,315	263	-	17,504

The table above shows financial assets and liabilities that are presented net on the balance sheet or that have rights associated with legally binding master agreements for offsetting or similar agreements. Financial assets and liabilities are recognised net on the balance sheet when AP4 has a legal right to net under normal business conditions and in the event of insolvency, and if there is an intention to settle net or sell the asset and settle the liability simultaneously. Financial assets and liabilities that are subject to legally binding master agreements on offsetting or similar agreements that are not presented net on the balance sheet are arrangements that usually come into force in the event of insolvency, but not under normal business conditions or for arrangements in which AP4 does not have the intention to liquidate positions simultaneously.

31/12/2023	Amounts not netted on the balance sheet							Total on balance sheet
	Gross amount	Netted amount on balance sheet	Net amount on balance sheet	Offsetting of financial instruments under agreements	Collateral received/pledged	Net amount after offsetting	Other ¹	
Assets								
Derivative instruments	15,656	-	15,656	1,409	13,153	1,094	-	15,656
Total	15,656	-	15,656	1,409	13,153	1,094	-	15,656
Liabilities								
Derivative instruments	1,425	-	1,425	1,409	-	16	-	1,425
Total	1,425	-	1,425	1,409	-	16	-	1,425

1. Other instruments on the balance sheet not subject to agreements that allow offsetting.

Board of Directors’ signatures

Stockholm, 20 February 2025

Our auditors’ report was submitted on 20 February 2025

Johan Gyllenhoff
Chair of the Board

Henrik Rättzén
Vice Chair of the Board

Helén Eliasson

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

Peter Nilsson
Authorised Public Accountant
Appointed by the Swedish
government

Monika Elling

Anders Johansson

Per Strömberg

Roine Vestman

Ingrid Werner

Aleksandar Zuza

Niklas Ekvall
CEO

Auditor's Report

For the Fourth Swedish National Pension Fund, corporate identity number 802005-1952

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of AP4 for 2024. The Fund's annual accounts are included on pages 39–62 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish National Pension Funds Act (2000:192) and present fairly, in all material respects, the financial position of the Fourth AP Fund as of 31 December 2024 and of its financial performance for the year then ending according to the Swedish National Pension 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 opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities according to these standards are described in more detail in the section Auditor's responsibilities below. We are independent in relation to AP4 according to generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Other information than the annual accounts

This document includes other information than the annual accounts. The other information comprises the pages 1–38 and 65–88. The Board of Directors and the CEO are responsible for the other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and CEO

It is the Board of Directors and CEO who are responsible for the preparation and fair presentation of the annual accounts in accordance with the Swedish National Pension Funds Act. The Board of Directors and CEO are also responsible for the internal control they deem necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and CEO are required to assess the Fund's capacity to continue its operations. They disclose, where applicable, conditions that may affect the ability to continue as a going concern and to use the going concern assumption.

However, the going concern assumption does not apply if the Board of Directors and the CEO intend to liquidate the Fund or cease operations or have no realistic alternative to doing so.

Auditor's responsibilities

Our responsibility is to obtain reasonable assurance as to whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but does not comprise a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always identify material misstatements should they exist. Misstatements can arise from fraud or error and are considered to be material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As a part of the audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the entire audit.

In addition, we execute the following activities:

- We identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and execute audit procedures based on, amongst other things, these risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not identifying a material misstatement resulting from fraud is higher than one resulting from error, as fraud can include collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- We obtain understanding of the internal control of the fund relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.

- We evaluate the appropriateness of the accounting principles applied and the reasonability of the accounting estimates and related disclosures made by the Board of Directors and CEO.
- We reach a conclusion on the appropriateness of the Board of Directors' and CEO's application of the going concern basis of accounting in the preparation of the annual accounts. We are also to reach a conclusion, based on the audit evidence obtained, whether any material uncertainty exists related to such events or circumstances which can result in significant doubt as regards the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the annual accounts, or if such disclosures are inadequate, we are required to modify our opinion on the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or circumstances may cause the Fund to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and content of the annual accounts, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner providing a true and fair presentation.

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

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the annual accounts, we have also audited the inventory of the assets managed by AP4. We have also audited to determine if there are any criticisms, in general, as regards the Board of Directors' and CEO's management of AP4 for 2024. The audit has

shown no grounds for criticism in relation to the inventory of the assets or, in general, the administration.

Basis for opinion

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities according to those standards are described in more detail in the Auditor's responsibilities section below. We are independent in relation to AP4 according to generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Responsibilities of the Board of Directors and CEO

It is the Board of Directors and CEO who are responsible for the accounts and for the administration of the Fund's assets according to the Swedish National Pension Funds Act.

The Board of Directors is responsible for the organisation of AP4 and for the administration of the Fund's activities. This includes, amongst other things, the ongoing assessment of the AP4 Fund's financial situation and ensuring that the organisation of AP4 is designed in such a manner that the accounts, funds management and the Fund's activities are, in general, subject to satisfactory controls. The CEO is responsible for the day-to-day administration according to the Board of Directors' guidelines and instructions and for, amongst other things, the implementation of measures necessary to ensure that the Fund's accounting is executed in compliance with the applicable legislation and that the funds of AP4 are managed in a satisfactory manner.

Auditor's responsibilities

Our responsibility regarding the audit of the administration and, thereby, our opinion on discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance if there is any criticism of the Board of Directors' and CEO's administration of AP4 for the financial year 2024.

Reasonable assurance is a high level of assurance but does not comprise a guarantee that an audit executed in accordance with generally accepted auditing standards in Sweden will always identify actions or negligence which can result in criticism.

As a part of an audit according to generally accepted auditing practice in Sweden, we exercise professional judgement and maintain a professional scepticism through the entire audit. The audit of the administration is based primarily on the audit of the accounts.

Any additional audit procedures selected to be executed are based on our professional judgement with the starting point being the risks in the operations and the determined level of materiality. This means that we focus the audit on such measures, areas and circumstances that are significant to the operations, and where non-compliance in such contexts would be of particular importance to AP4's situation. We review and test decisions taken, decision-making documentation, measures implemented and other circumstances relevant to our opinion on the administration.

Stockholm, 20 February 2025

Peter Nilsson

Authorised Public Accountant
Appointed by the Swedish
Government

Helena Kaiser de Carolis

Authorised Public Accountant
Appointed by the Swedish
Government

Fund Governance

The Swedish Corporate Governance Code provides guidance for generally accepted practice for listed Swedish companies. The purpose of the Code is to strengthen confidence in listed Swedish companies by promoting positive corporate governance development at these companies.

AP4 supports and promotes corporate governance and reporting in accordance with the Code. AP4 is a member of the Institutional Owners Association (IÄF), which in turn is one of the principals of the Swedish Corporate Governance Board, which is responsible for the Code. This Fund Governance Report is based on those parts of the Code that apply to AP4 as a government agency.

Fund Governance Report

The Fund Governance Report describes AP4’s statutory mission, audit and evaluation as well as the work and organisation of the Board of Directors. The report follows applicable parts of the Swedish Corporate Governance Code (“the Code”), which provides guidance for generally accepted practice for listed Swedish companies. AP4 is a government agency, and the differences between public law and company law are substantial. The Fund Governance Report is therefore limited to the parts of the Code that can be regarded as relevant for AP4. The Fund Governance Report has not been reviewed by AP4’s external auditors.

Governance of AP4 – an agency governed by law

AP4 is a government agency whose operations are regulated by the Swedish National Pension Funds (the AP Funds) Act (Lagen (2000:192) om allmänna pensionfonder (AP-fonder)). The purport of this law is that AP4’s capital may only be used by the state to fund income-related retirement pensions, unless the Swedish Parliament decides otherwise. In accordance with the Swedish National Pension Funds Act, the AP Funds each have their own, independent boards of directors, which are responsible for the organisation and administration of the respective Funds’ capital. According to this Act, AP4’s board and operations may not be steered by government directives nor by business policies or economic policy interests.

AP4’s mission

AP4 shall manage pensions funds in an exemplary way through responsible investments and responsible ownership to provide the greatest possible benefit for the pension system. The goal of exemplary asset management shall be achieved without compromising on the overarching goal of generating a long-term high return.

Investment rules

The investment rules for AP1–AP4 are stipulated in the Swedish National Pension Funds Act. Investments may be made in all market-listed and tradable instruments on the capital market, except for those related to commodities.

- A minimum of 20% of assets must be invested in fixed income securities with low credit and liquidity risk.
- A maximum of 40% of assets may be exposed to currency risk.
- A maximum of 10% of assets may be exposed to an individual issuer or group of issuers with internal ties.
- The market value of AP4’s shares in listed Swedish companies may amount to a maximum of 2% of the total market capitalisation.
- A maximum of 10% of votes may be owned in an individual listed company (except for real estate companies in which the share of ownership prior to its listing exceeded 10%).
- A maximum of 40% of assets may consist of illiquid assets.
- Illiquid assets may only be owned indirectly via funds, real estate companies or private equity companies (or via co-investments with such funds and private equity companies).
- A maximum of 35% of votes may be owned in an individual private equity company.

Review and evaluation

The AP Funds are reviewed by external auditors. The government adopts the AP Funds’ income statements and balance sheets annually. Under assignment by the government, the AP Funds’ operations are also evaluated every year. This evaluation is presented in a report that is submitted to the Swedish Parliament.

Audit of operations

AP4’s auditors are appointed by the Swedish government. The current assignment is held by Helena Kaiser de Carolis and Peter Nilsson, from PwC. This assignment applies until AP4’s income statement and balance sheet for 2024 have been adopted and also includes a specific assignment for PwC to coordinate the audits of the AP Funds. The auditors issue an

audit report on their review and an opinion certifying that a sustainability report has been prepared. The auditors report directly to the Board of Directors, in part via a written audit report and in part via an oral presentation. The auditors attend at least one board meeting per year. The auditors report annually to the Ministry of Finance.

An internal audit has been conducted by the procured service provider Advisense, which performs a yearly risk analysis. Based on this, the Board makes decisions on reviews. In 2024, one such internal audit assignment was carried out.

External and internal rules and regulations

AP1–AP4 have jointly prepared accounting and valuation policies which aim to ensure that uniform accounting policies are applied and that their annual reports are thereby comparable. The document is updated on a regular basis and is discussed annually with the external auditors. Since 2012, the AP Funds have a joint policy for remuneration, employee benefits, entertainment and business travel that has been adopted by the respective AP Funds’ boards. This joint, overarching policy is complemented by AP4’s more detailed internal employee and ethics-related policies and guidelines.

External and internal rules, regulations and documents that affect governance and operations:

- The Swedish National Pension Funds (the AP Funds) Act (Lagen (2000:192) om allmänna pensionfonder (AP-fonder)).
- Laws and principles such as the Administrative Procedures Act, the Public Procurement Act, and the Principle on Public Access to Information.
- Views from external auditors.
- The government’s evaluation and report to Riksdagen (Swedish Parliament).
- The Swedish Parliament’s written statement.
- The AP Funds’ joint policies, and joint accounting and valuation policies.
- AP4’s internal policies and rules.
- AP4’s business plan, including the Sustainability Policy and Ownership Policy.
- The Swedish Corporate Governance Code (the Code).

The Board's responsibilities and duties

The Board of Directors is ultimately responsible for AP4's organisation and the administration of AP4's capital. The Board has delegated responsibility for the day-to-day administration to the CEO. The Board is also responsible for hiring and evaluating the CEO, taking positions on overarching strategic issues, ensuring that its decisions are executed, and checking and following up that the operations and its various risks are managed in a suitable manner.

Management of conflicts of interest

The Board annually adopts a policy for the management of potential conflicts of interest in AP4's operations. At each board meeting, the question of whether there would be a conflict of interest with regard to any member and agenda item is also addressed.

Important duties of the Board include adopting the following, among other things:

- Rules of Procedure for its work.
- The CEO's instructions.
- Policies, rules and guidelines for the operations, personnel (including remuneration principles and terms of employment), financial and operational risks, and ethical guidelines for employees.
- The focus of asset management through set return targets, the Dynamic Normal Portfolio (DNP), and risk mandate for the day-to-day asset management.
- A yearly business plan for AP4, including budget.

Evaluation of the Board's work

An evaluation of the Board's work is conducted for each year. All of the board members participate in the evaluation. The result of the evaluation is used as a basis for a discussion within the Board about how its work can be further developed.

The Board's composition

AP4's board shall be made up of nine regular directors not counting deputies. The board members are appointed by the government. Of these, two are appointed based on a recommendation from the employer organisations and two are appointed based on a recommendation from the employee unions. The government appoints the Chair of the Board and Vice Chair of the Board from among the board members who were

not nominated by the labour market parties. The board members are appointed by the government on the basis of their expertise in promoting fund management. A member of the Board of Directors is appointed for no longer than the period until the income statement and balance sheet are adopted in the third calendar year following the year in which the member was appointed.

The board members on 31 December 2024 were Johan Gyllenhoff (Chair of the Board), Henrik Rättzén (Vice Chair of the Board), Helén Eliasson, Monika Elling, Anders Johansson, Per Strömberg, Roine Vestman, Ingrid Werner and Aleksandar Zuza.

Biographical information on AP4's directors is provided on page 71.

The Board's committees

At the beginning of 2024, the Board has established four committees — the Remuneration, Portfolio System, Audit, and Risk Committees — which conduct drafting work on various matters for the Board.

Remuneration Committee

The Remuneration Committee shall serve as a drafting and advisory body for the Board on remuneration matters concerning the CEO and senior

executives. The committee also conducts drafting work on other matters concerning AP4's principles for remuneration and other terms of employment for all employees. The members of the Remuneration Committee as per 31 December 2024 were Helén Eliasson (committee chair), Monika Elling and Anders Johansson.

Portfolio System Committee

The Portfolio System Committee was established in 2022 to focus on the procurement and implementation of a new portfolio management system. The Portfolio System Committee was dissolved in June 2024, with matters concerning the implementation of the portfolio system subsequently drafted by the Audit Committee.

Audit Committee

The Audit Committee shall serve as a drafting, oversight and advisory body for the Board with respect to AP4's external financial reporting, accounting, the effectiveness of AP4's internal control, external audit, monitoring of AP4's management of operational risks, and compliance. AP4's external auditors attend all meetings of the Audit Committee.

The members of the Audit Committee as per 31 December 2024 were Henrik Rättzén (committee chair), Per Strömberg and Roine Vestman.

Board meetings in 2024	Remuneration Committee ¹	Audit Committee ¹	Risk Committee ¹	Attendance/ total no. meetings	Fee (SEK 000s)
Johan Gyllenhoff, Chair of the Board			x	9/9	x
Henrik Rättzén, Vice Chair of the Board (from May) ²		x	x	9/9	x
Helén Eliasson	x			8/9	x
Monika Elling	x			9/9	x
Anders Johansson	x			9/9	x
Roine Vestman (from May) ²		x		7/7	x
Per Strömberg		x		8/9	x
Ingrid Werner			x	7/9	x
Aleksandar Zuza				8/9	x

1. Pertains to committee members as per 31 December 2024. The Portfolio System Committee was dissolved in June 2024.

2. Director's fee paid starting in June 2024.

Risk Committee

The Risk Committee shall serve as a drafting, oversight and advisory body for the Board with respect to AP4's governance, monitoring, and reporting of financial risks in the operations. The members of the Risk Committee as per 31 December 2024 were Ingrid Werner (committee chair), Johan Gyllenhoff and Henrik Rättzén.

Directors' fees

Directors' fees are set by the government. The full-year fee for 2024 is SEK 200,000 for the Chair of the Board, SEK 150,000 for the Vice Chair of the Board, and SEK 100,000 for each of the other directors. The government has also set a yearly budget of SEK 100,000 for all committee assignments.

Minuted meetings in 2024

During the 2024 financial year, the Board held nine minuted meetings. As shown in the table on page 67, directors' attendance was high, averaging 92%. Attendance at board meetings included, in addition to the board members, the CEO, AP4 executives in a presenting role, and AP4's General Counsel as company secretary.

In focus during 2024

In addition to its continuing work duties, the focus of the Board's work in 2024 was related to the following, among other matters:

- Project to update the Dynamic Normal Portfolio (DNP), which takes place every two years.
- AP4's risk budgeting work.
- Project to implement the new portfolio system.
- Ongoing reviews of the pension system and preparation of AP4's response to the consultation on "Buffer funds review (Fi 2024/01401)".
- Corporate governance work and the AGM season.
- Sustainability, sustainability reporting and updates on regulatory developments.
- Collaboration between the AP Funds, including the work of the Council on Ethics of the AP Funds.
- A business plan for 2025, including budget.

Risk management at AP4

Well-balanced active risk-taking based on set level of risk is a central component in AP4's asset management.

Risk management in three steps

To achieve its set return targets, AP4 must take well considered risks in its asset management. Adept risk management is necessary for successful asset management. It must be possible to foresee risks prior to an investment and to subsequently control them. Risk management can be broken down into three steps:

1. Risk governance – risk tolerance framework
2. Continuous risk management
3. Monitoring and control

Step 1. Risk governance – risk tolerance framework

The Board of Directors has overarching responsibility for AP4's operations and adopts an investment policy and risk management plan for AP4's operations every year.

Together with the Swedish National Pension Funds (the AP Funds) Act (Lagen (2000:192) om allmänna pensionfonder (AP-fonder)), these governing documents provide a framework for AP4's risk tolerance. To manage the various aspects of risk governance, the Board has established a Risk Committee and an Audit Committee with three members each. The Risk Committee serves in an advisory, oversight and drafting role for the Board with respect to AP4's governance, monitoring and reporting of financial risks in the operations. The Audit Committee is tasked with overseeing the external financial reporting and the effectiveness of AP4's internal controls.

Its duties also include overseeing the work on monitoring management of operational risks and monitoring compliance. AP4's risk and investment strategy has been formulated in accordance with the overall objective to generate the highest possible return over time, with low risk for reduced pensions, and thereby contribute to the pension system's financial strength.

The investment policy describes, among other things, the focus of asset management based on return targets and the Dynamic Normal Portfolio (DNP), which takes its starting point from AP4's ALM (Asset Liability Management) process. In addition, the investment policy describes AP4's risk mandate for the continuing asset management. The risk management plan describes the division of responsibility and authority for the investment operations, the principal risks in the operations and how these risks are to be controlled and followed up. The main risks are financial and operational risks. A more detailed description of risks is provided in Note 20.

Step 2. Continuous risk management

AP4's daily risk management and control activities are decentralised to all operating aspects of the organisation and are conducted in accordance with the three lines of defence principle. This principle distinguishes between the functions that own the risks (the first line of defence), functions for monitoring, control and compliance (the second line of defence), and functions for independent review (the third line of defence). AP4's application of the three lines of defence is adapted to what is deemed to be suitable for AP4 and does not fully adhere to regulatory requirements.

Three lines of defence

The first line of defence for risk management and control lies in the direct business operations, which includes every administrative unit in the investment operations as well as business support functions, such as Finance, Back Office and Legal.

The second line of defence consists of the Risk Control function in Risk & Business Support, and Compliance. Risk Control and Compliance are units that are independent from the investment operations and report directly to the CEO and Board of Directors.

The third line of defence rests with internal audit. In 2024, the internal auditor was a service provider jointly procured by AP1, AP2 and AP4. Each year the Board decides on the scope and the areas for which internal audit is to be conducted. The internal auditor performs an annual risk analysis and the Board decides on audits on the basis of this analysis.

Financial and operational risks

In the ongoing risk management, risks are broken down into financial and operational risks. Financial risks consist mainly of market, credit and liquidity risks. The CEO delegates the risk mandate received from the Board for financial risks to the various asset management units. The respective asset managers are responsible for risk management within their respective mandates. Risk management within a mandate is conducted through calculated risk-taking, which can have both positive and negative outcomes. AP4's financial risks have their starting point in the Board's decision on the overall asset allocation in the Dynamic Normal Portfolio (DNP) as well as in AP4's risk mandate for the continuing asset management. Through set risk mandates for the asset management, the scope for risk-taking in the continuing asset management is limited. As documentation for AP4's continuing work on optimising risk-taking, risk forecasts are used for the respective asset management areas, instruments, risk factors, and so on.

AP4 plans risk-taking with the help of stress tests and various scenario analyses. Operational risks in AP4 are to be managed through an established joint-Fund process and methodology. In the day-to-day activities all managers and employees are to maintain an awareness of risks in the business and their key controls, and act in such a way to ensure that the operations, assets or trust in AP4 among parties in the external operating environment are upheld.

Step 3. Monitoring and control

The Risk & Business Support unit is responsible for monitoring AP4's financial and operational risks. This involves checks to ensure compliance in the operations with statutory investment rules, targets and guidelines, the requirements of the risk management plan and the CEO's decisions. The Risk & Business Support unit's work includes closely measuring and analysing risk and returns as well as reporting on these daily, both in absolute figures and relative to benchmark indexes, and reporting any breaches of applicable rules or regulations.

Risk & Business Support is organised into four different functions: Back Office, IT, Risk & Systems and Risk Control. Of these, the Risk & Systems and Risk Control functions are part of AP4's risk management. The Risk & Systems function is responsible for the valuation principles for all instruments as well as daily analysis, control and reporting of returns, risks (forecast and outcome), and risk-adjusted returns. The Risk Control

function is responsible for monitoring limits based on prevailing rules and control of financial risks. The Risk Control function is also responsible for monitoring operational risks in the investment operations and for ensuring compliance with rules governing operational risks. Operational risks in AP4 are to be managed through an established joint-Fund process and methodology. This process includes process mapping, identification and valuation of risks, and shall be conducted for all identified processes on a regular basis. Key controls shall be in place for all material risks, which as far as possible reduces the likelihood of risks materialising or mitigates the consequences when undesirable events occur. In the gradation of risks, existing key controls shall be quality-assured to ensure they have the desired functionality and are effective. As part of the operational risk management process it is especially important to evaluate change processes and their effects on the operations. Operational risks are evaluated specifically in connection with the implementation of, for example, new suppliers, financial instruments, counterparties, markets, system changes and organisational changes. To minimise operational risks, a clear division of responsibilities and authorities shall be documented in written instructions. Applicable processes and routines shall ensure good internal control and be documented in relevant instructions. The so-called four-eyes principle is applied consistently. The Compliance function reviews the operations with respect to compliance with laws, regulations and other guidelines, policies, instructions and internal rules, including ethical guidelines. Its responsibility includes providing support to the operations on compliance issues and analysing compliance risks in the operations.

Remuneration at AP4

AP4's role as a government agency and manager of Swedish public pension funds requires that remuneration levels for the employees, including the CEO, are reasonable, justifiable and explainable. In general, AP4 strives to ensure that remuneration levels on the whole are in line with the market, without being a salary leader, and enable AP4 to attract and retain talented employees.

AP4's Board of Directors

AP4's Board is responsible for addressing remuneration issues in a purposeful, responsible and transparent way. Each year, the Board adopts the principles for remuneration and other terms of employment for AP4's employees. In addition, the Board conducts an annual follow-up of how these principles have been applied at AP4 during the preceding year, and verifies and certifies that the government's guidelines on terms of employment for senior executives of the AP Funds have been adhered to. As part of this work, with the support of external consultants the Board regularly conducts comparisons of AP4's remuneration levels for both members of the Executive Management and other employees using salary statistics from relevant, comparable employers in the market.

Remuneration Committee

The Remuneration Committee is a committee appointed by the Board of Directors. It serves in an advisory, oversight and drafting role for the Board for remuneration matters concerning the CEO and senior executives of AP4. The Remuneration Committee conducts drafting work for important remuneration decisions in addition to handling other related duties delegated to it by the Board. The committee also conducts drafting work for other matters concerning AP4's remuneration principles and other terms of employment for all employees, and is responsible for monitoring application of these principles. Finally, the committee conducts drafting work behind the assessment of AP4's compliance with the government's guidelines for terms of employment for senior executives of the AP Funds.

The AP Funds' joint policy

The AP Funds' joint policy for remuneration principles, employee benefits, entertainment and business travel was formulated jointly by AP1–AP4, AP6 and AP7 in 2012 and has been adopted annually by AP4's Board. This joint, overarching policy is complemented by AP4's more detailed internal policies and guidelines, including AP4's Remuneration Policy. The policies and guidelines are subject to annual review.

AP4's Remuneration Policy

According to AP4's Remuneration Policy, an employee's total remuneration to 31 December 2024 consists of a fixed salary, pension and other benefits.

Salary

Fixed salary shall be in line with the market and competitive, without being market-leading. Salaries are set on an individual basis and are commensurate with the level of responsibility and degree of difficulty of the work involved, as well as with the competence and capacity required for each employee's work. The Board of Directors has decided that as of 2024, variable remuneration will no longer be applied.

Pension

AP4 applies the so-called BTP plan under applicable collective agreements with BAO (the Employers Organisation of Swedish Banking Institutions) and SACO (the Swedish Confederation of Professional Associations) for all employees except for the CEO. Employees hired after 1 April 2008 with salaries higher than 10 times the Income Base Amount receive Alternative BTP, a defined contribution pension solution whereby pension premiums are paid in an amount corresponding to 30% of the employee's salary that is higher than 7.5 times the Income Base Amount. For other employees, unless otherwise agreed, a mainly defined benefit retirement pension applies, according to the BTP plan. The CEO is entitled to retirement at 65 years of age and receives pension provisions corresponding to 30% of their salary. The Board of Directors has decided that as of 2025, new employees will follow the so-called BTP1 plan.

Salary exchange/enhanced occupational pension

All employees are entitled to exchange a portion of their gross salary for pension contributions in a way that is cost-neutral for AP4.

Other benefits

The combined value of other benefits is of limited value in relation to employees' total remuneration. Examples of other benefits include supplementary healthcare insurance, group insurance and a wellness subsidy. AP4 encourages its employees to take advantage of their parental leave benefits and therefore compensates part of the difference between salary and the parental leave benefit. AP4 has five parking spaces that employees could use during the year in exchange for taxation as benefit.

Notice periods and severance pay

A notice period for end of employment applies in accordance with the rules of the collective agreement between BAO and SACO for all

employees except for the CEO. For the CEO, a mutual notice period of six months applies. In the event AP4 serves notice, the CEO may also be entitled to severance pay of a maximum 18 months' salary. Upon new employment or for income earned from an own business, the remuneration during the notice period or severance pay is to be reduced by an amount equivalent to the new income.

The Board's follow-up of salaries in 2024 for all permanent employees

During the year, the Board – with the help of external consultants – commissioned a salary survey based on the guidelines of the Discrimination Act as well as an external market comparison. The salary survey that was conducted from a gender equality perspective showed that there are no significant differences in salary with respect to equal work, work of equal value, or in female-dominant work categories. The external market comparison, where AP4's salaries were compared with salaries for equivalent positions in the financial sector in Sweden showed that AP4's salary levels are in line with both AP4's Remuneration Policy and the government's guidelines for terms of employment for senior executives of the AP Funds. After consideration of the results of the comparative analysis, the Board was able to conclude that AP4 applies remuneration levels that are within set guidelines and that AP4's salaries are in line with the going market rate and are reasonable and justifiable without being market-leading. In addition, it was determined that, with respect to senior executives, remuneration is in accordance with the guidelines for terms of employment for senior executives of the AP Funds.

Board of Directors



Johan Gyllenhoff

Chair in 2024, Director since 2023
Born 1962
B.Sc. Econ.

Other assignments: Head of Group Finance Vattenfall. Chair: Vattenfall Eldistribution AB, Försäkringsaktiebolaget Vattenfall Insurance. Director: Kärnavfallsfonden



Henrik Rättzén

Vice Chair in 2024, Director since 2019
Born 1965
B.Sc. Econ.

Other assignments: Senior Advisor. Chair: Alektum, Brandkontoret, Freedom Group, Bumble Labs. Director: Nordnet, Hedvig



Helén Eliasson

Director since 2020
Born 1971
B.A. Social Care

Other assignments: Member of Regional Executive Board, Vice Chair, County Council of Region Västra Götaland. Director: SKR's board of directors, member of Västra Götaland Regional Assembly



Monika Elling

Director since 2020
Born 1962
B.Sc. Econ.

Other assignments: Chair: Talent Eye AB. Director: Sareq AB, X Shore AB



Anders Johansson

Director since 2022
Born 1960

Other assignments: Chair: Forena insurance industry trade union. Director: TCO, Kooperationens Pensionsstiftelse, FPK Tjänstepensionsföretag



Per Strömberg

Director since 2022
Born 1968

Ph.D. Carnegie Mellon University, B.Sc. Econ. Stockholm School of Economics
Other assignments: Professor of Finance and Private Equity, Stockholm School of Economics. BP Centennial Visiting Professor of Finance, London School of Economics. Director: Nasdaq Clearing AB, Royal Swedish Academy of Sciences



Roine Vestman

Director since 2024
Born 1978

Ph.D. in Economics, New York University, M.Sc., Stockholm School of Economics.
Other assignments: Professor of Economics at Stockholm University, Director of the Centre for Monetary Policy and Financial Stability (CeMoF), member of the Swedish National Debt Office's Scientific Advisory Council. Director: Swedish Financial Supervisory Authority



Ingrid Werner

Director since 2017
Born 1961

Ph.D. Econ., Honorary Doctorate in Economics, Stockholm School of Economics
Other assignments: Chair: Dimensional Mutual Funds and ETFs, Academic Advisory Board for Swedish House of Finance (SHoF). Director: Research Advisory Council for SAFE, Scientific Council for SFI, FINRA Economic Advisory Committee



Aleksandar Zuza

Director since 2020
Born 1975

M.Sc. Business, M.Sc. Econ.
Other assignments: Research Officer: IF Metall

Executive Management



Niklas Ekvall

CEO

Born 1963

Employed since 2016

Ph.D. Financial Economics and Adjunct

Professor of Financial Economics, M.Sc.

Industrial Engineering

Previous positions with Nordea,

Carnegie, AP3, Handelsbanken and the

Stockholm School of Economics

Other assignments. Chair: Swedish

House of Finance, Stockholm School

of Economics. Director: Vasakronan AB,

Hans Dahlborgs Stiftelse för Bank- och

Finansforskning, The Royal Swedish

Academy of Sciences Investment

Committee



Jenny Askfelt Ruud

Head of Alternative Investments

Born 1973

Employed since 2018

M.Sc. Econ.

Previous positions with Enwise,

Ratos, McKinsey & Company, Arts

Alliance and Morgan Stanley



Theresa Einarsson

General Counsel

Born 1977

Employed since 2019

LL.B.

Previous positions with Apoteksgruppen,

Advokatfirman Vinge, Davis Polk &

Wardwell LLP and Hammarstiöld & Co



Tobias Fransson

Head of Sustainability, Finance &

Communication

Born 1968

Employed since 2003

M.Sc. Econ.

Previous positions with ABB, SEB

and Capto Financial Consulting



Magdalena Högborg

Head of Allocation, Liquid Markets &

Analysis

Born 1983

Employed since 2013

M.Sc. Eng., M.Sc. Econ., CFA

Previous positions with VPD and Astando



Jannis Kitsakis

Head of Swedish Equities

Born 1976

Employed since 2008

M.Sc. Econ.

Previous positions with Handelsbanken



Nicklas Wikström

Head of Risk & Business Support

Born 1968

Employed since 2008

M.Sc. in Accounting and Financing, CEFA

Previous position with AFA Insurance

AP4's carbon emissions have continued to decrease. Unfortunately, we are not seeing a corresponding reduction in emissions globally or for listed companies. Achieving the climate goals requires that the companies that AP4 has ownership in continue to reduce carbon emissions in their own respective operations.

Operational data

This section contains in-depth and more detailed reporting on portfolio development, stakeholders and risk analyses, as well as key metrics for the focus areas Climate & Environment and Corporate Governance.

Return over time

Returns by asset class over different time horizons

Returns are calculated using the Time-Weighted Rate of Return (TWRR) method.

Returns by asset class are calculated before AP4's internal operating expenses, as these costs are not allocated by asset class. In the case of securities funds that are managed externally, however, the return is recognised after commission expenses in the form of asset management fees and custodian fees and any other administrative costs, which are deducted directly from the value of the fund units. These commission costs reduce the portfolio value and consequently the return on these external fund investments.

AP4's operative asset management is evaluated against the Dynamic Normal Portfolio (DNP), which is a benchmark portfolio established by the Board of Directors. The DNP is made up of a number of market indexes that are weighted together with set weights for each asset class. The indexes used are standardised and hedged to Swedish kronor. Since 2022, these indexes are adjusted for any sustainability-based exclusions. The asset class Real assets is not measured against a market index, but instead against a real return target of the CPI + 3 percentage points.

Active return is calculated as the difference in returns between the Operative portfolio and the DNP benchmark portfolio.

In connection with decisions on the DNP, a medium-term return target over 10 years is also set. For the years 2018 to 2024 inclusive, this target was a 3% annual real return. For the years prior to this, the target was a 4.5% annual real return. From 2025 onwards, the target is 3.5%.

The return is also compared with the development of the income index. A return that outperforms the income index helps to strengthen the pension system.

Asset class ¹	1 year (2024)	5 years (2020– 2024) ⁷	10 years (2015– 2024) ⁷	Benchmark index ^{8, 9}	Weight in DNP ⁹ , % Benchmark index ⁸
Global equities, %	17.4	9.1	8.6	MSCI All Countries	36
- of which, active return, ² %	-1.5	-0.5	0.1		
Swedish equities, %	8.4	9.3	11.7	SIX-RX	15
- of which, active return, %	-0.2	-0.6	1.1		
Defensive equities, ³ %	14.5	-	-	MSCI World factor index	5
- of which, active return, %	0.9	-	-		
Fixed income ⁴ , %	1.3	0.5	0.8	Global fixed income: ICE GDP-weighted, 5-year duration	19
- of which, active return, %	0.4	1.1	0.6	Swedish fixed income: ICE, 4-year duration	8
Real assets, ⁵ %	2.9	4.7	13.8	CPI + 3%	17
- of which, active return, %	-1.7	-2.6	7.9		
AP4 total portfolio, %	10.2	6.9	8.1	Dynamic Normal Portfolio (DNP)	100
- of which, active return, %	-1.4	-0.7	0.8		
Income index, %	2.6	3.4	3.0		
Medium-term return target ⁶ , %	3.8	7.4	6.4		

- Returns in this table are before operating costs, as costs are not allocated by asset class. AP4's return after total management costs was 10.1% for 2024.
- AP4 can use its tax status as a state pension fund, and in 2024 this made a positive contribution of 0.17 percentage points.
- The Defensive equities asset class was introduced in 2022, which is why data is not available for longer time horizons.
- Fixed income assets consist of the two asset classes Global fixed income and Swedish fixed income and are managed as one portfolio.
- Prior to 2018, Real assets consisted only of real estate, and this was measured against the MSCI ACWI.
- The medium-term return target is CPI + 3% for the years 2018–2024, prior to which the target was CPI + 4.5%.
- Pertains to average annual return over the respective time horizon.
- Since 2022, the benchmark indexes are adjusted for sustainability-related exclusions.
- Pertains to 31 December 2024.

Portfolio allocation over time

The tables show how the fund capital was allocated at the end of each year with regard to asset classes, currency exposure and distribution between internal and external asset management. External asset managers and their mandate at the end of 2024 are presented below.

AP4 uses external management where the asset management strategy is difficult to pursue internally or where it is not cost-effective to develop internal management. AP4 allocates capital between internal and external asset management according to what is considered to provide the best net return after costs.

External managers of listed assets

Asset manager	Mandate
AQR	Equities, emerging markets
Blackrock	Market-neutral equity, credit and interest rate strategies
Northern Trust	Equities, emerging markets

Asset allocation over time

Asset class, %	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Global equities	36	34	31	40	40	39	39	41	40	39
Swedish equities	15	16	16	17	17	16	15	17	18	19
Defensive equities	6	5	5	-	-	-	-	-	-	-
Global fixed income	18	19	21	16	20	21	22	21	23	23
Swedish fixed income	9	9	9	12	11	11	12	12	11	11
Real assets	16	16	18	15	13	13	12	10	9	7

Currency exposure, %	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total currency exposure	19.4	21.6	19.3	20.9	21.0	19.8	18.4	18.4	26.9	27.0
- of which USD	8.9	10.0	9.1	12.6	10.1	9.7	8.0	14.2	16.9	17.2
- of which EUR	-0.6	0.6	-1.0	-0.7	1.4	1.4	0.0	0.3	3.1	5.0
- of which GBP	-1.2	-0.1	0.8	0.7	0.9	0.8	1.1	1.0	3.0	2.9
- of which JPY	4.7	4.1	2.3	1.3	1.3	1.0	1.1	1.4	2.1	2.0
- of which Other currencies	7.6	7.0	8.1	7.0	7.3	6.9	8.2	1.5	1.8	-0.1

For currency exposure, see also Note 30.

Share of externally managed capital

Share of capital, %	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Share of internally managed capital	79	79	80	84	86	85	84	83	77	78
Share of externally managed capital	21	21	20	16	14	15	16	17	23	22

Key metrics HR and direct environmental impact

The tables describe key metrics for AP4's employees and direct environmental impact.

The proportion of women in the Executive Management, excluding the CEO, is 50%. The proportion of women out of the total number of managers, excluding the CEO, is 43%. Employee turnover was for 2024 was 21%. After adjusting for temporary/hourly rate employees, primarily students, employee turnover was 11%.

AP4's most significant sustainability risks and environmental impacts are indirect, through the holdings that form part of AP4's portfolio and the operations these holdings conduct. Consideration of sustainability aspects is therefore an important and integral part of AP4's asset management, as this is expected to contribute to a higher risk-adjusted return in the long term. AP4's direct sustainability risks and environmental impact in its own operations are considerably smaller, as AP4's operations are conducted at a single office in Stockholm with 67 employees. Practising what we preach is an important cultural issue, however. This is why AP4 monitors and reports the direct environmental impact of its own operations.

Key metrics – employees	2024	2023	2022	2021	2020
Number of employees, average	67	66	61	62	61
Of whom, women, %	39	37	39	37	37
Number of persons in Executive Management, average	7	7	7	7	7
Of whom, women, %	43	43	43	32	33
Average age, yrs	46	45	47	46	44
Employee turnover, %	21	12	22	14	3
Sickness-related absence, %	1.7	3.0	1.1	1.3	2.3

AP4's direct environmental impact	2024	2023	2022	2021	2020
Electricity use in own offices, MWh	74	77	103	89	87
District cooling use in own offices, MWh	37	33	52	44	43
Use of heat in own offices, MWh	35	35	48	50	37
Water consumption, m3	466	468	443	375	262
Use of paper, tonnes	0.6	0.5	0.5	0.1	0.1
Ecolabelled paper as share of total paper use, %	100	100	100	100	100
Business travel by air, km 10,000s	49	57	34	2	11
Business travel by air, tonnes CO2e emissions	49	56	36	3	12

AP4's stakeholder dialogues

Stakeholder group/Actors	AP4 is affected/impacts	Examples of dialogues in 2024	Material topics
Those we carry out our mission for			
Principals Swedish Parliament, government, pensions group	<ul style="list-style-type: none"> AP4 is affected by legislation, board appointments, annual evaluation. AP4 impacts through dialogue, ongoing and annual evaluation, and as a consultative body. 	The government performs an annual evaluation of the AP Funds and submits a report to Parliament. The evaluation is based on the reporting of the AP Funds and an in-depth analysis. The government also appoints the auditor for the AP Funds. Annual reporting and evaluation, meetings with ministers and officials.	Return, exemplary management, reporting, pension system.
General public Current and future pensioners	<ul style="list-style-type: none"> AP4 is affected by the expectation of a high return and exemplary management. AP4 impacts by contributing to a robust pension system and responsible operations. 	Information about AP4's work, both financial and on sustainability, through detailed reporting. External reporting, meetings with representatives, website.	Return, exemplary management, pension system.
Media Swedish and foreign media	<ul style="list-style-type: none"> Affect AP4 by scrutinising operations and examining external information. AP4 impacts through interviews, discussions, ongoing provision of information, press releases, financial reports, website and meetings. 	Press releases, news articles, interviews, social media posts.	Sustainability work, return, the mission and role in the pension system of the AP Funds.
Those we carry out our mission with			
Employees Current and future employees	<ul style="list-style-type: none"> AP4 is affected by the work, commitment and participation of its employees. AP4 impacts by being (and presenting AP4 as) an attractive employer. 	Ongoing dialogue with employees, health and safety dialogue, safety inspections, employee reviews, incident follow-ups, regular employee surveys for continuous improvements in the work environment. Employee survey, performance review, internal and external surveys, website, social media (LinkedIn), talks and attending seminars.	Pay, conditions, working environment, development opportunities, responsible investor.
Portfolio companies and external asset managers Majority-owned companies, unlisted/ listed directly owned companies, indirectly owned companies under external management, external asset managers	<ul style="list-style-type: none"> AP4 is affected by these contributing to the Fund's return target and sustainability goals. AP4 impacts through dialogue and active ownership. 	Sustainability matters are discussed with portfolio companies and asset managers as part of ongoing investment operations. Meetings, networks, evaluations, voting at general meetings, work on nomination committees, follow-up meetings with external asset managers.	Return, sustainability goals, strategies, corporate governance.
Financial sector Financial service providers, counterparties, collaborations	<ul style="list-style-type: none"> AP4 is affected through services and collaboration. AP4 impacts by specifying requirements. AP4 impacts through engagement. 	Networks with Swedish and international industry colleagues to examine common issues and exchange expertise, e.g. Council on Ethics, TPI and PRI. Regular dialogue.	Return, holdings, strategies, exemplary management, research.
Suppliers Offices, administration, IT services	<ul style="list-style-type: none"> AP4 is affected by the price and quality of goods and services. AP4 impacts by specifying requirements in procurement. 	Information from suppliers is used in AP4's sustainability reporting. Meetings, agreements and follow-up.	Contract terms, quality, sustainability.
Those affected by our investments			
Civil society and nature	<ul style="list-style-type: none"> AP4 is affected by these drawing the Fund's attention to challenges and opportunities. AP4 is affected by scientific facts. AP4 impacts through dialogue and in investments with the companies. 	Dialogue with organisations and experts with knowledge of the issues and local conditions, such as TPI, FAIRR and ChemSec. The Council on Ethics of the AP Funds invites interest groups to an annual meeting on the presentation of its report. At this meeting, the Council on Ethics provides information about its work and engages in dialogue with stakeholders. Meetings with organisations, media, website, external reporting such as the annual report.	Sustainability work, reporting, positions, research, new insights.

Risks in the portfolio

AP4's investment process includes identifying and managing macroeconomic, financial and sustainability-related risks and opportunities that could affect the portfolio's long-term performance.

On top of these risks are also risks associated with AP4's internal operations in the form of operational risks (e.g. personnel risks, systemic risks and process risks) as well as other business risks (such as reputational risks). Management of these is described on pages 13–15 and 57–60, as well as in the Fund Governance Report on pages 66–70.

Risk areas

	The pension system's long-term needs and structural socioeconomic factors	Medium-term economic performance and financial markets
Identification	Identifies long-term risks for the pension system over a 40-year period: <ul style="list-style-type: none"> • Demographic development • Labour market development • Long-term return expectations in financial markets • The work takes the form of an ALM analysis. 	Identifies risks from a ten-year perspective with a focus on the 5–15 year time span, which enables the analysis of more detailed cyclical events concerning: <ul style="list-style-type: none"> • Macroeconomic scenarios • The financial markets' valuation levels • Climate transition
Governance	Every three years AP4 conducts an ALM (Asset Liability Management) analysis, where the work is continuously reported to the Board, and where the following are determined: <ul style="list-style-type: none"> • Long-term return targets. • Decisions on the risk scope are expressed in terms of a range for the proportion of equities, currency exposure and the fixed income portfolio's average duration. 	Every two years, AP4 conducts an in-depth analysis of the medium-term economic performance and financial markets. Based on risks and opportunities, the Board then decides annually on: <ul style="list-style-type: none"> • The Dynamic Normal Portfolio (DNP), a benchmark portfolio comprising several weighted market indices or return targets
Management	AP4 conducts a business environment analysis with various scenarios that affect the preconditions for the pension system. AP4 works according to the Swedish Pensions Agency's forecasts combined with own stress tests of the labour market, demographics and return expectations.	Scenarios for the macroeconomic development, including the climate transition's possible impacts on these scenarios, interest rate movements and equity valuations, are presented to the Board of Directors.
Targets	Striving for the combination of return targets and risk level that is best-suited for the pension system in the short- and long-term.	<ul style="list-style-type: none"> • The medium-term real return target was 3.0% for the years 2018–2024. From 2025 onwards, the target is 3.5%. • Active return target of 1 percentage point. • Active risk scope of 5 percentage points.
Results	As a reflection of the pension system's current strength combined with the prevailing market situation with low expected returns and with maintained generation neutrality, the long-term real return target was lowered, first in 2018 from 4.5% to 4.0% and starting in 2021 to 3.5%.	<ul style="list-style-type: none"> • AP4's asset management is evaluated over different time horizons: • Total return has been evaluated since the start in 2001. AP4's total return for the period 2001–2024 has averaged 6.6% per year, compared with the long-term return target, which averaged 6.1%. • Active return on top of the DNP is measured over a rolling 5-year period and averaged -0.7 percentage points per year during the period 2020–2024, compared with the target of 1.0 percentage points per year.

Risk areas

	Climate risks, climate transition and other environmental risks	Human rights and social conditions
Identification	<ul style="list-style-type: none"> Climate change and the climate transition are systemic risks with global impacts on society, economies and expected returns. Climate risks consist of physical risks (including temporary risks such as extreme weather and flooding as well as permanent risks such as rising sea levels) and transition risks. Risks such as changes in tax rules, sector requirements and demand may lead to poorer competitiveness for certain companies and sectors, and lead to higher costs in the form of taxes, insurance premiums and continuous investments. 	<ul style="list-style-type: none"> AP4 has a broad global portfolio of over 1,200 companies, aimed at generating a high risk-adjusted return while at the same time being cost-effective. Some of these companies are domiciled or conduct operations in countries where the handling of human rights and other social conditions does not align with the international conventions that Sweden has ratified. This poses a risk for human rights violations and other negative social conditions in companies in which AP4 is invested.
Governance	<ul style="list-style-type: none"> The Board of Directors has addressed the significance of this by establishing Climate & Environment as one of two focus areas in asset management. Corporate Governance is the other focus area, which stipulates that AP4 shall work as an active and engaged owner to contribute to the portfolio companies' work on managing climate and environmental risks. It is also one of the focus areas for the Council on Ethics. 	<ul style="list-style-type: none"> AP4, together with AP1–AP3, has formed the Council on Ethics of the AP Funds, which is responsible for systematic business intelligence monitoring of over 3,300 companies and regularly analyses the portfolio to identify any violations of human rights or other conventions. The Council on Ethics also works proactively in projects to promote compliance with human rights and improvements in social conditions.
Management	<ul style="list-style-type: none"> AP4 mitigates risk through optimisation strategies where company weightings in the respective sectors are adjusted based on the companies' carbon intensity. In climate-intensive sectors, fundamental company selection is made so that holdings are concentrated in companies that not only have strong business models but are also at the forefront of the transition to climate-neutral operations. AP4 makes thematic investments that contribute to and benefit from the climate transition. AP4 is an active owner and engages companies in dialogue, internationally through the Council on Ethics or other collaboration bodies for investors. 	<ul style="list-style-type: none"> In the event of a confirmed violation of an international convention by an individual company, the Council on Ethics can decide to engage the company in a dialogue to bring about a positive change. If the dialogue does not lead to the desired result, the Council on Ethics may recommend that the AP Funds exclude the company from their portfolios. AP4 is conducting a project within its asset management aimed at proactively mapping the risk scenario for various industries and countries regarding human rights.
Targets	<ul style="list-style-type: none"> AP4 supports the Paris Agreement and is striving to reduce the portfolio's carbon footprint in line with the Paris Agreement's goal to limit temperature change. AP4 aims to halve emissions from its portfolio by 2030, measured from 2020, in order to have net zero emissions by 2040 at the latest. 	<ul style="list-style-type: none"> AP4 is working to increase knowledge in its asset management about the risk of human rights violations and to identify these risks. Through the Council on Ethics' work, AP4 aims to identify serious incidents and human rights violations in the portfolio companies and to work to ensure that the companies remedy these and work preventively to stop new incidents from occurring. Through its proactive work, the Council on Ethics strives to support companies in their work with social challenges and thereby prevent serious incidents.
Results	<ul style="list-style-type: none"> Since 2010, the portfolio's carbon emissions have decreased by 70%. AP4's equity portfolio has carbon emissions that are 59% lower than a broad global equities index (MSCI ACWI). Based on its screening of the portfolio, the Council on Ethics registered 89 confirmed cases or cases with a risk of violations during 2024. At year-end, the Council on Ethics conducted 47 reactive company dialogues, with environmental issues the focus for 14% of these. 	<ul style="list-style-type: none"> Based on its screening of the portfolio, the Council on Ethics registered 89 confirmed cases or cases with a risk of violations during 2024. At year-end, the Council on Ethics conducted 47 reactive company dialogues, with social aspects including human rights and labour the focus for 61% of these.

Risk areas

Corruption

Identification

- Corruption is a global problem that exists in many countries and industries. It is harmful and costly for society, it skews sound competition and undermines asset values as well as people's trust in political and economic systems. Various forms of corruption constitute commonly prevalent sustainability risks for many companies. With broad equities exposure, corruption is a threat to the portfolio's long-term return.

Governance

- AP4, together with AP1–AP3, has formed the Council on Ethics of the AP Funds, which is responsible for systematic business intelligence monitoring of over 3,300 companies and regularly analyses the portfolio to identify any cases of corruption.

Management

- The Council on Ethics conducts reactive dialogues with companies in cases of confirmed corruption as well as proactive projects aimed at countering corruption in industries and countries where it is a pervasive problem. AP4 makes demands for transparency and discusses with companies how, for example, policies, guidelines and routines for preventing corruption are designed and how follow-up is conducted. Tools that can reduce and prevent corruption include greater transparency, whistleblower functions and improved monitoring of companies' internal rules. AP4 eagerly cooperates with other investors in this work and votes in line with this work at company shareholder meetings.

Targets

- AP4 is working to increase knowledge in its asset management about the risk of corruption and to proactively identify these risks. Through the Council on Ethics' work, AP4 aims to identify serious incidents of corruption in the portfolio companies and to work to ensure that the companies remedy these and work preventively to stop corruption. Through its proactive work, the Council on Ethics strives to support the companies in their work with combating corruption.

Results

- Based on its screening of the portfolio, the Council on Ethics registered 89 confirmed cases or cases with a risk of violations during 2024. At year-end, the Council on Ethics conducted 47 reactive company dialogues, with corporate governance including business ethics and corruption the focus for 25% of these.



Description of sustainability risks

AP4's mission and long-term investment perspective require it to identify risks and opportunities relating to sustainability matters. AP4 most recently conducted an analysis in 2023 of sustainability risks in the portfolio based on the EU's CSRD regulations and the two perspectives of impact materiality (how the portfolio affects the outside world) and financial materiality (how the outside world affects the portfolio's financial position). The risks identified on the basis of the ESRS are presented in the table. The biggest risks from both perspectives were considered to be climate, biodiversity, labour in the value chain (human rights) and business ethics (corruption).

Climate risks

Today AP4's largest sustainability risks lie in climate changes and the transition that is needed to address these. A reduced climate impact is a precondition for stable and foreseeable economic development and thereby also for AP4's opportunities to succeed with its mission. In the transition to a society that uses fossil fuels to a lesser extent, emitting greenhouse gases will be increasingly more costly. This means that companies that cause large emissions will be valued and priced differently compared with today. This is why climate risks must be taken into account in AP4's long-term assessments of entire sectors and individual companies.

AP4 has identified a number of themes that are essential for the climate transition. AP4 identifies and invests in such companies that can contribute to – and benefit from – the ongoing climate transition, something that over time will create significant opportunities for the portfolio's performance.

The decision that AP4 shall not have ownership in certain fossil-based companies as well as the decision to invest in accordance with low-carbon strategies are together contributing to a reduction in the portfolio's total carbon footprint. These decisions are also reducing AP4's exposure to short-term market risks as well as more long-term risks related to the transition.

Human rights

Shortcomings in and violations of human rights occur in many different industries, especially those with long supply chains that are hard to oversee. Shortcomings and violations also occur in countries with weak legal systems. It is thus a sustainability risk when AP4 has ownership in a company domiciled in a country with weak laws. The same applies when companies from countries with strong laws, such as Sweden, operate in such countries.

The United Nations Guiding Principles on Business and Human Rights (UNGP) is the UN's framework for how both states and companies are to act to avoid and prevent negative impacts or violations of human rights. Under the UNGP, companies are to adopt processes to identify and remedy negative impacts or human rights violations. In this area, AP4 works both through the Council on Ethics of the AP Funds and together with other investors and stakeholders to influence companies so that they address violations and prevent future negative impacts.

Corruption

Corruption is a global problem that exists in many industries and countries. Corruption costs society large amounts of money, destroys the conditions for sound competition and undermines citizens' trust in political and economic systems. Corruption is a pervasive sustainability risk for many companies and thus also for AP4, which invests in listed companies all over the world.

Preventing and combating corruption is an important sustainability matter, which is why the question of how anticorruption work is handled at the companies is almost always included in the proactive dialogues that AP4 – through the Council on Ethics – conducts with the portfolio companies. The shared goal of the Council on Ethics' dialogues and of AP4's work against corruption, where AP4 votes at shareholder general meetings and supports global initiatives, is that the portfolio companies will strengthen their anticorruption work. In these dialogues AP4 discusses with the portfolio companies how the policies, guidelines and routines that are aimed to prevent corruption are designed and how they are followed up. These include tools that can reduce or prevent corruption, such as increased transparency, implementation of whistleblower functions and improved follow-up of internal rules.

Sustainability areas according to the ESRS	Impact materiality: Risk of impact of AP4's investment portfolio on the external environment	Financial materiality: Risk of external impact on AP4's investment portfolio
Climate change	●	●
Emissions	●	●
Water and marine resources	●	●
Biodiversity and ecosystems	●	●
Circular economy	●	●
Own workforce	●	●
Labour in the value chain	●	●
Impact on communities	●	●
Consumers and end-users	●	●
Business ethics	●	●

● Assessed as higher risk

● Assessed as medium risk

● Assessed as lower risk

Voting data

Voting at general meetings of Swedish companies

AP4 voted in advance of the annual general meetings of 136 Swedish companies in 2024. Many of the matters that were addressed ahead of and at Swedish companies' annual general meetings in 2024 involved remuneration, capital structure and board work. AP4 wants to see remuneration programmes that have clear, relevant performance requirements.

Issue ¹	Board recommendations			Shareholder proposals		
	Number	AP4 for	AP4 against	Number	AP4 for	AP4 against
Directors	-	-	-	769	100%	0%
Incentive programmes						
- of which, for employees	77	93%	7%	-	-	-
- of which, for directors	-	-	-	1	0%	100%
Adoption of financial statements, election of auditor, etc. ²	-	100%	0%	-	100%	0%
Capital structure, organisation, acquisitions	147	96%	4%	-	-	-
- of which, new issues without preferential rights	99	92%	8%	-	-	-
Environment and health	-	-	-	2	0%	100%
Social and human rights	-	-	-	-	-	-
Other	-	-	-	3	0%	100%

- The table above shows how AP4 voted at the meetings, broken down by type of issue and proposals submitted to the meeting by the board of directors or individual shareholders.
- The large number of individual resolution points in this category consist of formal issues such as election of a chair to preside over the general meeting, appointment of persons to sign and check the minutes, drawing up and approval of voting registers, approval of the agenda and determination of whether the general meeting has been duly convened. In the event of postal voting, the question of persons to sign and check the minutes may be omitted. Proposals for auditors are submitted by the nomination committee.

Voting on individual issues at general meetings of foreign companies in 2024

AP4 voted at the general meetings of 1,221 foreign companies in 2024. When AP4 votes at the general meetings of foreign companies, its focus is on issues related to transparent reporting and satisfactory handling of issues that pertain to climate matters, the environment, social aspects and corporate governance. In foreign companies, AP4 votes, for example, in favour of proposals that protect the rights of small shareholders, the opportunity for shareholders to submit proposals at general meetings and to convene

extraordinary general meetings, for greater diversity on company boards, that the CEO and chair of the board are not the same person, and that auditor's mandate is for no longer than 10 years. AP4 supports proposals that are designed to ensure the companies do good work and have transparent reporting on sustainability. Read more about voting at the general meetings of foreign companies and in-depth information about the table below on pages 35–36.

Issue ¹	Board recommendations			Shareholder proposals		
	Number	AP4 for	AP4 against	Number	AP4 for	AP4 against
Directors	10,539	91%	8%	102	58%	34%
Incentive programmes	2,147	62%	37%	43	42%	58%
Adoption of financial statements, election of auditor, etc.	2,567	77%	21%	63	54%	46%
Protection against takeover	124	35%	65%	-	-	-
Capital structure, organisation, acquisitions	1,143	61%	39%	-	-	-
Environment and health	17	82%	18%	100	73%	27%
Corporate governance	-	-	-	55	96%	4%
Social and human rights	110	100%	0%	271	71%	29%

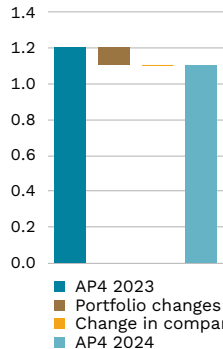
- The table above shows how AP4 voted at the meetings, broken down by type of issue and proposals submitted to the meeting by the board of directors or individual shareholders. In cases where the number of votes does not sum up to 100%, this is because AP4 chose to abstain from voting.

Carbon footprint

AP4 measures and reports GHG emissions (CO₂e) in accordance with common guidelines established for the AP Funds. These guidelines pertain to listed equities, which made up 61% of AP4's portfolio at the end of 2024. From 2023 onwards, the AP Funds supplemented its reporting to also include the portfolio companies' indirect emissions in the value chain (Scope 3) and to base the measurement of emissions on the share of total company value (Enterprise Value Including Cash – EVIC). Allocating emissions relative to EVIC means that creditors are also allocated their share of each company's emissions.

In addition to listed equities, AP4 also reports emissions for unlisted real estate and infrastructure, government bonds and for liquid credits. These are reported on the following page.

Change in CO₂e emissions 2024, MtCO₂e



The portfolio's emissions decreased by 15% in 2024. Of the emissions reduction in 2024, 11 percentage points were attributable to the fact that AP4 has reduced the portfolio's carbon emissions through portfolio changes and 4 percentage points to the reduced emissions of the companies.

Carbon footprint of the listed equity portfolio

Metrics

	Metrics based on EVIC ⁵		Metrics based on share of ownership ⁵						
	2024	2023 ⁶	2024	2023	2022	2021	2020	2015	2010
Carbon emissions, Scope 1 & 2 (millions tCO ₂ e) ¹	0.66	0.84	1.05	1.23	1.38	1.42	1.84	2.45	3.52
Change in portfolio's carbon emissions Scope 1 & 2 compared with preceding year, %	-22%	-	-15%	-11%	-3%	-23%	-15%	-13%	-
- of which, due to changes in portfolio holdings, %-pts	-19%	-	-11%	-9%	-5%	-18%	-12%	-	-
- of which, due to changes in companies' emissions, %-pts	-3%	-	-4%	-2%	3%	-5%	-3%	-	-
Carbon emissions, Scope 3, millions tCO ₂ e	7.3	8.1	11.8	11.4	-	-	-	-	-
Relative carbon emissions, Scope 1 & 2, tCO ₂ e/SEKm ²	2.0	3.0	3.2	4.4	5.3	4.2	6.8	14.0	-
Portfolio-weighted carbon intensity, Scope 1 & 2 (WACI), tCO ₂ e/SEKm ³	4.5	5.4	4.4	5.3	6.3	6.8	8.7	-	-
Change in portfolio's carbon intensity (WACI) compared with preceding year, %	-16%	-	-16%	-16%	-7%	-23%	-15%	-	-
- of which, due to changes in portfolio holdings, %-pts	-6%	-	-6%	-6%	5%	-21%	-9%	-	-
- of which, due to changes in companies' emissions, %-pts	-10%	-	-10%	-10%	-13%	-1%	-6%	-	-
Identified market value as share of total fund capital, %	61%	57%	61%	57%	56%	64%	60%	56%	-
Identified market value as share of total equities, %	100%	100%	100%	100%	100%	100%	100%	100%	-
Share of market value for which reported emissions data is available for Scope 1 & 2 ⁴ , %	88%	84%	88%	84%	78%	72%	66%	-	-

- Sum of owned portion of portfolio companies' respective carbon emissions.
- Sum of owned portion of portfolio companies' respective carbon emissions in relation to the portfolio's market value.
- The sum of the portfolio companies' respective carbon intensity, i.e. a company's carbon emissions relative to its sales, weighted based on the respective company's share of the portfolio.
- For the remainder of the portfolio, emissions data is estimated.
- From 2023 onwards, CO₂ emissions are reported based partly on the total value of the companies (EVIC) and partly on the share of ownership in the companies.
- In the 2023 annual report, Scope 3 only covered the emissions of subcontractors, referred to as "upstream Scope 3". The 2024 annual report also includes the use of the companies' products, referred to as "downstream Scope 3".

Carbon footprint of listed equities

In 2024, the listed equity portfolio's CO2e emissions measured as Scope 1 and 2 were reduced by 15%. Since 2010, these emissions have decreased by a total of 70%, which is helping to reduce climate risk in the portfolio.

Carbon footprint of unlisted real estate

Since 2019, AP4 measures and reports the CO2e emissions for unlisted real estate investments. In these companies, AP4 is typically a significant investor with a sizeable share of ownership and opportunities to influence. Since 2020, there has been ongoing dialogue with the companies on their respective climate strategies and climate risks as well as on their work to further reduce their CO2e emissions going forward, which is followed up with a one- to two-year frequency. Both Vasakronan and Rikshem, AP4's two largest real estate holdings, have set targets to be climate-neutral in their own operations by 2030.

Carbon footprint of liquid credits

Since 2023, AP4 measures and reports the CO2e emissions for the liquid credit portfolio. This reporting is based on the AP Funds' updated guidelines for CO2e reporting, which, as for listed assets, are based on a company's emissions being distributed across the entire capital structure (Enterprise Value Including Cash – EVIC), both across equities and the companies' debt financing.

Carbon footprint of government bonds

Since 2024, AP4 measures and reports the CO2e emissions for holdings of government bonds. This reporting comes under Scope 1.

Carbon footprint of the unlisted real estate portfolio

Metrics	2024	2023	2022	2021	2020	2019
Carbon emissions, Scope 1 & 2, millions tCO2e ¹	0.015	0.015	0.018	0.019	0.019	0.032
Carbon emissions, Scope 3, millions tCO2e	0.26	0.26	-	-	-	-
Relative carbon emissions, Scope 1 & 2, tCO2e/SEKm ²	0.28	0.28	0.4	0.5	0.5	0.8
Portfolio-weighted carbon intensity, Scope 1 & 2 (WACI), tCO2e/SEKm ²	2.7	2.7	3.2	3.7	4.3	5.6
Identified market value as share of total fund capital, %	9%	9%	11%	9%	9%	9%
Identified market value as share of unlisted real estate, %	100%	100%	100%	100%	100%	100%
Share of market value for which reported emissions data is available for Scope 1 & 2 ⁵ , %	95%	95%	96%	97%	97%	91%

Carbon footprint of the liquid credit portfolio

Metrics	2024	2023
Carbon emissions, Scope 1 & 2, millions tCO2e ¹	0.040	0.048
Carbon emissions, Scope 3, millions tCO2e	0.42	0.36
Relative carbon emissions, Scope 1 & 2, tCO2e/SEKm ²	1.9	2.9
Portfolio-weighted carbon intensity, Scope 1 & 2 (WACI), tCO2e/SEKm ²	3.3	6.8
Identified market value as share of total fund capital, %	4%	4%
Identified market value as share of credits, %	100%	100%
Share of market value for which reported emissions data is available for Scope 1 & 2 ⁵ , %	80%	81%
Share of market value of liquid credits for which reported emissions data is available ⁴ , %	80%	81%

Carbon footprint of government bonds

Metrics	2024	2023
Carbon emissions, Scope 1, millions tCO2e ¹	1.17	1.26
Relative carbon emissions, Scope 1, tCO2e/SEKm ²	18.2	22.1
Portfolio-weighted carbon intensity, Scope 1 (WACI), tCO2e/SEKm ²	16.7	21.5
Identified market value as share of total fund capital, %	12%	11%
Identified market value as share of government bonds, %	100%	100%
Share of market value for which reported emissions data is available for Scope 1, %	100%	98%

- Sum of owned portion of portfolio companies' respective carbon emissions.
- Sum of owned portion of portfolio companies' respective carbon emissions in relation to the portfolio's market value.
- The sum of the portfolio companies' respective carbon intensity, i.e. a company's carbon emissions relative to its sales, weighted based on the respective company's share of the portfolio.
- For the remainder of the portfolio, emissions data is estimated.
- CO2e emissions for unlisted investments are reported based on the share of ownership in the companies. For liquid credits, CO2e emissions are reported based on the total value of the companies (EVIC). For government bonds, this refers to Scope 1.

TCFD tables

A central part of the TCFD's recommendations entails evaluating and reporting climate-related risks. These are reported in accordance with the proposed structure in table A1 below. The table includes examples of risks that companies must take into account and manage in their operations and in investment analyses, and how it is believed that the risks may affect investments in companies, sectors and geographic markets. The risks are assessed with an investment horizon of up to ten years.

Adapted TCFD table A1 with examples of climate-related risks

Climate-related risks	Potential financial impact	AP4
Regulatory risks		
<ul style="list-style-type: none"> Higher pricing of GHG emissions Higher demands on climate reporting Increased regulations governing products and services Higher exposure to lawsuits 	<ul style="list-style-type: none"> Higher operating expenses (e.g. costs for compliance, insurance premiums) Depreciation, impairment losses and early phase-out of existing assets due to regulatory changes Higher costs and/or lower demand for products and services as a result of fines and rulings Reputational risk that affects demand and pricing 	<p>Since 2012, AP4 has been investing in a way that reduces climate risk in the portfolio. This is done by applying quantitatively managed low-carbon strategies in the equity portfolio, which reduces exposure to companies with high carbon intensity and whose goals and plans are not considered to be aligned with the Paris Agreement and have a limited ability to manage higher carbon pricing. This pertains above all to companies with considerable operations in thermal coal and oil sands, which AP4 divested in 2018. Moreover, in the resource-intensive energy, utilities and commodities sectors, AP4 exercises fundamental company selection, which enables it to identify companies that are expected to be affected by higher regulatory risks. Together, these portfolio changes have reduced AP4's carbon footprint to a level that is 41% of that of a broad global equities index. In the credit portfolio, too, exposure is being reduced to companies that are not considered to be aligned with the ongoing climate transition for achieving the goals of the Paris Agreement.</p>
Technical risks		
<ul style="list-style-type: none"> Substitution of current products and services with alternatives with lower carbon emissions Unsuccessful investments in new technology Costs for transition to low-carbon technologies 	<ul style="list-style-type: none"> Depreciation and early phase-out of existing assets Lower demand for products and services Costs for research and development of new and alternative technologies Investments in technical development Costs for adapting/using new methods and processes 	<p>AP4 has a long-term investment horizon, which favours opportunities to include technical risks associated with the climate transition in its investment assessments. This is done in AP4's thematic sustainability analysis, which seeks to identify sustainability trends along with their strengths and time perspectives with the goal to gain an understanding of which value chains will be affected, to identify winners and losers, and by extension to find investable themes for AP4's operative management. Technical risks are also mitigated through the low-carbon strategies described under regulatory risks above.</p>

TRANSITION RISKS

Climate-related risks	Potential financial impact	AP4
Market risks		
<ul style="list-style-type: none"> Changes in customers' preferences Uncertainty in market signals Rising costs for commodities 	<ul style="list-style-type: none"> Decreasing demand for products and services due to changed customer preferences Rising production costs due to changed commodity prices and requirements for waste management Sudden and unexpected changes in energy costs Changed revenue mix, leading to lower revenue Changed pricing of assets (e.g. fossil fuel reserves, land and securities) 	<p>Market risks are managed through the thematic analysis that is described for technical risks above and through the low-carbon strategies described under regulatory risks above. In addition, in selected resource-intensive sectors, fundamental selection is exercised, such as in the commodities sector.</p>
Reputational risks		
<ul style="list-style-type: none"> Changed consumption preferences Stigmatisation of sectors Greater concern among stakeholders or negative feedback from stakeholders Higher exposure to lawsuits 	<ul style="list-style-type: none"> Lower revenues due to lower demand for products/services Lower revenues due to reduced production capacity (e.g. permitting delays, supply chain disruptions) Lower revenues due to negative impact on, for example, the ability to attract and retain employees Reduced access to capital 	<p>AP4 believes that over time companies cannot be successful and generate a stable return for their owners unless sustainability aspects are given adequate and prioritised attention by their respective boards and managements. Brand risk is therefore a significant sustainability risk that is naturally integrated in AP4's investment analyses and processes.</p>
Acute risks		
<ul style="list-style-type: none"> Serious, extreme weather events such as hurricanes and floods 	<ul style="list-style-type: none"> Lower revenues due to reduced production capacity (e.g. transport and supply chain disruptions) Lower revenues and higher costs due to negative impact on employees (e.g. health, safety, absenteeism) 	<p>Based on studies of current research, AP4 has determined that there is a negative connection between climate change and growth, especially for individual areas, but also at an aggregated level. It is estimated that half of the impact on growth from climate change could be alleviated through adaptation measures. The connection between changed precipitation volumes and growth is more apparent in more arid countries. Extreme weather and natural disasters have a negative impact on the population in vulnerable regions, but the impacts on growth can be positive as well as negative. The economic impacts of rising sea levels are negative. However, the causal connections are so numerous and uncertain that it is hard to say anything more specific concerning the growth and return potential, or for that matter using insights at present for concrete reallocations in the portfolio. Physical climate risks are also included in the climate scenario analysis, and the assessment is that the most apparent risk is stagflation due to negative supply shock.</p>
Long-term risks		
<ul style="list-style-type: none"> Changes in precipitation patterns and extreme variations in weather patterns Rising average temperature Rising sea levels 	<ul style="list-style-type: none"> Depreciation and early phase-out of existing assets (e.g. damage to property or assets in high-risk areas) Rising operating expenses (e.g. water shortages at hydro power plants and cooling water for fossil-based and nuclear power plants) Higher capital costs (e.g. damage to production plants) Lower revenues due to lower sales/production Rising insurance premiums and risk of reduced access to insurance of assets in high-risk areas 	

TRANSITION RISKS

PHYSICAL RISKS

A central part of the TCFD's recommendations entails evaluating and reporting climate-related opportunities. These are reported in accordance with the proposed structure in table A2 below. The table includes examples of opportunities that companies are to take into account in their operations. In its investment analyses, AP4 takes into account how such opportunities are handled and how it is believed they may affect investments in companies, sectors and geographic markets. The assessment is made with an investment horizon of up to ten years.

Adapted TCFD table A2 with examples of climate-related opportunities

Climate-related opportunities	Potential financial impact	AP4	Climate-related opportunities	Potential financial impact	AP4
Resource efficiency			Products and services		
<ul style="list-style-type: none"> • Use of more efficient modes of transport • Use of more efficient production and distribution processes • Reuse • Relocation to more energy-efficient buildings • Reduced water use and water consumption 	<ul style="list-style-type: none"> • Lower operating expenses (e.g. through efficiency gains and cost reductions) • Increased production capacity, which leads to higher revenues • Growth in value of fixed assets (e.g. energy-efficient buildings) • Benefits for employees (e.g. improved work environment with respect to health and safety, more satisfied employees), which leads to lower costs 	<p>AP4's analysis of sustainability themes has identified broad areas. Based on the thematic analysis, AP4 has made investments in unlisted assets in the area of resource efficiency. In listed companies globally, within the energy sector AP4 has focused its investments on companies that are on track to becoming integrated energy companies with a growing share of investments in renewable energy. With respect to utilities, focus is on producers of renewable energy, electricity distribution companies, which are benefiting from electrification, and hydro power companies, which have low carbon emissions. Key themes for the companies in which AP4 continues to invest in the commodities sector are recycling, production of materials that are replacing carbon-intensive materials, and forest-owning companies. In the transport sector, focus is on rail operators, logistics companies and shipping companies.</p>	<ul style="list-style-type: none"> • Development of and/or expansion in products and services with low emissions • Development of solutions for climate adaptation and insurance solutions • Development of new products through research and development • Ability to diversify business activities • Changes in consumption preferences 	<ul style="list-style-type: none"> • Higher revenues through greater demand for products and services with lower carbon emissions • Higher revenues by meeting new needs that arise in the transition (e.g. insurance solutions) • Improved competitive position that reflects changed consumption patterns and leads to higher revenues 	<p>AP4 searches for, evaluates and makes thematic, proactive investments in specific sustainability areas. Examples of such investments are green bonds, alternative investment funds with a pronounced sustainability focus, and directly owned companies with a distinct sustainability focus as part of their business strategies, such as in real estate and infrastructure.</p>
Energy sources			Markets		
<ul style="list-style-type: none"> • Use of lower-emission energy sources • Policies that support the transition • Use of new technologies • Participation in carbon pricing markets • Decentralised electric power generation 	<ul style="list-style-type: none"> • Lower manufacturing costs • Reduced exposure to rising prices for fossil-based energy • Reduced exposure to greenhouse gas emissions and therefore less sensitivity to higher costs for carbon emissions • Return on investment in low-emitting technologies • Greater access to capital (due to more investors preferring low-emitting producers) • Improved reputation, leading to higher demand for products/services 	<p>AP4's thematic analysis has identified broad areas. Based on the thematic analysis, AP4 has made investments in unlisted assets in the areas of energy transition and renewable energy.</p>	<ul style="list-style-type: none"> • Access to new markets • Use of public sector incentives • Access to new assets and sites that need insurance protection 	<ul style="list-style-type: none"> • Higher revenues through access to new and growing markets (e.g. through partnerships with governments and development banks) • Greater diversity of financial assets (e.g. green bonds and infrastructure) 	<p>AP4 searches for and invests in dedicated sustainability investments in various markets and asset classes that can contribute to and benefit from the ongoing climate transition.</p>
			Resilience and ability to recover		
			<ul style="list-style-type: none"> • Participation in renewable energy programmes and application of more energy-efficient methods • Replacement/diversification of various resources 	<ul style="list-style-type: none"> • Higher market value through planning for management of climate-related risks (e.g. infrastructure, land, buildings) • Greater reliability in supply chain's ability to work under varying conditions • Higher revenues through new products and services for addressing climate change and its risks 	<p>AP4 searches for and invests in dedicated sustainability investments in various markets and asset classes that can contribute to and benefit from the ongoing climate transition.</p>



1974

AP4 is established with a start-up capital of SEK 500 million. Significant investments are made in the first year in equity issues made by Volvo, Atlas Copco and MoDo.

1979

AP4 is exempted from income tax, but will instead transfer 80% of the direct yield to the other AP Funds as a contribution to pension payments.

1984

AP4 is given a formal return requirement by the Swedish Parliament to invest in a way that ensures a good return, a long-term approach and risk diversification. Asset management is now on such a large scale that automatic data processing is being introduced.

1989

Investments in foreign equities are permitted, up to a maximum of 10% of the fund capital. Investing in and monitoring foreign competitors is expected to increase knowledge of Swedish companies on an increasingly international stock market.

2001

The new pension system is introduced and the AP Funds are now able to invest in all types of listed securities. The funds can invest directly in unlisted real estate companies and AP1–AP4 become co-owners in AP Fastigheter, now Vasakronan.

2012

AP4 makes its first investments in low-carbon strategies, becoming a global pioneer in the field.

2020

Further changes to the investment rules provide greater flexibility with regard to unlisted investments and improve the conditions for cost-effective asset management.

1974

AP4 – 50 years
at the service of pensioners

2024

1978

A limit on voting rights of a maximum of 10% is introduced. AP4 is now the single largest shareholder in companies such as Astra and Volvo.

1980

The Board of Directors decides in principle that AP4 should be permitted to invest in unlisted companies. The aim is to provide risk capital to companies that may become listed. The first unlisted investment is made in Lindab Ventilation in the amount of SEK 5 million.

1986

AP4 develops Sweden's first institutional ownership policy in response to extensive cross-ownership on the stock exchange, which limits the protection of non-controlling interests. AP4 now takes greater responsibility with regard to smaller shareholders and also becomes a more active owner.

1993

AP4 leads a group of Swedish institutional investors in Volvo, taking responsibility for forming a Board of Directors, as the principal owner. This follows the collapse of the Volvo-Renault deal, which leaves the company without a Board of Directors. The practice concerning the use of nomination committees is now being formulated on the Swedish stock market.

2007

The Council on Ethics is formed by AP1–AP4, a cooperation that uses dialogue to convince international companies to give consideration to environmental, social and corporate governance issues. This helps to create better companies and reduce risk in the assets held by the AP Funds.

2019

New investment rules allow up to 40% of the fund's capital to be invested in illiquid assets. The requirement for external asset management is removed and the minimum proportion of fixed income investments is reduced to 20%.

2024

AP4 manages SEK 548 billion and has achieved an average annual return of 13% since 1974. The cumulative surplus is SEK 608 billion and AP4 has transferred a total of SEK 66 billion net to the pension system. A significant contribution over 50 years.