HOW AP6 INVESTS

1. Investment process

- **Sourcing and selection**
Fund investment decisions are preceded by an extensive process that can take several years. The fund selection process is selective and focuses on high-return actors that prioritise sustainability. In co-investments (where AP6 invests together with a private equity fund in one of the fund's companies) deal sourcing is based in part on a partner perspective and in part on a company perspective. Dedicated resources in the form of specialists monitor and analyse the market to identify attractive companies.

- **Evaluation phase**
In fund investments, broad selection criteria are applied to ensure that the evaluation includes a sufficiently large cohort of candidates. The selection process then narrows down the number of candidates. Funds are gradually eliminated from the process as market mapping progresses.
The evaluation timeframe for co-investments is relatively narrow, which underscores the importance of expertise in evaluation and analysis.

2. Ownership phase

- **Influence and monitoring**
AP6 sees the ownership phase as an opportunity to build knowledge and understanding, and to have an impact by monitoring and follow-up activities to ensure that investments are progressing according to plan in terms of return, strategy and sustainability.

- **ESG assessment model**
Influence is exercised through co-operation, dialogue and feedback. AP6 has many years of experience in evaluating how funds approach sustainability. This is manifested in the model that AP6 has developed to measure, analyse and evaluate the funds' ESG approaches.

- **LPAC**
An important forum when investing in private equity funds is the Limited Partner Advisory Committee (LPAC) consisting of representatives from a number of investors. The number of seats on the LPAC is limited and they are generally allocated based on the amount invested. AP6 is represented on the LPAC through a number of funds in the portfolio. LPAC provides opportunities for deeper investment relationships.

3. Divestment

- **Divestments provide distributions**
As funds and co-investors realise holdings, disbursements to investors take place. AP6's strategy is to stay with fund partners and co-investors during the divestment process.

- **Closed-end fund**
AP6 is a closed-end fund with no inflows from or outflows to the income-based pension system. It is therefore important to have significant expertise in the management of liquidity reserves to be able to achieve a balance between future fund commitments and ongoing inflows and outflows in investment activity.

- **Liquidity forecast**
As the portfolio gradually matures, a good balance is achieved between disbursements/divestments from the portfolio and capital drawdowns/new investments, even if the gross flows can be considerable. AP6 works on an ongoing basis to further develop liquidity forecasting models created based on long-term cash-flow data from the market for the purpose of monitoring future liquidity scenarios as carefully as possible.

Collective expertise, own models and processes, and a strategy based on AP6's structural capital

Investment

- Unique specialist competence that has been built up over more than two decades through investments in unlisted assets.
- Broad network of contacts and long-term relationships with partners.
- Own models and methods for evaluating potential investments.

Sustainability

- Sustainability is integrated into the investment activities.
- Well-developed models and tools are used for evaluation prior to an investment and during the ownership phase.
- Resources are continuously allocated based on identified issues and needs.

Financial

- As a closed-end fund, AP6 has developed detailed models to forecast and manage liquidity.
- Resources from the Financial unit participate in the investment process, among other things to ensure transaction security.

Legal

- The Legal unit works together with the investment team throughout the evaluation phase.
- Early in the process, prioritized issues are identified for upcoming contract negotiations.

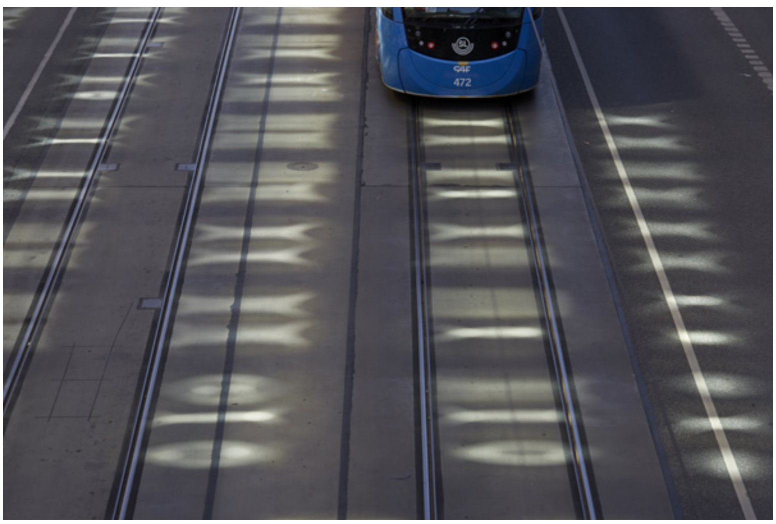
1. INVESTMENT PROCESS

FUND INVESTMENT

Investment in a fund takes place by committing a certain amount that is disbursed when the fund in question invests in companies. Commitments are made to selected funds in the market segments buyout (large and mid cap), venture/growth and secondary. Most (around 80 percent) of the commitments are made within buyout (large and mid cap). This involves both funds and co-investments (AP6 invests together with a private equity fund in one of the fund's companies). The buyout segment consists of mature companies with an established business model and market position.

A smaller portion of fund commitments are made to the venture/growth and secondary market segments. Venture capital funds invest in companies in an early development phase where capital is required over a longer period to generate profits. This segment is characterised by significantly higher risk than buyout. AP6 is not involved in co-investment in this segment. Transactions in the secondary segment take place when investors in a fund want to sell their share before the fund is closed down. Secondary carries far less risk than buyout due to extensive diversification in the segment.

AP6 performs its own calculation and analysis of holding periods, portfolio returns and deviations. This creates a picture of the respective fund's value-creation and sustainability approach."



AP6'S STRUCTURAL CAPITAL

The organisation's collective expertise is brought to bear in each evaluation of a potential investment. Integrated cooperation is based on common objectives where each unit and employee has an understanding of the various elements and parameters that make up an evaluation. As AP6 is a closed-end, national pension fund without flows to or from the state pension system, the Financial unit uses detailed models for liquidity to set the framework for AP6's investment volume. A decision to commit capital to a fund involves discretionary management for 10 years or more. To ensure that the fund is managed in line with AP6's requirements, detailed legal documentation is required that covers a number of scenarios and matters to address, such as incentives, fees, common interests, transaction structure and exclusion criteria, to name a few. The Legal unit has expertise in and many years of experience of negotiating with fund managers active in various segments and geographies. The Legal unit works with the investment team during the evaluation phase. Internal legal expertise is supplemented by an external network of legal services. AP6 sees its commitment to funds as a process of building long-term relationships to generate stable and lasting returns. The life of a fund is generally around 10–15 years. Given this long timeframe, AP6 chooses to invest time and energy to monitor and become familiar with a fund, focusing on its investment team and value-creation. This process can last for a number of years. Through constant review of the composition of the existing portfolio it is possible to identify the need for changes that could support continued, long-term value-creation and good risk diversification.

MARKET MAPPING

Decisions to add a fund to the portfolio are preceded by a process that starts with market mapping. Initially, broad selection criteria are used to ensure that there is a sufficiently large cohort of candidates to evaluate. Market mapping is a process of obtaining extensive information based on AP6's own analysis in combination with an exchange of knowledge and experience with investors who are active in the area of unlisted assets.

This involves existing networks and also building new networks based on current needs. The purpose is to gather and review the experiences of various investors.

SELECTION

Market mapping is followed by a structured selection process. As a pension fund manager and investor in unlisted assets for more than two decades, AP6 has built up specialist expertise that it continues to deepen. This expertise has enabled AP6 to develop its own models to monitor and analyse funds. Important parameters are the funds' models for their portfolio companies' value-creation and their approach to sustainability from a portfolio perspective and at the company level. Funds are excluded from the selection process if AP6 determines that the approach to value creation and sustainability differs from that of AP6.

The further along the structured selection process progresses, the smaller the number of funds remaining. The funds that advance to the evaluation phase meet all of the basic requirements. The selection process is followed by a detailed evaluation phase.

EVALUATION PHASE

Fundamental to an evaluation of funds is a uniform report based on a uniform template, allowing comparisons to be made. Some customisation takes place depending on differences between the buyout, venture/growth and secondary market segments. A fund's strategy and market position are assessed through, for example, an evaluation of which industries and geographies the fund invests in and how well it has performed. An evaluation of investment processes and ownership involves examining structural capital, value creation and models for monitoring deviations. One important area is return. An examination takes place of the resources each fund has to develop its portfolio companies, how well the investments align with the fund's strategy, the length of the holding period and the fund's approach to diversification.

One very important aspect is whether AP6 will have opportunities to co-invest. A fund's strategy and market position are analysed paying attention to leadership, staffing and dependence on key individuals. AP6 performs its own calculation and analysis of holding periods, portfolio returns and deviations. This creates a picture of the respective fund's value-creation and sustainability approach. Sustainability efforts are reviewed based on factors such as processes, resources, level of ambition, alignment with international standards and frameworks, and reporting of sustainability information according to industry standards.

AP6, as an investor in various businesses, industries and geographies, requires a broad approach to sustainability, including aspects linked to human rights, labour, the environment and anti-corruption. Additional aspects that are always included in evaluation are climate, gender equality and diversity.

AP6 has developed its own evaluation template for the purpose of summarising its assessment of a potential investment. In a joint review with representatives from the organisation's specialist units, key areas are scored. Finally, a balanced assessment is made of the scoring for each fund. Although significant weight is attached to the overall assessment, a score that is too low in any individual category may exclude the fund from further consideration.

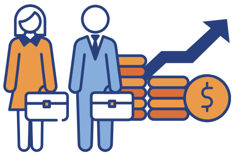
Once an investment recommendation is made, a decision process begins involving the Allocation Committee and the Fund Committee.

CO-INVESTMENT

AP6 carries out co-investments, i.e. investing indirectly in companies in cooperation with fund managers to which AP6 has committed capital. AP6 is a minority investor and the fund manager has ownership and management responsibility for the company.

AP6 has a co-investment strategy aimed at large and mid-cap buyout, where the majority of co-investments are made within existing fund relationships. A smaller share of investments are with other co-investors. No co-investments are made within the venture, growth and secondary segments. AP6's co-investments are distinguished by long-term fund relationships and a shared vision regarding value-creation, with sustainability being an integrated aspect.

An evaluation of a co-investment is different from a fund evaluation in a number of ways. The timeframe is one. Evaluating funds can take several months; in some cases even longer. The process of evaluating a co-investment has a shorter timeframe that is measured in weeks. It therefore requires the right type of expertise to evaluate individual companies, understand which type of market the company operates in and make a professional assessment of the risks and opportunities that increased exposure to an individual company brings.



The process involves expertise in different units being engaged early on. This is necessary to ensure resource-efficient management of complex issues. AP6 has many years of experience of evaluating and investing in unlisted companies within buyout in cooperation with fund partners in the Nordics, Europe and North America. This expertise and experience allows AP6 to efficiently allocate internal resources in order to meet the requirements and expectations of fund partners operating in different industries and geographies.

Unlike a fund commitment where capital is provided as and when a fund invests in a company, a co-investment involves a lump-sum payment of the entire committed amount. AP6's Financial unit has many years of co-investment experience, where the standards are high for quality-assured processes and routines. Transaction security depends on all actors involved in a co-investment meeting the requirements of each fund partner. A delayed or stalled process increases costs and negatively impacts future co-investment opportunities. The legal negotiations in connection with a potential co-investment generally involve reviewing and negotiating contracts in a process that is significantly faster than the process for a fund commitment. Most co-investments take place with funds to which AP6 has committed capital. This enables the parties to apply existing contract terms.

The Legal unit works with the investment team throughout the evaluation phase. Early on in the process areas are identified where clarification and negotiation will be needed. To manage specific contract issues linked to various segments of unlisted assets and geographies, AP6's internal legal expertise is supplemented by an external network providing legal services.

SOURCING

Deal sourcing from a partner perspective is prioritised in co-investments. Most partners are funds to which AP6 has committed capital. AP6 has relationships with several such partners that go back many years; in some cases up to two decades. The partners are very familiar with AP6's strategy, interests and expertise in implementing co-investments. The fact that AP6 has a well-diversified fund portfolio consisting of actors operating in various segments and geographies offers AP6 interesting opportunities to generate business from a partner perspective. The expertise and capacity of AP6's investment department to identify potential investments is considered crucial to carry out co-investments. Long-term relationships and frequent dialogue make it possible to identify early on the co-investment needs and interests of partners.

Deal sourcing also takes place from a company perspective. Dedicated resources within the organisation, in the form of very experienced specialists, monitor and analyse the market to identify attractive companies. In a parallel process AP6 checks in with potential fund partners on an ongoing basis.

Finding the right fit is based on AP6's strategy and the focus and interests of potential partners. All on all this is a complex process that requires being very familiar with the portfolio structure, strategy and priorities of the candidate. Long-term relationships and mutual trust are very important. Co-investments – regardless of deal sourcing approach – take place in a competitive environment that has multiple actors active in unlisted assets.

EVALUATION

Various factors provide a framework for a co-investment. The structure varies depending on the type of investment, market and partner. Partners familiar with AP6's interests and expertise generally involve AP6 early on in the process. There may also be contact in the final phase and in certain cases after completion. The path to completion of a co-investment is, as mentioned above, characterised by a narrow timeframe. Critical matters are discussed between partners and participants on an ongoing basis. The transaction security requirements are high for a number of reasons. There is a risk of delays and increased costs if an actor or actors pull out towards the end of the process. Early on in the process, investors are expected to identify factors and circumstances of significance for continued participation.

Based on many years of experience AP6 has highly efficient routines and decision processes adapted to the specific criteria that apply for co-investments. Access to dedicated internal resources for a thorough evaluation of potential co-investments is an important factor. Each investment is analysed and assessed based on a number of established criteria. This ensures continuity and a uniform process to assess investments over time.

Assessing the investment fit involves using a variety of parameters to determine how well aligned the potential investment is with AP6's investment strategy and portfolio. The company in question is evaluated based on a vintage perspective, holding period, exit, and a risk and return profile.

Relevant partners are assessed and evaluated. An assessment is made of the effect on the portfolio in terms of diversification based on geography and sector. An analysis of the market in which the company operates is performed, as well as a review of the company's offering, customer base, competitors, business model and financial development.

To test a company's resilience under different conditions, various types of yield analysis are carried out. The company's value-creation plan is analysed and assessed. In exceptional cases where an investment may involve representation on the company's board of directors, an assessment is made based on this. A sustainability assessment includes analysing the company's impact on sustainability based on a materiality assessment.

An assessment is also made of how sustainability aspects and topics impact the company and its value-creation plan, and what plans and measures the company and the partner have for the ownership phase.

The investment team summarizes each examined area and makes an overall assessment. Once an investment recommendation is made, a process begins involving the Allocation Committee and the Fund Committee.

Access to dedicated internal resources for a thorough evaluation of potential co-investments is an important factor."

DECISION STRUCTURE

A homogeneous portfolio is constructed through AP6's investment process and is managed according to a clear portfolio strategy that includes targets and risk limits. Based on a structured and professional approach, the full range of expertise within the organisation is utilised. The strategy established by the Board of Directors is applied to all investments. The portfolio is gradually constructed through selective investment commitments and co-investments, where selection is the result of a process of market mapping, assessment and analysis. The focus is on partnering with actors who share the vision of a long-term approach to value-creation and sustainability. AP6 is constantly working across a broad front to identify actors with the same approach as AP6. Building long-term relationships is a key component in AP6's efforts to impact outcomes.

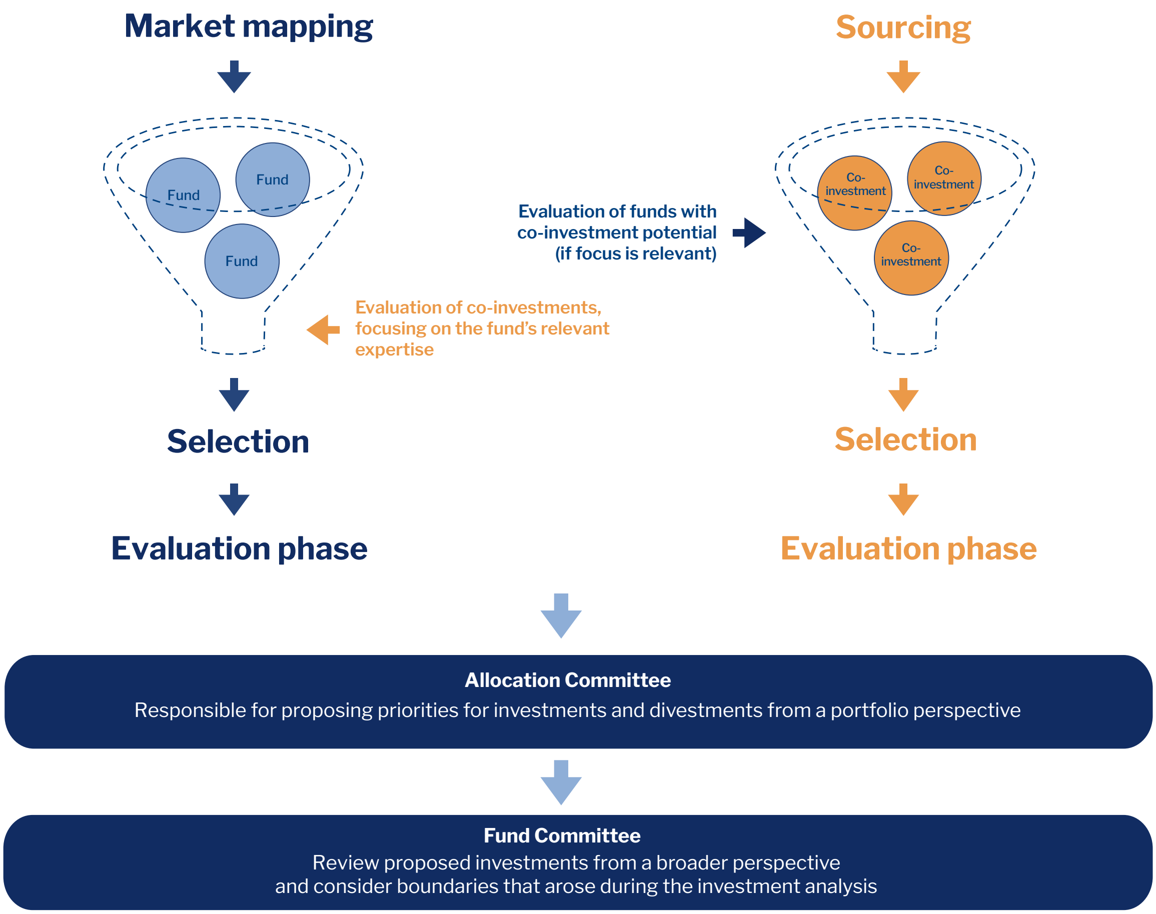
ALLOCATION COMMITTEE

A fund or a co-investment which, following an evaluation, meets the criteria profile of AP6 requiring long-term and sustainable value-creation is forwarded to the Allocation Committee. Based on a portfolio perspective, the Committee is responsible for determining which investments and divestments to prioritise and propose for implementation. A portfolio strategy has been adopted by the Board of Directors to support the Allocation Committee in its decision process. The portfolio strategy is based on an analysis of return and risk with the aim of generating high long-term returns with a balanced risk. The Committee also works on an ongoing basis to evaluate the existing portfolio in relation to the long-term strategy. The Committee is chaired by the Managing Director and consists of representatives from the investment department and the CFO.

The portfolio is gradually built up through selective investment commitments and co-investments, where selection is the result of a process of market mapping, assessment."

FUND COMMITTEE

After the Allocation Committee has decided to approve an investment, it goes to the Fund Committee which is tasked with reviewing proposed investments from a broader perspective. The Fund Committee is also responsible for assessing whether there is any reason not to approve an investment based on any issues that arose during the investment analysis process. These may relate to various aspects of sustainability, reputational risk, legal aspects or operational risk.The Fund Committee is chaired by the Managing Director and consists of the Head of Sustainability, General Counsel, Head of Communications, a portfolio strategist, and heads from the investment department. An approval decision from the Fund Committee is needed before an investment can go ahead. In accordance with the decision-making procedure at AP6, certain investment decisions are taken by the Board.


Market mapping
Fund
Fund
Fund
Selection
Evaluation phase
Evaluation of funds with co-investment potential (if focus is relevant)
Evaluation of co-investments, focusing on the fund's relevant expertise
Sourcing
Co-investment
Co-investment
Co-investment
Selection
Evaluation phase
Allocation Committee
Responsible for proposing priorities for investments and divestments from a portfolio perspective
Fund Committee
Review proposed investments from a broader perspective
and consider boundaries that arose during the investment analysis