Annual and Sustainability Report 2023

Contents

About Alecta's Annual and Sustainability Report 2023

Alecta's annual and sustainability report is presented by the Board of Directors and CEO and is intended to provide all stakeholders with a good understanding of our activities and results in the past year. The administration report and the financial statements constitute Alecta's statutory financial information and are subject to external auditing. The Sustainability Report section constitutes Alecta's statutory sustainability report. It is prepared in accordance with the guidelines from the Global Reporting Initiative (GRI) Standards and describes Alecta's organisation and governance of sustainability, detailed data and boundaries. Alecta's external auditors PwC carry out a review of the sustainability report. At the end of the annual and sustainability report are the periodic disclosures for Alecta's financial products that have been prepared in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR), which are not covered by PwC's review.

This Annual and Sustainability Report is a translation of the Swedish original. If there are differences, the Swedish version shall prevail.

Together we build trust and more to look forward to

Alecta was founded in 1917 by employees and employers who wanted to create post-employment security by sharing responsibility for each other. That's still the purpose of everything we do. We are owned by our customers and together we build trust, now and in the future, and give each other more to look forward to.

Why does Alecta exist?
We build trust – now and in the future.

What does Alecta do?
We provide collectively agreed occupational pensions with as much value as possible.

How does Alecta work?
We empower each other, we innovate for improvements, every day.

Alecta has built trust since 1917

At Alecta, we take care of occupational pensions for 2.8 million individuals and 36,000 companies in Sweden. Our mission is to provide occupational pensions as much value as possible; something we have been working toward for over 100 years.

It was in 1917 that employees and employers at several mills in Värmland began working together to create a joint pension fund. They wanted to create a better future with a secure retirement age and realised that with shared responsibility, security would be greater for everyone. Forward-thinking industrialists realised the benefits of a flexible solution for businesses where the pension accrued followed the employee when changing employers. This reduced the inertia of the labour market and made it easier for emerging industrial companies to recruit potential employees with the right skills.

Thus, Alecta was born in 1917 and the smart collaborative idea spread rapidly across the country. The model of collaboration between the labour market partners became a central part of the Swedish success story throughout the 20th century.

Today, Alecta is owned by all our customers. All profits go back to the owners who, on the Board of Directors and the Council of Administration, are represented by the labour market partners – the Confederation of Swedish Enterprise and PTK (Swedish Confederation of Professional Employees).

Our business is based on three pillars:

- We are owned by our 2.8 million private customers and 36,000 corporate customers. All surpluses go back to them.
- We offer a collective insurance solution, which entails private and corporate customers sharing the responsibility for benefits and the risks. This creates greater trust and flexibility. It makes it possible to offer all customers a lifelong pension, a survivor's pension and disability insurance without complex exemptions.
- We are part of a collective procurement, which has resulted in the lowest fees in the industry, and thus more money for pensions.

ABOUT ALECTA

SEK 2.8 million private customers

36,000 corporate customers

450 employees

SEK billion **1,245** in assets under management

Alecta is one of the largest investors in the Stockholm Stock Exchange, one of Sweden's largest property owners and the fifth largest occupational pension company in Europe.

Alecta is owned by 2.8 million private customers and 36,000 corporate customers

↓

Confederation of Swedish Enterprise and PTK

Represents the interests of customers by appointing the Council of Administration.

↓

The Council of Administration

Serves as the General Meeting of Shareholders and Alecta's highest decision-making body. It appoints the Board of Directors and external auditors, adopts the financial statements and balance sheets of the annual report and decides on the allocation of profits.

↓

Board of Directors

Decides on the direction of the company and has overall responsibility for the company operating in the interests of its customers.

↓

Alecta

Alecta's CEO is operationally responsible for ensuring that the company is managed in the interest of customers – which is to manage the occupational pension in a correct and successful manner that benefits customers' savings.

↓

All returns and profits go back to the customers

Message from the CEO

Crisis of confidence and plan for improvement

2023 was a very turbulent year that created a significant crisis of confidence. We have initiated an ambitious improvement programme for enhanced governance and risk management, to prevent that something similar happens again.

The past year has been largely characterised by the investments in three US banks and in Heimstaden Bostad AB, which created a significant crisis of confidence and prompted the Swedish Financial Supervisory Authority to initiate two separate investigations.

One investigation is focusing on Alecta's risk management. The second concerns Alecta's investments in Heimstaden Bostad. The two investigations are ongoing, and we continue to fully cooperate with the Swedish Financial Supervisory Authority.

The one investigation led to a report of suspected corruption being submitted to the National Anti-Corruption Unit. The report concerns individuals, not the company Alecta.

Our holdings, with a total value of SEK 20 billion, in the US banks Silicon Valley Bank, Signature Bank and First Republic Bank, lost all their value when the banks collapsed in a so-called bank run in the US, as a result of the rapid rise in interest rates.

Our largest holding Heimstaden Bostad was also negatively affected by interest rate developments. It also became clear that the current shareholder agreement was not optimal for Alecta. This led to a significant decline in value for us during the year.

Improvement programme

During the spring, management changes were implemented, while a review was initiated to develop measures to reduce the risks in the equity portfolio. Since my appointment as CEO on 1 September, I have continued and intensified this work.

We have initiated an improvement programme with measures in three areas; Governance, Risk Management and Skills & Culture.

In governance, we review and adapt, among other things, governance documents, mandates, limits, monitoring reporting and documentation. In risk management, in simple terms, we will have better control of our risks, with a focus on portfolio construction and analysis as well as concentration risks. In the area of skills & culture, we are working to strengthen leadership and competence through education and recruitment.

After a year of turbulence, at the beginning of 2024, Alecta had a new Chair of the Board, new CEO, new Head of Asset Management and new Head of Equity. In addition, we have an acting General Counsel and an acting Head of Real Assets with ongoing recruiting for these positions.

Returns

The return on Alecta's total assets in 2023 amounted to 7.4 (–7.9) per cent. For the defined contribution product Alecta Optimal Pension, the return during the year was 8.7 (–9.8) per cent. Alecta's average annual return over the past five years has been 9.3 (6.7) per cent. Thus, we achieved the target of Alecta Optimal Pension's total return being the best or second best in comparison to a selection of relevant competitors in traditional insurance.

For the defined benefit ITP2 product, the return over the year was 7.1 (–7.4) per cent. The average annual return over the past five years was 6.4 (4.5) per cent.

We achieved the target of the total return for defined benefit insurance exceeding the required rate of return by 0.5 percentage points per year on average over a five-year period.

The return includes a decline in value at the end of the year of approximately 25 per cent in our holding in Heimstaden Bostad, of which 12 per cent is attributable to a reduced net asset value in the company and 15 per cent to a discount on Alecta's equity based on an independent market valuation.

The return on the defined contribution portfolio is largely attributable to Alecta's product having a high percentage of equity as well as to strong performance in the stock markets. In addition, fixed income has performed well.

Satisfied customers

Alecta achieved the target for satisfied private and corporate customers. The 2023 outcome for private customers was 5.6 out of a maximum of 6.0 compared to the target of 5.6, and for corporate customers 5.6 compared to the target of 5.4. This is thanks to our knowledgeable customer service staff.

However, we are aware that this target represents only the limited percentage of customers who contact customer service. In the trust and brand surveys that represent the entire customer base, the trust and attitude in regard to Alecta has been significantly weakened by the events of 2023.

Costs and collective funding ratio

According to the target achievement follow-up, Alecta's operating expenses, excluding asset management costs, amounted to SEK 734 million, which was higher than the target of SEK 692 million. The higher outcome is mainly attributable to one-off costs related to events linked to the losses in the US banks and the turbulence surrounding the investment in Heimstaden Bostad. We have also had corresponding one-off costs in asset management.

The collective funding ratio for defined benefit pension was 158 (172) per cent at the end of the year. The lower ratio in 2023 is attributable to the Board's decision to index-link the pensions and to a fall in interest rates, which has led to an increase in the value of pension commitments. The ratio for 2023 is within the range set by the Board.

Overall, Alecta remains a very financially strong and stable company.

Skilled and engaged employees

During this difficult year, our employees, in addition to efforts linked to the crisis, continued to work for the benefit of our customers and for us to achieve our goals. We also made progress in the work to deliver system solutions faster and better than before, and continuously increased our expertise in AI.

It is gratifying that customers who have been in contact with our customer service remain very satisfied despite the strained situation.

I would like to thank all employees for their hard and dedicated work during this difficult year.

New contract period and new product

During the spring, Collectum completed a procurement for a new five-year contract period for ITP1, which came into effect on 1 October. Alecta was assigned the role of default company. This meant that on 1 October, all our 1.7 million customers with the defined contribution ITP1 product Alecta Optimal Pension gained access to clear improvements. Over a full career, these improvements increase pensions by 6 per cent and reduce the volatility of pension forecasts and payments by 60 per cent.

In addition, the Alecta Board of Directors decided in November to increase the defined benefit pensions by around 6.5 per cent for 2024, corresponding to inflation in the past year. In total, this means that over SEK 34 billion is distributed to 1.6 million customers. The decision applies to pensions in payment and earned pension that has not yet begun to be paid.

Alecta 2028

The work within the Alecta 2028 strategy programme has continued during the year, and has become even more important in the work of restoring trust. In particular, this involves working in a more data-driven way to improve analyses, decision-making, monitoring and measurement. Alecta has a very large amount of data, and during the year has been working intensively to develop and implement new qualified analysis tools, as well as to structure and define the data.

Among other things, we will be able to improve the ability to analyse our portfolio, our future commitments and risks, and thus achieve an even better match between assets and liabilities. This will strengthen the conditions for providing even more stable pensions in the future.

In other transition areas, work has continued on developing and setting new targets for sustainability, developing the brand platform and improving customer service as well as our online service. We have upgraded customer interaction via telephone through a new contact centre solution, and enabled more customer groups to use digital methods when contacting Alecta.

Focus on trust

Alecta is a company with dedicated, highly skilled employees and an important mission that motivates and guides us all forward. Throughout all past years, our goal has been to deliver the best possible value and trust to our customers who are also our owners.

I want to assure our customers, labour market partners, employees and other stakeholders that we take what has happened very seriously. We fully understand that it has caused disappointment, irritation and concern. We have to be better than this. Together with all our talented colleagues, I am convinced that we will build a better Alecta, but we are prepared for the fact that it will take time and require hard work. This is the least our customers can expect from us.

Peder Hasslev
CEO
Alecta Tjänstepension Ömsesidigt

Summary of 2023

The past year was characterised by two events that led to a significant crisis of confidence in Alecta.

In March, the rapid rise in interest rates led to the failure of three US banks, rendering Alecta's investment in them, totalling SEK 20 billion, worthless. Alecta carried out a strategic review of asset management that resulted in several changes in governance, risk control and investment strategy, and the Swedish Financial Supervisory Authority initiated an investigation.

During the summer and autumn, focus was placed on the financial position and a possible need for capital injections into Heimstaden Bostad, Alecta's largest individual holding with a value of SEK 37.7 billion at the end of the year, which further exacerbated the crisis of confidence. In addition, the Swedish Financial Supervisory Authority initiated another investigation. At the beginning of 2024, Alecta had a new Chair of the Board, new CEO, new Head of Asset Management and new Head of Equity, as well as an acting General Counsel and an acting Head of Real Assets with ongoing recruitment of ordinary executives.

ALECTA'S LONG-TERM OPERATIONAL GOALS

WE WANT TO ACHIEVE THE FOLLOWING:	FOLLOW-UP	OUTCOME 2023
Secure and satisfied customers Our customers should feel secure and satisfied, and have confidence in and commitment to Alecta and our products. Therefore, it is all the more important that the customers who contact us receive good customer service, and that as many of our private customers as possible perceive us as a stable and reliable company, and that Alecta has a strong brand and a good reputation as a responsible player in society. Through a long-term approach, attention and expertise, we make customers feel secure with Alecta.	During 2023, we continued to evaluate target fulfilment by monitoring how satisfied the private and corporate customers are who call our customer service: – Corporate customers should respond with an average rating of > 5.4. – Private customers should respond with an average rating of > 5.6.	Customer satisfaction for corporate customers and private customers averaged **5.6 and 5.6** respectively, which means we achieved both our target numbers for secure and satisfied customers.
Low costs and high efficiency With our focused mission, we can have the highest efficiency in the industry.	Costs are monitored through key performance indicators such as management expense ratio and cost per insured. But also in absolute terms. For 2023: – Alecta's operating expenses, excluding asset management costs, shall not exceed SEK 692 million. – Alecta shall have the lowest total asset management cost ratio compared to the companies designated as eligible companies by traditional insurance in the ITP procurement in 2023. Read more on page 57.	Alecta's operating expenses, excluding asset management costs, amounted to **SEK 734 million** Expenses include operating expenses of a non-recurring nature caused by the events above of approximately SEK 45 million. The total asset management cost ratio for 2023 was 0.14. This includes additional one-off costs of SEK 38 million in asset management.
Good return and strong financial position Alecta's return should be competitive at the total level, product level as well as at an asset class level. We shall achieve the long-term target returns while ensuring that we are in a sufficiently strong financial position to withstand events that could occur according to our long-term risk assessment.	– Alecta Optimal Pension's total return is to be the best or second best in comparison to a selection of relevant competitors in traditional insurance.	Alecta's Optimal Pension's average five-year return was **9.3 per cent**
Target fulfilment was monitored using two metrics in 2023. For the Alecta Optimal Pension, which is a product fully exposed to competition, we have established a metric relative to competitors. For defined benefit insurance, we measure return compared to the internally calculated required rate of return, since the most important element of this product is our ability to preserve the value of our pension commitments in the long term.	– Total return for defined benefit insurance is to exceed the required rate of return by 0.5 percentage points per year on average over a five-year period.	The average return on the defined benefit insurance over the past five years was **6.4 per cent**

Highlights of the year

Loss in US Banks
In March, the Silicon Valley Bank suffered a liquidity crisis as a result of customers losing trust and attempting to withdraw a total of USD 42 billion in one day. As a result, the US authorities took over the bank. The crisis spread, which led to the collapse of two other banks in which Alecta invested. In total, Alecta had invested approximately SEK 20 billion in the three banks, money that was lost. The events resulted in key personnel at Alecta leaving the company and a strategic review of asset management, and the Swedish Financial Supervisory Authority initiating an investigation. Alecta is now leading a class action against First Republic Bank and is participating in another class action against Silicon Valley Bank.

Heimstaden Bostad
The sharp rise in interest rates affected the financial position in Heimstaden Bostad, in which Alecta has invested since 2013 the value of which was SEK 37.7 billion at the end of 2023. This made it clear that the equity agreement was not optimal for Alecta's customers. Alecta is now working towards better overall conditions. In September, the Swedish Financial Supervisory Authority launched an investigation into the investment. During the summer, Alecta's Board of Directors initiated a legal investigation that indicated a risk of the occurrence of fraud and possible criminal activity. The investigation was handed over to the Swedish Financial Supervisory Authority, which in turn reported suspected criminal activity in connection with the investment to the Swedish Prosecution Authority. In November, a preliminary investigation was initiated.

New Head of Asset Management and new Head of Equity
Pablo Bernengo took over as Head of Alecta's Asset Management in December. Magnus Tell, the new Head of Equity with responsibility for equity analysis and equity management, took office in November.

New CEO Peder Hasslev
Alecta's new CEO Peder Hasslev took office on 1 September. He has previously been CEO of the state venture capital company Saminvest AB, Chair of the Board of Directors of the Danish PFA Pension, Head of Asset Management at AMF and Head of Equity at SEB Asset Management.

Alecta increased defined benefit pensions.
In November, the Alecta Board of Directors resolved to increase the defined benefit pensions by 6.5 per cent for 2024, matching the rate of inflation over the past year. In total, this means that SEK 34 billion is allocated to 1.6 million customers covered by the defined benefit occupational pension ITP 2.

Competitive returns
Despite the turbulent 2023, Alecta is delivering a good return to its customers. In 2023, the return was 8.7 per cent for Alecta Optimal Pension (our default product) and 7.1 per cent for the defined benefit portfolio. Total return was 7.4 per cent, which is competitive compared to other equivalent actors in ITP.

Extended assignment as a default company within ITP
In competition with other Swedish pension companies and banks, Alecta was designated as the default company to manage the defined contribution retirement pension under the ITP plan for a further five years, i.e. both ITP 1 and ITPK for private-sector employees.

Chair of the Board
Ingrid Bonde left the position as Chair of the Board in October 2023, whereby Alecta's Vice Chair Jan-Olof Jacke from the Confederation of Swedish Enterprise became Chair of the Board. On 22 February 2024, Alecta's Board of Directors elected Carina Åkerström as new Chair of the Board, but she left the position after nine days, after reassessing the risk of conflicts of interest in relation to Handelsbanken, where she previously served as CEO. Jan-Olof Jacke then resumed his role as Chair of the Board.

Improved pension product in the Alecta Optimal Pension
As of 1 October, Alecta introduced a number of improvements in the Alecta Optimal Pension. This included the fees being reduced from 0.09 to 0.05 per cent, and the fee cap was lowered from SEK 600 to SEK 480 per year.

Alecta lowered premiums
In 2024, Alecta is reducing the premiums for the defined benefit ITP 2 Retirement pension and ITP 2 Family pension by 30 per cent. In addition, premium reductions on risk insurance are continuing. Including the premium reduction on risk insurance, companies' costs will be reduced by SEK 8.3 billion in 2024, compared to if no premium reductions had been granted.

Increased investment in Impact bonds
In May, Alecta invested USD 150 million in a new Debt for Nature bond – the Galápagos Marine Bond – where the focus is on preserving and restoring the rich natural and plant life around the Galápagos Islands. In recent years, Alecta has invested SEK 89 billion in green bonds or other investments with measurable environmental or social benefits, making Alecta one of the world's largest players in the field.

Research collaboration in mental health
Afa Insurance and Alecta are collaborating on a new joint research initiative on mental health. The initiative will run for three years, comprises SEK 30 million and is being carried out on the initiative of the labour market partners, Confederation of Swedish Enterprise, LO (Swedish Trade Union Confederation) and PTK.

Alecta's sustainability objectives

Alecta's current sustainability goals have applied during the period 2019–2023 and are reported for the last time in this year's report. From 2024, new goals as outlined on page 12–13 will apply.

LONG-TERM SUSTAINABILITY GOALS 2019–2023	FOLLOW-UP	OUTCOME 2023

Working for a sustainable pension system

Our most important sustainability responsibility is to contribute to achieving a sustainable pension system – by offering good pensions, being a stable and reliable pension company and a responsible investor. Trust in collectively agreed occupational pensions is an important dimension in a sustainable pension system, as is trust in Alecta and our role in the system.

We strengthen this trust by disseminating knowledge and participating in discussions. Alecta has contributed to the pension debate through fact-based reports on the financial situation of retired persons. This is important for the development of the pension system. The target is followed up every year by measuring trust in Alecta.

Trust in Alecta *

13 %

of salaried employees in Sweden view Alecta as a stable company.

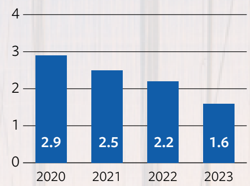
* Read more about this on page 22.

Investing in line with the climate goal of 1.5 degrees and the ambition of net zero climate impact by 2050

A long-term investment perspective means the climate transition can be translated into both risks and investment opportunities that contribute to customer returns. Alecta's ambition is an investment portfolio that develops in line with climate goals.

Alecta takes climate into account in investment decisions and supports the holding companies' work on transition through dialogue. More and more companies have adopted ambitious climate goals in line with our own goals. During the year, we have had a topical focus on conducting climate dialogues with selected holdings in the equity portfolio to support their transition.

The weighted carbon dioxide intensity of the equity portfolio, tCO2/mSEK revenue (Scope 1 and 2)

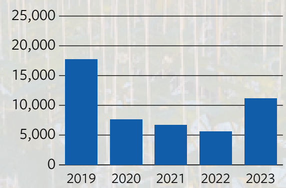


Optimise use of resources to reduce environmental impact

Sustainability is strongly associated with the environment and Alecta's environmental work is to reflect the focus on resources that characterises the work in general. This also involves greater focus on modern working methods using digital tools and opportunities.

Alecta follows up a range of indicators linked to our direct carbon footprint from operations. This covers energy, travel, paper consumption and customer letters. Some of the behavioural changes we have seen during the pandemic continue to have an impact in the form of more digital meetings, fewer trips and overall reduction of paper use in the office. The work on resource efficiency is continuous.

Reduced paper consumption customer letters, kg



Customer letters, including shipping account for the largest share of Alecta's carbon footprint from operations.

Strengthen diversity throughout the organisation

By strengthening and increasing diversity, we gain a more innovative and effective business and enhance expertise at all levels of the organisation.

Alecta will be an attractive employer that harnesses and promotes diversity. This is taken into account in recruitment, further development and through cross-functional collaboration. During the year, we have taken a number of measures in the recruitment process with the aim of reducing the risk of prejudice and discrimination.

Percentage of women in Alecta's management and percentage of female managers at Alecta relate to the Parent Company.

50 and 56 per cent

More indicators linked to sustainability goals can be found on page 12 and onwards.

Sustainability Report

This is Alecta's statutory Sustainability Report which has been prepared in accordance with the Global Reporting Initiative (GRI) Guidelines. Alecta's Annual and Sustainability Report is submitted by the Board of Directors (the Board) and CEO. This sustainability supplement presents the systematic sustainability work through organisation, processes, targets and indicators as well as scope and boundaries. At the back of the Annual and Sustainability Report are the periodic disclosures for Alecta's financial products according to the templates developed under the EU Sustainable Finance Disclosure Regulation (SFDR). For the report on the review of the Sustainability Report and opinion on the statutory Sustainability Report from Alecta's external auditor PwC, refer to page 36.

EXAMPLES FROM THIS YEAR'S WORK

As described in the introduction to the Annual and Sustainability Report, 2023, has been a very turbulent year for Alecta, which has characterised the work during the year. In 2023, the work on sustainability included various internal training efforts in sustainability and ethics, changes in the recruitment process to reduce the risk of bias and discrimination and a strengthened focus on sustainability in procurement and supplier selection. The year has also been marked by continued intensive efforts to meet the EU sustainability regulations implemented in stages for financial actors.

At the end of 2022, Alecta's Board decided on the strategic direction of the business for the next five years, where sustainability is a key component. During 2023, we worked to formulate Alecta's new sustainability goals for the next five years. The new goals are presented on a high-level on pages 12–13. The goals will guide us in our continued efforts to develop our sustainability work with a focus on value creation, and on integrating sustainability as a natural part of all parts of the business. A few events and results from the year's sustainability work are highlighted in brief below.

Sustainability days

As part of the strategic direction of the business for the next five years, where sustainability is a supporting component, the theme days were organised during the spring with a focus on the internal sustainability efforts. Many employees contributed with commitments and valuable input regarding what sustainability issues are important to them and how we can continue to develop Alecta's sustainability efforts.

Work environment and office

In light of the fact that flexible working has a positive impact on both work performance and life balance, work began on adapting the office. To create a more dynamic office environment, we condensed our office space from six floors to four. The entrance floor has been designed as a pleasant area that encourages collaboration, spontaneous meetings and inter-departmental cooperation. We have also continued to work with health initiatives such as workouts, running groups, medical yoga and bike weeks with leasing options as well as bike care for spring and winter. In March–April, health profiles were conducted on all employees who wanted to participate. After that, all employees were offered coaching in different areas, such as sleep, exercise and diet.

Diversity and inclusion

In line with the diversity and inclusion action plan, a number of initiatives have been implemented within the organisation over the past year. In the recruitment process, we have introduced screening tests early in the process to be able to objectively assess candidates' skills and experience. We have also discontinued personal letters in the application process to reduce the risk of candidates being judged on irrelevant factors. A standardised process for obtaining references has been put in place to ensure that all candidates are assessed equally. These measures aim to reduce the risk of bias and discrimination, and increase the chance of recruiting employees from different backgrounds and perspectives.

Training on discrimination

During the year, we have provided our employees with training on discrimination and how to react if someone is exposed to it. The training aims to raise the awareness of discrimination and how to counteract it. Alecta is committed to creating a workplace free of discrimination where all employees feel welcomed and respected.

Increased sorting and reuse

During the autumn, we introduced improved waste-sorting on each floor to minimise waste. We also procure supplier agreements with a focus on sustainability requirements and choose the product options that are best for the environment. We have created a reuse process where we handle materials and furniture for the best possible use, and we are keen to work with suppliers who buy and sell on the second-hand market.

Supplier Code of Conduct

During the year, Alecta has worked to increase the number of suppliers signing our Code of Conduct, both in regard to the extension of existing agreements and new partnerships. Alecta is a member of the UN Global Compact and endorses its ten basic principles for responsible business in the fields of environment, human rights, labour rights and anti-corruption, which form the basis of our Code of Conduct for suppliers.

EXAMPLES FROM THIS YEAR'S WORK

Continued integration of ESG [1)] into the investment process

We continuously develop the analysis and process for investments, and in 2023 Alecta also included ESG data from external asset managers in real estate, infrastructure and fixed income assets. In connection with the broadening of the equity portfolio in autumn 2023, an in-depth internal ESG analysis was used to supplement the basis for investment. In 2023, Alecta was re-certified in accordance with the ESG4Real standard, which covers the investment processes for equity and corporate bonds.

Thematic analysis in asset management

Two themes that have been prominent during the year are climate and gender equality. With a focus primarily on equity and corporate bonds, thematic analyses have shown the portfolio's current status. Based on this, we have had more focused dialogues with more than 20 holdings on climate and identified companies with potential for improvement regarding gender equality.

Sustainable Investments

During the year, Alecta made a number of investments with the express purpose of delivering environmental improvements alongside financial returns. One such investment within fixed income means that the restructuring of Ecuador's national debt will release capital into a conservation fund to protect the sensitive environments and animal species around the Galápagos.

1) ESG stands for environmental, social and governance factors, and is a concept used to describe how sustainability is integrated into investment analysis and decisions.

Climate Capital

In 2022 a joint initiative between Alecta, AMF, Folksam and Nordea Liv was started in order to gather representatives from the different parts of society in a four-part training and conversation series. The aim was to strengthen Sweden's competitiveness by focusing on how the transition to a greener economy can be implemented in practice. Between August 2022 and August 2023, a group of state secretaries, representatives from labour market partners, academia, investors, government representatives and business representatives met. During the year, discussions ranged from the property market, regulations, public opinion, business transition plans and cooperation between legislators and business. Climate capital was led by the Sustainable Finance Lab together with the four Swedish co-founders of the Net Zero Asset Owner Alliance (Alecta, AMF, Folksam and Nordea Liv).

New regulations in the area of sustainability

The year has been characterised by the continued implementation of the EU Sustainable Finance Disclosure Regulation (SFDR). The periodic disclosure to be submitted annually for financial products highlight that the lack of a clear definition of "sustainable investment" results in widely differing interpretations between different actors and, as a result, a wide variation in the percentage of sustainable investments in each product. During the year, Alecta also reported the indicators on the so-called "principal adverse impact on sustainability factors" for the first time in accordance with the SFDR. A major challenge is still the availability and quality of data, different possible interpretations and complex support systems. Work is also underway to analyse the new EU Corporate Sustainability Reporting Directive (CSRD), which will take effect in 2024.

Alecta Fastigheter

During the year, Alecta Fastigheter AB adopted a climate and energy roadmap. The plan is part of Alecta Fastigheter's overall sustainability strategy, which was adopted in 2022, and contains activities planned to be carried out during the period 2022–2024. The climate and energy roadmap includes, among other things, overall targets for reducing CO2 emissions and energy consumption in both the organisation and the value chain. During the year, Alecta Fastigheter's Head of Sustainability and Communication received the "Young Sustainability Profile of the Year 2023" award from the media channel Fastighetssverige.

Alecta's sustainability work

Our sustainability work is part of delivering Alecta's overall mission, to maximise the value of collectively agreed occupational pensions for both corporate and private customers. The sustainability work is to support business objectives by contributing to efficient and value-creating core business, managing risks and legitimacy issues and striving to have a positive impact on society.

Within the framework of Alecta's sustainability policy and the issues identified as most significant by external and internal stakeholders, Alecta has formulated a number of overall sustainability targets and indicators that we monitor. The current targets, set by the CEO in 2018, have been in place since 2019, and are reported for the last time in this year's report. The targets are summarised in the table below and explained in more detail in the section on Targets and Indicators later in the report.

TARGETS AND INDICATORS 2019–2023

Focus areas	SUSTAINABLE PENSION SYSTEM		RESPONSIBLE INVESTMENTS		ENVIRONMENT AND ETHICS:		EMPLOYEES AND DEVELOPMENT	
Overall sustainability objectives	**Working for a sustainable pension system**		**Investing in line with the climate goal of 1.5 degrees and the ambition of net zero climate impact by 2050**		**Optimise use of resources to reduce environmental impact**		**Strengthen diversity throughout the organisation**	
Indicators	**Trust**	*Ambition*	**Active ownership**	*Ambition*	**Environmental impact**	*Ambition*	**Employees**	*Ambition*
	Trust in Alecta	↗	Number of nomination committees	✓	Energy consumption	↘	Forms of employment	✓
	Perception of Alecta's sustainability work	↗	Gender equality on boards	↗	Carbon footprint of operations and travel	↘	**Diversity and development**	
	Stable company		Voting at general meetings	✓	Paper consumption	↘	Age, gender and turnover	✓
	Economic value generated and distributed	✓	Screening of investments	✓	**Ethics and integrity**		Training and education	✓
			ESG dialogues	✓	Customer complaints and customer data	✓	Skills development plans	↗
			Portfolio companies' climate reporting	↗	Regulatory compliance	✓	Performance reviews	↗
			Carbon footprint	↘	Whistleblowing	✓	**Work environment and employment conditions**	
			Responsible investments		Training, ethics and integrity	↗	Collective bargaining agreements	✓
			Investments with a measurable social or environmental impact	↗	**Responsible purchases**		Sick leave	↘
			Properties		Suppliers' data	✓		
			Environmentally labelled properties	↗	Code of Conduct	↗		
			Environmental performance, properties	↗				

The meaning of the symbols in the column headed 'Ambition' in the above table is described on the right. 'Ambition' refers to the direction sought for the developments of each indicator.

↗ ↘ Indicates that we strive for increased volume, a positive trend or a decrease in impact

✓ Indicates that we are transparent about our work, results or data

New sustainability goals

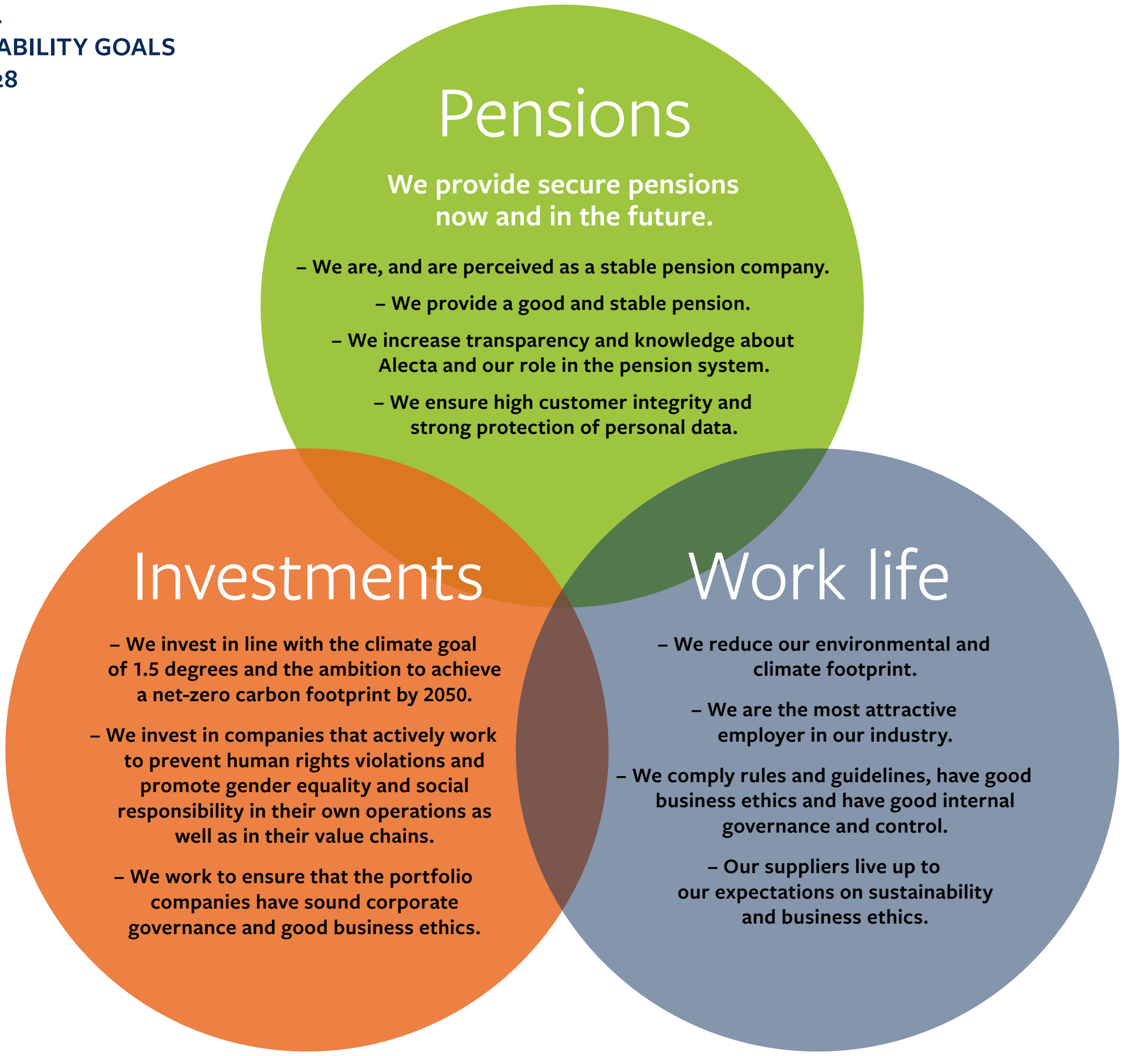
During the year, we have worked to formulate new sustainability goals that will challenge us during the next five-year period, 2024 to 2028. As a basis for the work, we have conducted an analysis of external trends and developments and had dialogues with internal and external stakeholders. We have also held internal workshops to jointly develop and incorporate the new sustainability goals. The goals are presented at a high-level in the image on the next page. The overall goals are an expression of Alecta's ambitions, and we link them to more concrete indicators that will show whether we are developing in the direction we are focusing on. Some also have clear sub-goals or interim goals that we want to achieve in the shorter term. Overall goals, sub-goals and interim goals as well as indicators will be presented in full in the Sustainability Report 2024.

In the work to develop new goals, we have based our work on the structure of the new EU Corporate Sustainability Reporting Directive (CSRD). At present, there is uncertainty as to whether the new rules will cover occupational pension companies. We are monitoring developments on this issue, and in 2024 will analyse how to structure sustainability reporting going forward.

Organisation for sustainability

The Board decides on Alecta's Sustainability Policy and Policy for Responsible Investments. These are the overall governance documents for the work on sustainability, governance and ESG issues. The Board decides on the positions that describe Alecta's views on different ESG issues with an impact on the investment business or governance. A description of the sustainability work is included in the quarterly reports submitted to the Board and senior management. An annual follow-up of Alecta's sustainability goals is presented to the Board, and ESG, and ownership issues are followed up at the Finance Committee meeting at least three times a year. The Board is updated on the development of sustainability work in the industry and regulations, as well as other current topics or trends in the discussion on sustainability via regular reports. Alecta's Council of

OVERALL SUSTAINABILITY GOALS 2024–2028



Administration acts as the general meeting of shareholders, and when electing the members of Alecta's Board, sustainability is one of the areas of expertise on which the suitability assessment is based.

The Chief Financial Officer has had formal responsibility for sustainability issues in Alecta's management since autumn 2023. At the same time, a new role, that of sustainability manager, has been created, which is responsible for working with the overall goals and indicators, and for developing and coordinating Alecta's overall sustainability work. In 2024, we will continue to work on establishing the new structure for the internal sustainability work using our new sustainability goals as a foundation.

The Governance and ESG group, which is part of asset management, is responsible for developing and coordinating Alecta's work with governance and ESG integration in asset management. This is done through a number of groups:

- The Head of Asset Management leads an **ESG forum**, which comprises the heads of the asset classes Equity, Fixed Income and Real Assets, the Head of External Communication and employees from Governance and ESG. Alecta's ESG forum addresses strategic matters involving work with responsible investments and is a monitoring forum, which includes the processes that are part of the ESG4Real certification.
- The CEO chairs a **Governance Advice Council** consisting of Head of Asset Management, Head of Equity, Head of Governance and ESG, Governance Specialist, General Counsel and two external members. The purpose of these groups is to coordinate and follow up work during the nomination committee season in a structured manner, support Alecta representatives on nomination committees in their duties and to advance work on governance. This group has been affected by organisational changes after the 2023 election season, and has been operating with more agility during the autumn.
- The Governance and ESG group leads the work on governance with a particular emphasis on nomination committees, general meetings and dialogues with boards of directors. Another focus area is to contribute to good governance practices. Together with analysts and managers in asset management, the group develops the work with ESG in the investment analysis, and provides support in dialogue with directly owned holdings and external asset managers.

In purchasing and in relations with suppliers, good environmental standards, working conditions and the choice of suppliers with collective agreements are required whenever possible. In support of this, Alecta has a Code of Conduct for suppliers based on the UN Global Compact and its ten principles for responsible business in the areas of environment, human rights, working rights and anti-corruption which all suppliers and partners must endorse. During the year, we have worked to increase the number of suppliers signing our Code of Conduct, both in the extension of existing agreements and in new partnerships.

Governance documents for sustainability at Alecta

Alecta's overall Sustainability Policy and the Policy for Responsible Investment as resolved by the Board are available on the website. The governance documents are complemented through more practical nano-training. In addition to these overall and other strategic policy documents, more detailed guidelines, decided upon by the CEO or other decision-makers at Alecta provide guidance to employees in their day-to-day work. These documents also clarify that the corresponding governance documents must be present at Alecta's subsidiaries, which essentially means Alecta Fastigheter AB, which is also governed by the Alecta owner directive. A number of the governance documents are described here.

Sustainability policy

Alecta's Sustainability Policy is designed to give internal and external stakeholders a general idea of how sustainability concerns are integrated into the company's activities. It expresses our support for the UN's Global Compact initiative and its ten principles on the environment, human rights, labour rights and anti-corruption. The Sustainability Policy is an umbrella for other more detailed governance documents, such as purchasing and procurement guidelines.

Code of Conduct

Alecta's Code of Conduct is reflected in four areas, each regulated in a number of separate governance documents at an overall level and in more operational adaptation:

- **Ethics:** Describes how we should take an ethical approach to our work, business relations and investments. Also encompasses the whistleblower function.
- **Managing conflicts of interest:** In accordance with the Occupational Pension Companies Act, Alecta's Conflicts of Interest Policy identifies which conflicts of interest may arise in relation to business stakeholders and how these should be managed. For example, the Board has rules of procedure with guidance in cases of disqualification or conflicts of interest.
- **Complaint handling:** Describes how we should deal with any complaints from our customers.
- **Processing personal data:** This describes how we should work with the General Data Protection Regulation's requirements and protect both customers' and employees' personal integrity from violations.

Examples of other governance documents for sustainability:

Governance and responsible investments

Alecta's Policy for Responsible Investments describes how we consider sustainability when investing in different asset classes and how Alecta's positions are applied. The Equity section constitutes Alecta's principles for shareholder engagement and describes our governance, as well as our active owner engagement and influence in listed companies.

Investment guidelines

Alecta's investment guidelines describe the focus and framework for asset management risk-taking, the objective for asset allocation and state that Alecta is to exercise governance and take sustainability factors into account.

Risk management

The risk management policy sets out the Board's risk tolerance and describes Alecta's focus on proper risk control and appropriate risk management, which also includes environmental risks, as well as social and corporate governance risks. Alecta's Board of Directors emphasises the importance of preventive efforts to reduce sustainability risks.

Information security

The policy describes how we should systematically secure Alecta's information assets and ensure Alecta's digital operational ability. The focus is on confidentiality, accuracy, and availability.

Purchasing and procurement

Guidelines that describe the procedures and division of responsibility for purchases and procurement, where the emphasis is on efficiency and quality. Decisions on purchases must take into account the suppliers' sustainability work.

Diversity and Discrimination

The Policy on Diversity and Prevention of Discrimination describes Alecta's responsibility to provide all employees with the same opportunities for development and influence, combined with zero tolerance of abusive treatment and discrimination.

Work environment and physical safety

The guidelines describe Alecta's general view on the work environment and the division of responsibilities on work environment issues as well as issues linked to the physical safety of employees.

Anti-corruption

The anti-corruption policy provides guidance on how employees should act in relation to gifts and other benefits that could involve bribes or improper influencing. Based on the Code of Business Conduct issued by the Swedish Anti-Corruption Institute.

Stakeholder engagement

Alecta's most important stakeholders are our customers, who are also our owners. With so many customers, and because of the mission's character, we have a strong foundation in society. In recent years, Alecta has prioritised increased openness, transparency and dialogue with stakeholders for a better exchange of experiences and understanding of stakeholder expectations.

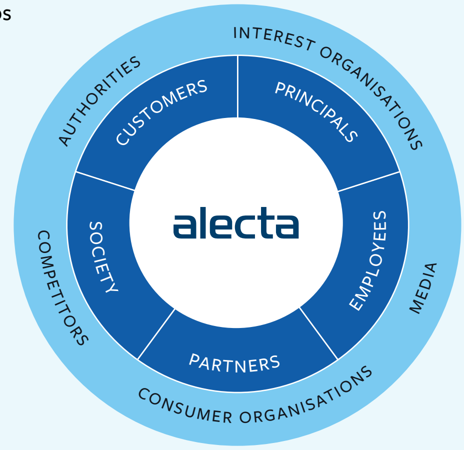
Customers' view on sustainability 2023

In general, Alecta's interaction with stakeholders primarily regards pensions and the pension system, as well as how pension capital and investors can contribute to the climate transition.

During the final months of the year, Alecta conducted a broader stakeholder survey that encompassed client companies and private-sector employees. To ensure continuity and comparability, we have chosen to retain last year's questions, but plan to revise the survey next year, so that it captures all aspects of our new sustainability goals that apply from 2024.

In line with previous years' results, a majority of both corporate customers and private-sector employees continue to have high expectations for pension companies to act sustainably. General awareness of Alecta has increased during the year, and even though awareness of Alecta's sustainability work remains generally low, more customers believe that Alecta does not act sustainably. However, the vast majority of customers believe that they cannot assess Alecta's sustainability work. The most important issues for both corporate customers and private-sector employees are good business ethics, good working conditions and a good work environment. This year's survey shows a lower rating for Alecta's work on these issues. With respect to the management of pension capital, working conditions and combating child labour are deemed most important followed by climate and corruption. Both groups have ranked climate-adapted investments as the sustainability issue in investments that can have the greatest positive impact on returns, followed by renewable energy and business ethics. These results have been consistent over the last few years.

Alecta's stakeholder groups



Customers – private and corporate customers

Current issues: A secure pension, low costs, efficient asset management, ethical business behaviour, the occupational pension's climate footprint

Dialogue channels: Customer service, surveys, email contacts, company visits, customer letters, alecta.se.

Alecta's work: Clear targets for cost effectiveness and investment performance, increased transparency, membership of Global Compact.

Principals – unions and employers

Current issues: Responsible investment, corporate governance, fees, returns, governance, internal sustainability work.

Dialogue channels: The Board of Directors, committees, seminars, procurements.

Alecta's work: Certification work in asset management, increased transparency and sustainability targets and indicators

Employees

Current issues: Skills development and career progression, equality, work environment, environmental impact, ethical business behaviour and responsible investment

Dialogue channels: Employee surveys, whistleblowing function, intranet, internal seminars, CEO meetings

Alecta's work: Skills development plans, diversity plan, targets and indicators for sustainability, training programmes about ethics and corruption, as well as sustainability.

Partners and suppliers

Mainly the selection centres for the collective bargaining areas, service providers in IT, real estate and asset management, PRI Pensionsgaranti, minPension.

Current issues: Procurements, responsible investments, environment and sustainability.

Dialogue channels: Negotiations and agreements, forums for cooperation.

Alecta's work: Review of sustainability issues in agreements and procurement processes, certification of sustainability in asset management, Code of Conduct.

Society and broader stakeholder groups

Current issues: Knowledge about occupational pensions, stable management of pensions, the climate issue, sustainable finance, the role of owner.

Dialogue channels: Lectures at universities, industry dialogue, meetings with politicians, seminars, media debate, consultations.

Alecta's work: Taking part in the debate on pensions, collaboration through the "Gilla Din Ekonomi" ("Like Your Personal Finances") network and involvement in EU's work on sustainable finance.

Materiality analysis

A stakeholder and materiality analysis has constituted the basis for Alecta's overall sustainability goals, and indicators for 2019–2023 and influenced the content of the report. The materiality analysis was carried out in the former cross-functional sustainability steering group based on external trend reports and benchmarks with the industry, as well as stakeholder surveys with customers. The content and results have been calibrated a number of times during these years. In our work to formulate new overall sustainability goals for 2024–2028, we have conducted an analysis on trends and developments, held stakeholder dialogues and organised internal workshops during the year. The results of this will be presented in more detail when we report on the basis of the new goals and indicators from 2024 onwards, but in general it is confirmed that our most important sustainability responsibility is to deliver a secure pension to our customers and that the emphasis remains on investment activities. The issues relating to our own operations and our suppliers are not the most significant issues in terms of Alecta's sustainability footprint, but have been highlighted more clearly by the Board and other stakeholders. The analysis was also influenced by external monitoring, including reviews, and exchanges within the industry.

MATERIAL TOPIC

	RISK	BOUNDARY [1]	ACTIVITIES	KEY PERFORMANCE INDICATORS	Page reference
Economic security and value for many	• Collective agreement widely viewed as having a lower value • Alecta's legitimacy is challenged • Regulations that disfavour the customers • Increased costs for society	Impact in the organisation and the value chain, as the value that is created benefits the customers and employees and society at large.	By delivering a stable and high quality occupational pension, Alecta creates value for the entire social security system and the national economy. We have therefore sharpened the focus on our overall business goals: secure and satisfied customers, low costs and high efficiency, as well as good returns and a strong financial position. We prefer uncomplicated solutions and utilise economies of scale to provide the best possible customer value. We are also working to spread knowledge among and influence our stakeholders to help more people understand how the choices they make will affect their pensions.	• Generated and distributed value (GRI 201-1) • Customer satisfaction • Return • Parameters in brand perception surveys	7, 22–23
Responsible investments	• Sustainability losses if our holding companies contribute to negative consequences for the environment and people • Financial losses if our holding companies decline in value due to poor sustainability • Damage to Alecta's brand/ reputation in critical reviews or excessively low level of ambition	Impact outside the organisation through the investment chain – the companies and properties that Alecta invests in.	Alecta views sustainability as an important perspective to identify long-term risks and opportunities in the management of customers' pension capital. Our communication about responsible investments is to be transparent and clear. We have clear return targets and an overall and long-term climate target for the entire investment portfolio. Alecta aims to find and invest in well-managed companies and bases investment decisions on internal analysis in which we take ESG factors into consideration [2]. Dialogue is an important tool to support companies and we work to promote increased gender equality in boards of directors. Alecta Fastigheter AB has a direct environmental impact, which it actively works to minimise. We will increase investments in assets that contribute to financial returns and environmental or social impact. We collaborate to exert greater influence and exchange in the industry.	• Percentage of companies with which Alecta has interacted (GRI FS10) • Percentage of screened assets (GRI FS11) • Investments with a measurable environmental or social impact	24–25

[1] The indicated boundaries are based on the GRI framework, where the material impact takes place within the organisation or in its value chain.
[2] ESG stands for Environmental, Social and Governance.

MATERIAL TOPIC

	RISK	BOUNDARY [1]	ACTIVITIES	KEY PERFORMANCE INDICATORS	Page reference
Inclusive employer and stimulating place to work	• Increased health problems among Alecta's staff • Alecta less attractive as an employer • High employee turnover at Alecta • Reduced competitiveness for Alecta	Impact internally in the organisation through better use of skills, increased knowledge and employee satisfaction and well-being. Outside the organisation mainly through strengthened employer brand and increased customer benefit.	Alecta is to be an inclusive employer where employees are offered the opportunity to develop. We promote a good work environment with good working conditions and we wish to create conditions that will better leverage the different perspectives and experiences of our employees, where specialists and different roles work together to develop Alecta's business of the future.	• Training initiatives (descriptive) • Performance and development (GRI 404-3)	32
Strong regulatory compliance	• Reduced customer protection • General loss of trust in the welfare system and the financial system • Higher costs and risk of sanctions • Damage to Alecta's brand and trust	Impact internally, as this is the foundation for our activities, but poorer customer protection affects customers.	A pension company operates in an industry dependent on trust and Alecta wants to promote an internal culture of ethics and responsibility through preventive efforts. We operate in a strongly regulated environment and regulations are updated continuously to promote stability and strong customer protection. We attach the greatest importance to ensuring compliance with laws, regulations, internal governance documents and good business ethics so that our customers feel secure. Through a regulatory committee, we monitor regulatory developments on an ongoing basis and in the internal control committee we follow up on governance document processes and controls of essential processes.	• Fines or sanctions • Activities that are assessed for corruption risks (GRI 205-1) • Information and training on corruption policies and procedures (GRI 205-2) • Confirmed corruption incidents and actions taken (GRI 205-3)	18, 30
High level of customer privacy	• Violations of personal integrity • Financial loss for Alecta • Damage to Alecta's brand/reputation	Impact within the organisation when working with customer data and for stakeholders outside the organisation in terms of impact on customer privacy.	Alecta processes large amounts of sensitive personal information and other customer data. We do our utmost to protect our customers' data at all times and conduct systematic data protection work with a data protection officer as a control function.	• Complaints about breaches of customer privacy (GRI 418-1) • Personal data incidents	29–30

AREAS WITH HIGH EXPECTATIONS OF TRANSPARENCY

	RISK	BOUNDARY [1]	ACTIVITIES	KEY PERFORMANCE INDICATORS	Page reference
Purchasing and environment	• Sustainability losses if breaches contribute to negative consequences for the environment and people • Lack of credibility • Damage to Alecta's brand/reputation	Impact in the organisation and our value chain with the possibility of engaging suppliers.	Alecta includes issues about the environment and sustainability in our procurement processes. We have a Code of Conduct that is communicated to suppliers, and a special purchasing function that works on clearer system support for implementation and follow-up. We measure a number of environmental performance indicators, and review actions to reduce the direct environmental impact of operations in collaboration with Alecta Fastigheter AB.	• Environmental impact from operations • Supplier sustainability	28–31

[1] The indicated boundaries are based on the GRI framework, where the material impact takes place within the organisation or in its value chain.

Risk analysis and preventive anti-corruption efforts

The insurance industry is characterised by privacy-sensitive activities, whereby privacy shortcomings could have major adverse effects on both the insured and the continued confidence in conducting the business. For this reason, particular restraint is required in connection with benefits and other favours that could influence behaviours or attitudes when performing duties.

Alecta's preventive anti-corruption efforts focus on the risk of bribes and corruption and are conducted in line with the Code of Business Conduct issued by the Swedish Anti-Corruption Institute, "The Code to prevent Corruption in Business" (the Code) and recommendations from Insurance Sweden, the employers' organisation for the Swedish insurance industry.

We conduct an annual analysis of the risk of corruption with respect to different risk categories, such as Alecta's products, customers, distribution channels, investment activities, outsourced activities and significant suppliers as well as geographical areas. The overall assessment in 2023 is that the risk of improper influencing within Alecta is medium, primarily due to our size as an investor and in connection with purchasing. The risk analysis and anti-corruption work is intended to identify areas in Alecta's operations that may be more vulnerable to corruption and to limit the risks through internal governance, while at the same time equipping employees to react to different situations and identifying the need for clearer procedures where ambiguity exists. The risk analysis forms the basis for the Board's Anti-corruption Policy, which provides hands-on guidance in what is appropriate behaviour and what constitutes improper influence. The policy is reviewed annually and covers Alecta's employees, Board members, contractors and others who represent Alecta.

Alecta provides e-learning courses for all employees, for example on measures against bribery and corruption, ethics and whistleblowing and guidelines on business entertaining. During 2022, Alecta focused on the ethical guidelines in the annual training session for governance documents, which includes all departments and groups in the business. In 2024, Alecta intends to organise discussion exercises on ethics, including corruption issues, for all employees.

Partnerships and memberships

Alecta participates in the following initiatives or organisations with a connection to sustainability:

CDP (previously Carbon Disclosure Project)

By supporting the work of CDP, investors aim to drive the companies' transparency and environmental reports, and to influence companies to work actively to reduce their environmental impact.

Fossil-free Sweden

The government initiative, Fossil-free Sweden brings together Swedish actors that want to help Sweden become one of the first fossil-free, welfare countries in the world. In the context of the initiative, Alecta has taken on various challenges, and over the years participated in consultations on various reports submitted to the government by the initiative.

Global Compact

International initiative to encourage the business sector to support the UN's central international conventions. Alecta has signed and endorses the Global Compact's ten principles in environment, human rights, working conditions and corruption.

Sustainable value creation

Cooperation between the largest Swedish institutional investors in order to highlight the importance of Swedish listed companies working in a structured manner with sustainability issues. Alecta participates in this collaboration, and in 2023 the participating actors have explored areas such as ESG criteria in remuneration programmes and what forms the Sustainable Value Creation cooperation can take in the future.

ICC

ICC is an international business organisation that promotes international business operations, trade opportunities and sound economic development and developing self-regulation in relevant areas, such as corporate responsibility for the environment and sustainability. Alecta is a member of ICC Sweden.

Association of Institutional Shareholders

The association's aim is to promote self-regulation in the Swedish stock market, for example by continuing to develop the Swedish Corporate Governance Code. Alecta is a member of the association.

Nasdaq Sustainable Bond Network

The initiative aims to promote transparency in green and sustainable bonds and enable more standardised impact reporting to lower the threshold for issuers and investors. Alecta is part of the initiative's Advisory Board together with other stakeholders.

Net Zero Asset Owner Alliance (NZAOA)

The alliance is an investor collaboration led by the United Nations Environment Programme Finance Initiative (UNEP FI) and PRI (see below). As part of the initiative, participants have declared the long-term goal of investment portfolios with net zero impact by 2050. Alecta is one of 12 co-founders of the initiative and is active in a number of working groups.

Principles for Responsible Investments (PRI)

The UN Principles for Responsible Investment is a global institutional investor initiative. By signing, Alecta has undertaken to integrate the initiative's six principles for responsible investment in its activities.

Swedish Investors for Sustainable Development (SISD)

SISD has gathered together the largest Swedish owners on the stock market in a network to focus on Agenda 2030 and the 17 Sustainable Development Goals. The initiative facilitates shared learning and exchange. During parts of the year, Alecta participated as one of SISD's representatives in the global equivalent, Global Investors for Sustainable Development (GISD).

Swedish National Advisory Board for Impact Investing (NAB)

NAB is an international organisation promoting so-called impact investments. These are investments with a clear purpose to contribute positively to sustainability. The members are from different parts of the financial and public sector, as well as civil society. Alecta is a supporting member and in 2022–2023 participated in the nomination committee responsible for appointing the board of the Swedish organisation.

Insurance Sweden

Alecta participates in reference groups within the industrial association, Insurance Sweden, including those dealing with issues of sustainability and sustainability reporting. Alecta submits opinions on proposals for consultation and engages in dialogue with government agencies, for instance the Swedish Financial Supervisory Authority and the Ministry of Finance.

Sweden Green Building Council

The Sweden Green Building Council members' organisation promotes exchanges of experiences between different operators in the field of civil engineering. The organisation provides tools and training as well as support for developing sustainability activities. Alecta Fastigheter AB participates in this work.

Swesif

Swesif is a members' association for organisations in Sweden that want to spread and increase knowledge about sustainable investments through regular seminars and opportunities for exchange between members.

Other initiatives for investors

Alecta has signed a number of initiatives or sustainability appeals with different purposes. Alecta pursues direct engagement activities under the UN PRI's Climate Action 100+ initiative, which has produced several concrete results and climate commitments from companies. The Access to Medicine Index surveys how the largest pharmaceutical companies work to increase access to medicine in developing countries. Alecta supports TCFD (Task Force on Climate-related Financial Disclosures), a framework for reporting financially relevant climate data.

Research partnerships

Alecta participates in and contributes to a variety of academic research studies by providing support in the form of financial or other resources. For example, in 2023 the Karolinska Institute conducted research supported by Alecta on sick leave among private sector employees. The results of the research will be presented in a scientific report and seminar in spring 2024. A joint research programme with Afa Insurance has also been launched during the year. The programme will last for three years and cover six to eight research projects. The aim is to reduce sick leave due to mental health problems in Swedish workplaces. Alecta also supports the research activities of the Stockholm School of Economics. Through the Swedish Institutional Investors Association, Alecta also supports a new Swedish Corporate Governance Institute at Stockholm University.

Gilla Din Ekonomi ("Like Your Personal Finances")

Gilla Din Ekonomi is a personal finance network among public agencies, organisations and businesses. The goal is to increase people's understanding of personal finance through different educational initiatives. Alecta's pension economist actively contributes as a lecturer.

minPension ("My Pension")

The minPension portal is a cooperation among companies in the pension sector and is 50 per cent operated and financed by the Swedish state and 50 per cent by the pension companies. As several pension funds provide information to the same portal, users can log in and view their entire pension. The aim is to provide clear and simple information on pensions from an independent platform.

SNS

SNS, the Centre for Business and Policy Studies, is a forum for dialogue about key social issues based on knowledge and research. The members include representatives from business, politics, public administration and research.

"Alecta supports the UN Global Compact initiative, and endorses its ten principles for responsible business.

Peder Hasslev CEO

Signatory of:

PRI Principles for Responsible Investment

WE SUPPORT UN GLOBAL COMPACT

Reporting of goals and indicators

In this section, results for Alecta's overall sustainability goals and indicators are reported within our focus areas. The goals adopted in 2018 and applicable during the period 2019–2023 are reported. New goals will apply from 2024, and are reported on pages 12–13.

Sustainable pension system:

Working for a sustainable pension system

Alecta's activities during the year:

- 2023 was characterised by two major events that caused widespread negative media coverage which had a negative impact on private-sector employees' perception of whether Alecta is a safe and stable pension company.
- The major media focus on the US banks and the investment in Heimstaden Bostad has also meant that we have had more difficulty in communicating information aimed at building trust in the pension system and Alecta as part of it. We have a significant reputational crisis, and we are working hard to restore confidence in us as a safe and stable pension manager.
- During the year, we carried out a number of activities aimed at strengthening the image of Alecta as part of a sustainable pension system, in addition to providing information about the above-mentioned events.
- Our pension economist has given courses at universities, Swedish companies and at a large number of seminars, educating and explaining the Swedish pension system and the importance of occupational pensions.
- We have organised a webinar on premium reduction and the calculation of pensions.
- We have provided facts, figures and analyses about the pension system and Alecta's role in it in regular contact with the labour market partners.

Outcome 2023:
Percentage of private-sector employees who view Alecta as a stable company in the brand survey:
13 %*

See more indicators linked to a Sustainable pension system on page 22.

* The number should be seen as a zero rating. In 2023, we changed the question in our brand search, which means that the outcome is not fully comparable to previous years. However, it is clear that the outcome has worsened significantly during the year. Going forward, the question will be asked in the same way as in 2023.

Responsible investments:

Investing in line with the climate goal of 1.5 degrees and the ambition of net zero climate impact by 2050

Alecta's activities during the year:

- In a detailed climate assessment in 2023, all of Alecta's equity holdings were classified according to four different stages in their climate work in terms of ambition and transparency. During the year, we held in-depth dialogues on climate transition developments in 20 of the equity holdings and two bond holdings.
- After a pilot at the end of 2022, in the spring we collected ESG data for the first time from our external managers of property and infrastructure funds, part of Real Assets. This is subject to annual follow-up and dialogue internally and with external managers.
- With the expansion of the number of holdings in the equity portfolio in the second half of 2023, the pre-investment analysis was complemented by an in-depth internal ESG analysis. This provides a better basis for decision-making prior to an investment and highlights development areas to support in an investment over time.
- During the year, the Board of Directors approved a number of position statements for asset management that provide Alecta's view on business ethics, gender equality and biodiversity, and clarify the expectation of climate targets specifically when lending to governments.
- Within fixed income, another investment was made during the year that contributes to environmental conservation efforts in the marine environment around Galapagos. As with previous similar investments, there are risk-mitigating elements in the form of blended finance [1].
- In early 2023, a thematic work on human rights was concluded involving analysts from equity, corporate bonds and ESG. The result was an increased awareness of human rights risks in the respective sectors. Later in the year, portfolio companies were analysed from a gender equality perspective, where a number of companies with development potential were identified.
- Mid-year an extensive re-certification of the management of equities and corporate bonds was completed in accordance with ESG4Real, which means that all processes are reviewed by an external party.
- Ten employees from asset management and Alecta Fastigheter participated in a special sustainability master class programme at the School of Economics. The focus was on energy transition, new technology, analysis and valuation of externalities.

Outcome 2023:
Number of corporate dialogues on climate (total):
28 (11)

Percentage of companies in the equity portfolio with confirmed science-based climate targets:
48 % (38)

Percentage of companies in the equity portfolio that report climate footprint (Scope 1 and 2):
92 % (87)

Weighted carbon footprint from the equity portfolio (Scope 1 and 2), tCO_2e/SEK million in income:
1.6 (2.2)

See more indicators linked to Responsible investments on page 23.

[1] Blended finance involves mixing private and public capital, and where public capital is often tasked with acting as a catalyst to scale up private finance by mitigating risk.

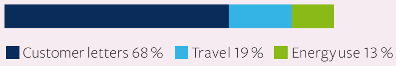
Environment and ethics: Optimise use of resources to reduce environmental impact

Alecta's activities during the year:

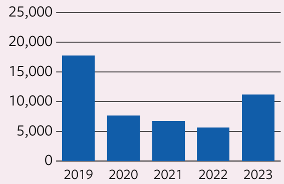
- During the autumn, waste sorting was introduced on all of Alecta's office floors. We have also created a reuse process where we handle materials and furniture for the best possible use, and we are keen to work with suppliers who buy and sell on the second-hand market.
- During the year, Alecta worked to increase the number of suppliers signing our Code of Conduct, both when extending existing agreements and in new partnerships. As a result, 208 suppliers have signed our Code of Conduct, compared to 22 at the end of 2022.
- Alecta Fastigheter AB adopted a climate and energy roadmap during the year. The plan is part of Alecta Fastigheter's overall sustainability strategy adopted in 2022. The plan includes overall targets to reduce energy consumption by 30 per cent by 2030 and carbon emissions by 65 per cent in Scope 1 and 2 and by 50 per cent in Scope 3 by 2030. The targets cover both own operations and the value chain.
- Together with Alecta Fastigheter AB, we are reviewing the environmental performance of our offices. Alecta supports the Swedish Energy Agency's campaign 'Every kilowatt hour counts' and tests different measures for further energy efficiency improvements.

Outcome 2023:

Carbon footprint distribution: customer letters (including transport), travel and energy (office).



The increase proportion of digital customer letters has reduced paper consumption over time. However, in 2023, the total volume of paper increased due to a comprehensive one-time mailing related to the ITP procurement.



Customer letters including shipping are the largest source of Alecta's direct climate footprint in the day-to-day operations.

See more indicators linked to Environment and ethics on page 28.

Employees and development: Increase diversity across the organisation and strengthen our collective intelligence

Alecta's activities during the year:

- The events in 2023 and the attention it brought have been challenging for Alecta employees. To facilitate understanding and create security, we have had ongoing informational meetings where we welcomed all questions and invited personnel to partake in dialogue.
- In 2023, we carried out 50 recruitments, which is 15–20 more than in previous years. The number of applications has increased, which is probably due to media attention.
- To further ensure unbiased recruitment, in 2023 we started using tests early in the recruitment process and replaced the personal letter with a text describing the applicant's reasons for interest in the company, etc.
- Through a partnership with an external supplier, Alecta offers training, seminars, ergonomics and massage, etc. In spring 2023, all employees were offered a health profile, followed by coaching in various areas, such as sleep, recovery, exercise and diet.
- Alecta also encourages sustainable choices in everyday life. More than 30 employees now lease an electric bike through Alecta. We also have two of our own electric bikes and five regular bikes, which can be used in the service.
- The development of how we work effectively is taking great strides forward. Several cross-functional groups have emerged, the degree of automation has further increased, and we are working hard to create the conditions necessary to make the best use of AI technology. Examples of training courses carried out during the year include Power BI and introduction to AI.
- In order to secure Alecta's IT skills, six senior employees started our second skills programme, Alecta Advance IT II, in autumn 2023.
- We have expanded our leadership group and now also include the leadership roles in our agile teams, Scrum master and Product owner. All managers participate in our monthly leadership forums and have undergone training in developmental leadership (DL) in 2023.

Outcome 2023:

Percentage of women in Alecta's senior management:

50 % (33)

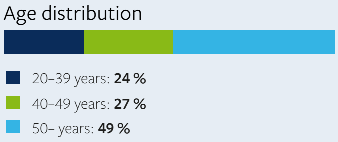
Percentage of female managers, Group:

58 % (57)

Percentage of female managers, parent company:

56 % (55)

Age distribution



See more indicators linked to Employees and development on page 31.

Sustainability indicators 2019–2023

To support work and monitor progress, Alecta has identified a number of relevant indicators in the four chosen goals and focus areas:

- Sustainable pension system
- Environment and ethics
- Responsible investments
- Employees and development

Certain indicators are used as key performance indicators for the overall goals, while other indicators have quantitative targets. Others have an explicit desired direction or serve as transparency metrics enabling us to provide information about our work.

Sustainable pension system

Trust in Alecta as a stable and secure company

	2023	2022	2021	2020	2019
Percentage of private-sector employees who view Alecta as a stable and secure company	–	38 %	38 %	36 %	–
Percentage of private-sector employees who view Alecta as a stable company	13 %	–	–	–	–

Alecta's communication is to strengthen trust in Alecta as a stable and secure company and a responsible societal stakeholder, with good products that provide a good pension. In 2023, the major media focus on the US banks and the investment in Heimstaden Bostad meant that we found it more difficult to publish information aimed at creating confidence in the pension system and Alecta as part of it. In 2023, we changed the question in our brand survey, which means that the figure is not comparable with previous years. Going forward, the question will be asked in the same way as in 2023.

Customers' perception of Alecta's sustainability work

Percentage that believe Alecta works in a sustainable way, %	2023	2022	2021	2020	2019	TARGET 2023
Private-sector employees (good knowledge) [1]	7 (21)	9 (31)	8 (30)	12 (43)	12 (37)	20
Client companies (good knowledge)[1]	16 (30)	20 (44)	20 (43)	22 (45)	17 (37)	30

[1] The information in brackets refers to the results from the respondents who stated that they have good knowledge of Alecta.

Alecta examines the expectations of private sector employees and corporate customers in relation to sustainability at pension companies, which includes questions concerning Alecta's sustainability work. Together with other surveys on customers' perception of Alecta, the indicator aims to measure the results of the work towards the goal of secure and satisfied customers.

We can conclude that the goal was not achieved, and the trend has instead been negative. The survey was conducted in November 2023, at the same time as there was strong public criticism of the investment in Heimstaden, and it became known that the Swedish Financial Supervisory Authority had filed a report on suspected corruption to the Swedish Prosecution Authority concerning one or more individuals involved in the transaction. The vast majority of respondents still choose the "don't know" option when asked how they perceive Alecta's sustainability work, which is consistent with other surveys of customers' awareness of sustainability work in other industries. As in previous years, assessments are more positive among those who are very familiar with Alecta. In the 2023 survey, however, we can see an increase in respondents who actively give Alecta's sustainability work a low rating. From a previous level of 1–2 per cent, 11 per cent of private sector employees believe that Alecta acts sustainably only to a small extent. Among client companies, the corresponding proportion is 7 per cent. The results have previously been relatively stable over the years, but the events of 2023 have left their mark, and it is Alecta's top priority to restore customer confidence in the company and our operations. Among the various sustainability issues that customers prioritise, we see that the perception of Alecta's activities regarding business ethics shows the greatest negative change.

The open answers about sustainability and pension show widespread perceptions of how they belong together, but most answers point to the environment and climate, returns, community development and social responsibility. The most important sustainability issues are continued working conditions and to counteract child labour, good business ethics and climate-adapted investments.

Economic value generated and distributed [1] (GRI 201-1)

SOCIO-ECONOMIC VALUE

Group (SEK million)	2023	2022	2021	2020	2019
Economic value, generated					
Return on capital, before operating expenses [2] [3]	85,752	–98,494	173,691	50,342	125,314
	85,752	**–98,494**	**173,691**	**50,342**	**125,314**
Economic value, distributed					
Claims incurred [4]	–28,158	–24,880	–23,650	–22,681	–21,810
Waiver of premium, corporate customers	–2,577	–2,759	–2,755	–2,296	–2,654
Refunds in the form of adjustment of paid-up values and premium reductions [4]	–50,748	–15,283	–5,716	–8,926	–11,695
Salaries and remuneration	–500	–401	–357	–358	–340
Suppliers and partners	–756	–752	–708	–633	–583
Yield tax and income tax in Sweden and abroad as well as social security fees for employees	–1,969	–1,495	–1,181	–557	–1,386
	–84,708	**–45,570**	**–34,367**	**–35,451**	**–38,468**

1) GRI requests a report of "retained value" but at Alecta the surplus goes to the policyholders.
2) Unrealised profits/losses are included in the amount of SEK 15,474 million (2022: -156,374, 2021: 121,672, 2020: 32,384, 2019: 97,522). The year's return is described in the Administration Report on page 47.
3) In the income statement, asset management and property management expenses totalling SEK 616 million (2022: 518, 2021: 374, 2020: 309, 2019: 283), have been offset against capital returns. See also Note 8 Operating expenses.
4) Claims incurred also include refunds in the form of pension supplements and supplementary amounts, which are taken from the surplus fund; see the consolidated Equity Report. Refunds in the form of adjustment of paid-up values and premium reductions for risk insurance are also taken from the surplus fund.

A high level of trust and legitimacy are fundamental to Alecta's mission. Economic value generated reflects Alecta's capacity, and the distribution is characterised by the mutual concept of maximising the value given back to customers through cost-efficient operations.

Alecta creates economic value for its customers by giving them a good and secure pension. It does so by generating a strong return over time and by keeping the costs down. In Alecta's area of business, the value that is generated and delivered needs to be viewed from a long-term perspective. The value that is created during the year will be distributed for many years to come and the value that has been distributed during the present year has been accumulated over prior years. For this reason, the value that is generated and distributed in an individual year cannot be put in relation to other years.

An important sign of strength at the end of 2023 was the Board's decision to increase defined benefit pensions by 6.48 per cent for 2024, in line with inflation over the past year. In total, this means that over SEK 34 billion is distributed to 1.6 million customers. At the same time, the Board decided on a premium reduction for defined benefit retirement and family pensions, and to continue to provide premium reductions for risk insurance. This means reduced pension costs of SEK 8.3 billion for Swedish companies.

Responsible investments

Most indicators relating to active ownership in the form of nomination committees and votes at meetings reported here are also described in Alecta's Ownership Report 2023, published in December 2023 at alecta.se.

Nomination committees in Swedish listed companies

	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Number of nomination committees	20	20	22	21	22

Its substantial holdings in Swedish publicly listed companies allows Alecta to be active in nomination committees that are tasked with nominating members to the boards of directors prior to the general shareholders' meetings. Alecta's representatives in the nomination committees are senior employees with experience from board work, senior management or asset management. During the 2022/2023 AGM season, Alecta participated in 20 nomination committees, through nine representatives from asset management, senior management and the Board. Five of Alecta's representatives were women.

The organisational changes that took place in 2023 have affected Alecta's organisation for nomination committees. At year-end 2023, Alecta was represented in 18 nomination committees. The appointments are divided between six representatives, of which two are women.

Gender equality on boards

	2023	2022	2021	2020	2019	TARGET
Percentage of women on the board where Alecta is a member of the nomination committee, average	40 %	42 %	43 %	40 %	44 %	At least 40 % of each gender represented

The figures refer to the board composition after the general shareholders' meetings during the first half of each year, excluding the CEO. Changes to the Board after the general shareholders' meetings were not taken into account.

Alecta's responsibility as owner means we strive to achieve the best possible board compositions when we participate in the nomination processes. In order to increase the experience and skills base, and to encourage dynamic boards, we strive for gender equality and diversity. On average, at least 40 per cent of each gender is represented on boards where Alecta is a member of the nomination committee, though some individual boards have yet to achieve the goal. The composition of individual boards is reported in Alecta's Ownership Report 2023, and the average is now reported both including and excluding the CEO when he or she is a board member. If the CEO is included in the calculation, the average is 38 per cent.

In 2023, we conducted an in-depth analysis of gender equality in all shareholdings and corporate bonds. The analysis includes gender equality in the companies' board of directors, senior management, managerial level and total workforce. The results were presented and discussed in bi-annual reviews with analysts and managers organised by the Governance and ESG team. Among other things, we discussed with which companies it may be necessary to have a dialogue with, and follow-up on based on their results. In total, the average proportion of women on the board of directors among equity portfolio companies is 36 per cent. About one third of the holdings at the end of the year had at least 40 per cent women on the board.

Voting at general shareholders' meetings

	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	TARGET
Percentage of holding companies where Alecta voted at the general shareholders' meeting	100 %	100 %	97 %	99 %	99 %	100 %

Voting is an important tool for active ownership and our target is to always vote at all holdings. During the 2022/2023 AGM season, Alecta voted at the shareholders' meeting for all holding companies with shares carrying voting rights.

Alecta votes based on the principles of shareholder engagement included in our Responsible Investment Policy. Every year, information is published on the website detailing how Alecta voted at the shareholders' meetings, with a cut-off point of 30 June for the 2022/2023 AGM season. The 2023 Owners' Report describes particularly relevant votes. Most cases concern recurring general shareholders' meeting issues – election of board of directors, fees and dividends. Alecta wants to promote properly designed compensation programmes, and in almost 16 (12) per cent of a total of 263 voting cases on compensation, we identified deficiencies that led us to vote against the compensation proposals or compensation reports.

There are proposals that concern climate or social aspects, such as equality or human rights. Alecta analyses each case based on our view of the company and votes in favour of proposals that we consider will contribute to the company's development. A total of 71 shareholder proposals were submitted, of which Alecta voted in favour of 39 (34). Most of the proposals Alecta supported were linked to human rights and other social issues with 23 (14) proposals, corporate governance 10 (14), and environment and climate 5 (6). In addition, one proposal that addressed multiple ESG issues.

Screening of holding companies (GRI G4 FSS FS11)

	2023	2022	2021	2020	2019	TARGET
Percentage of listed equity holdings and corporate bonds reviewed in norms-based screening	100 %	100 %	100 %	100 %	100 %	100 %
Percentage of assets of total investments reviewed in norms-based screening[1)]	48 %	54 %	60 %	59 %	60 %	n/a

1) The indicator shows the proportion of total assets that can be reviewed according to the norm-based screening of shares and corporate loans. As Alecta reviews all listed shares and corporate loans, the indicator shows only the proportion of the investment portfolio that consisted of shares and corporate loans at the end of the year, and this may vary over time and depends on the proportion of other asset classes. No target set for the indicator.

Alecta reviews investments in accordance with the Responsible Investment Policy. Before each new investment, and four times a year, all listed equity holdings and corporate bonds are reviewed based on ESG ratings, controversial activities, and the international conventions that Sweden has signed. This covers, among other things, the environment – including the precautionary principle, working conditions, corruption and human rights.
In between, Alecta will regularly receive reports on incidents or suspected violations of conventions linked to

the holding companies, which may lead to special engagements with the companies in addition to the ongoing contact. Of the 122 listed equity holdings in the portfolio at the end of the year, a total of 3 (5) of these had some form of remark, which means that they are subject to dialogue with Alecta or with our supplier who conducts dialogue on behalf of several investors. There are no remarks regarding any of the corporate bond holdings.

The results of the four annual screenings are reported back to the internal ESG forum for follow-up and are raised at the bi-annual reviews with analysts and managers. Twice a year, the results are also reported to the Board's Finance Committee.

As all listed equity holdings and corporate bonds are reviewed, the proportion of assets reviewed varies depending on the proportion of equities and corporate bonds in the portfolio. Developments in recent years show that these assets have decreased slightly as a share of the total portfolio, partly because Alecta has increased diversification, and partly temporarily as a result of fluctuations in the market that affect valuations. Other assets are reviewed by other methods prior to investment decisions.

ESG engagements (GRI G4 FSS FS10)

	2023	2022	2021	2020	2019
Number of corporate dialogues (conducted with internal staff)	76	43	48	44	41
– Of which E/S/G	37/14/25	11/8/24	20/15/13	26/15/3	20/9/12
– Of which proactive/reactive	74/2	40/3	40/8	30/14	28/13

With its substantial holdings in selected companies, Alecta is a committed owner and continously engage in dialogue with these companies. These dialogues mainly regard equity holdings, but also a few bond holdings. Through various initiatives and collaborations, Alecta supports a much larger number of dialogues with various companies, for example through Climate Action 100+. In this report, we only present the dialogues we conduct ourselves or where we are responsible for leading the dialogue as part of an initiative. The table above lists the more focused dialogues that have taken place on ESG (environment, social issues and corporate governance) and the area in which the issues primarily touched on. Environmental issues can often also have a social dimension and corporate governance dialogues also have elements of climate or other aspects, but the dialogues have been classified based on the primary issue. All in all, we met or had contact with the companies on 83 occasions, but sometimes one issue took up several dialogue sessions. We count 76 dialogues on separate issues, with 55 of the holdings in the listed equity portfolio (corresponding to 45 per cent of the companies), with two of four unlisted equity holdings, and with five of 42 bond holdings (corresponding to 12 per cent).

We classify a dialogue as reactive if it was initiated as a result of an incident reported through the norm-based screening. Only a few of Alecta's companies have remarks in such reviews, but during the year, Alecta met with both Amazon and Thermo Fisher due to incidents.

Thanks to the strengthening of Alecta's ESG capacity and a conscious effort, we have conducted significantly more ESG-focused dialogues with the holdings in 2023. This includes a more in-depth focus on climate where we have conducted dialogues with some 20 companies – which is in line with our commitment to the Net-Zero Asset Owner Alliance. Our goal is to monitor developments and support the companies in their climate work. We have also identified companies with potential for improvement in terms of gender equality, where the engagement will continue into 2024. Overall, 13 dialogues were more focused on compensation, although it is mentioned in other dialogues as well. A continued important element of the compensation dialogues has been ESG criteria in incentive programmes, as well as generally on the performance criteria of compensation programmes and transparency of outcomes.

Alecta also regularly meets with its external asset managers in real estate and infrastructure for dialogue on sustainability.

Climate reporting by portfolio companies

	2023	2022	2021	2020	2019
Equity holdings					
– Percentage of companies reporting climate data (Scope 1+2)	92 %	87 %	82 %	77 %	76 %
– Percentage of companies reporting climate data (Scope 1+2+3)	89 %	78 %	64 %	57 %	n/a
– Number and percentage of companies with science-based targets	59 companies/48 %	36 companies/38 %	30 companies/28 %	20 companies/17 %	13 companies/11 %
Corporate bond holdings					
– Percentage of companies reporting climate data (Scope 1+2)	100 %	100 %	93 %	86 %	87 %
– Percentage of companies reporting climate data (Scope 1+2+3)	92 %	77 %	48 %	49 %	n/a
– Number and percentage of companies with science-based targets	23 companies/61 %	20 companies/45 %	13 companies/29 %	9 companies/21 %	4 companies/9 %

Over time, Alecta has analysed climate reporting by the portfolio companies in more detail. Our ambition is to increase the proportion of companies in the portfolio that report their climate efforts and climate targets. The figures show that developments in the portfolio companies are moving in the right direction, but that there is continued potential for improvement, especially regarding the quality of Scope 3 data. The target is to increase the proportion of companies that report on their climate transition work. We work for this through our own initiatives and corporate dialogues and partnerships with other investors. In terms of the proportion of companies with science-based climate targets, we have seen more and more companies adopt them and this is something we actively discuss in dialogue with the portfolio companies. As mentioned earlier, in 2023 we categorised the companies based on how ambitious and transparent the climate work was, and conducted more focused dialogues to support continued improvements.

Climate footprint, equity, corporate bonds and directly owned properties[1)]

	2023	2022	2021	2020	2019
Weighted carbon intensity equity holdings, tCO_2-equivalents/SEK million in revenue	1.6	2.2	2.5	2.9	3
Absolute footprint of equity holdings, tCO_2e (based on EVIC) [2)]	216,153	269,283	315,212	371,409	426,597
Weighted carbon intensity of corporate bonds, tCO_2-equivalents/SEK million in revenue	7.1	8.2	7.9	13	8.8
Absolute footprint of corporate bonds, tCO_2e (based on EVIC)	571,098	406,125	336,323	637,659	738,099
Climate footprint of directly owned properties, $kgCO_2$-equivalents/sq.m.	2.5	2.5	2.1	n/a	n/a
Absolute footprint of directly owned properties, tCO_2e	2,056	1,750	1,048	1,071	3,357

1) Directly owned properties refer to Standing Portfolio, see Definitions, the intensity measure of emissions per square metre area are reported the first time for 2021.
2) EVIC stands for Enterprise Value Including Cash and is used to make comparisons in a portfolio with both equity and bond holdings.

Alecta measures and reports climate footprints for parts of the investment portfolio according to recommendations from Insurance Sweden, which are based on emissions in scopes 1 and 2 according to the Greenhouse Gas Protocol (GHG). Alecta reports the climate footprint of equities, corporate bonds and directly owned properties. This information is also available on alecta.se. The data is compiled by an external supplier, and is based on the latest available data and on estimates in exceptional cases. Due to different reporting cycles of the underlying holdings, there may be delays in the time period to which the data relates.

For 2023, the absolute footprint decreased for the equity portfolio while the footprint from corporate bonds continued to increase. In the equity portfolio, this is largely a result of the companies reducing their emissions. For corporate bonds, the increased footprint is primarily a result of Alecta investing in one corporate bond from a company with a high footprint, but which we believe have a clear ambition for transition. The assets in the bond portfolio generally have shorter duration than in the equity portfolio. In terms of the properties, Alecta measures actual energy consumption, which means that the figures are not normal-year corrected. Large fluctuations in temperatures during the winter months may be reflected in differences between the years. The increase seen in the climate footprint from directly owned properties is commented on further down in connection with environmental key performance indicators for the real estate portfolio.

Requirements for transparent climate reporting are increasing in several markets, affecting both the holdings we invest in and Alecta itself. Under the new regulations for financial actors in the EU, Alecta reported climate indicators in 2023 that covered more assets. The availability and quality of data continues to be a challenge, not least in the annual climate report in accordance with the TCFD. The report describes the most important climate risks in terms of investment activities and how Alecta works with them. The report describes various financial scenarios for the investment portfolio if carbon emissions are priced in line with the levels required according to research in reports from the UN Climate Panel. Such scenarios are based on several assumptions and estimates, but the data and methodology are constantly evolving. The report is available on alecta.se.

Investments with a measurable environmental or social benefit

	2023	2022	2021	2020	2019
Green bonds, SEK billion	57	55	59	50	40
Social bonds, SEK billion [1]	9	9	–	–	–
Other investments with a measurable environmental or social benefit, SEK billion	23	24	13	14	11
Total, SEK billion	**89**	**88**	**72**	**64**	**51**
– of which impact investments, SEK billion [2]	22	22	–	–	–

[1] Social bonds were previously included in the category 'Other investments with measurable environmental or social benefit' but are reported separately from 2022.
[2] Impact investments (impact) refer to investments that meet Alecta's definition adopted in 2022, with criteria such as intention and additionality. These investments are in all three categories reported above.

Alecta only invests in green or social bonds that are issued in accordance with a clear framework that has been reviewed by a third party. Since 2014, Alecta has built a comprehensive portfolio of green bonds, primarily from municipalities and supranational organisations such as the World Bank but also in sovereign green bonds and corporate bonds. "Investments with measurable benefit" means other investments with a stated goal of contributing to and following up on an environmental or social benefit. An example of such an investment during the year is a debt security investment in connection with a restructuring of Ecuador's national debt, which frees up capital that is earmarked for efforts to preserve and protect the Galapagos Marine Reserve. The investment has been made possible in part by a guarantee from the US government through its development bank (U.S. International Development Finance Corporation, DFC). Another such investment is in a fund created by Allianz together with the Dutch development bank FMO. Alecta has committed to invest USD 150 million in the fund which focuses on companies in developing countries, in renewable energy, financial institutions and sustainable agriculture. Taken together, these investments are part of what we define as sustainable investments within the Sustainability Finance Disclosure Regulation (SFDR), making up 7per cent of the total investment portfolio.

In 2022, we developed a definition for impact investments that contribute where the need is greatest, and where the investment has the ambition to contribute to a significant difference. For example, this includes a project for the largest climate neutral office property in the UK and micro-financing in developing countries. In order to measure and demonstrate the sustainability impact of green or social bonds, we use a platform from the Nasdaq Sustainable Bond Network (NSBN) where green and social bond issuers can pool their instruments and make them available to investors. The portal collects the re-reporting of sustainability effects from these bonds and makes it possible to aggregate the results. Alecta is a member of the NSBN Advisory Board. Our ambition is to continue to increase investments with a clear positive impact.

Real estate portfolio, directly owned properties Sweden

	2023	2022	2021	2020	2019
Environmentally labelled properties, number [1]	54	44	31	23	19
Environmentally labelled properties, sq.m [1]	886,282	801,154	544,493	378,238	323,614
– percentage of lettable floor area, %	88	83	63	45	40
Environmental performance [2]					
Energy use, kWh/sq.m [3]	**101**	**100**	**102**	**98**	**111**
– of which property electricity	35	37	36	39	44
– of which district heating, normal-year corrected	57	54	57	51	58
– of which district cooling	9	9	9	8	9
Total energy consumption, MWh [4]	**82,850**	**70,913**	**50,145**	**52,442**	**58,872**
– of which property electricity	28,609	26,099	17,785	21,090	23,473
– of which district heating, normal-year corrected	47,043	38,373	28,088	27,022	30,711
– of which district cooling	7,198	6,441	4,272	4,329	4,688
Climate footprint from energy purchased, [4], tCO_2	**2,056**	**1,750**	**1,048**	**1,071**	**3,357**
Water use, m^3/sq.m [3]	**0.41**	**0.39**	**0.32**	**0.33**	**0.46**

[1] The number and floor area of environmentally labelled properties are based on the total portfolio of directly owned properties within Alecta Fastigheter. Square metre refers to total floor area for environmentally labelled properties in the portfolio
[2] Environmental performance (energy, climate footprint and water use) refers to Standing Portfolio (property with a history of at least three years, with the exception of so-called project properties).
[3] Square metre refers to the A-temp floor area of the properties within the Standing Portfolio of the respective year.
[4] Heat consumption is normal-year corrected (other energy is actual consumption. However, the climate footprint of purchased energy is based on actual heat consumption.)

Since 2021, Alecta's Swedish real estate portfolio has been managed by a wholly owned real estate subsidary. The real estate company is also covered by Alecta's overall climate target of net zero in 2050, with interim targets for 2025, and has a high level of ambition in terms of sustainability. As part of Alecta Fastigheter's sustainability strategy, the subsidiary's board of directors adopted a Climate and Energy Roadmap in 2023. It sets out clear and ambitious targets for reducing energy use and emissions, as well as strategies for achieving them. These include more efficient cooling systems and heat pumps, digital connectivity and technical operational optimisation, reuse of materials in construction and more efficient transport.

Alecta Fastigheter has continued to invest in the certification or environmental labelling of properties. The certifications referred to are BREEAM In Use, Miljöbyggnad (ca. Environmental Building), Green Building and LEED.

The environmental data in the table shows the performance of a so-called "standing portfolio", which includes the properties where Alecta has a history of at least three years, and which does not include properties classified as project properties. Project properties are, for example, properties undergoing major construction or renovation, where normal operation cannot be measured. The approach of a standing portfolio makes it possible to accurately follow developments, notwithstanding new properties in the portfolio with, for example, inferior performance at acquisition. Each property has a sustainability plan for continuous improvement work.

The table with environmental data for the directly owned properties shows that total energy use and related climate emissions are at a higher level than for the property portfolio in the previous year. This is due to the fact that a larger number of properties are included in the standing portfolio for 2023, which is reflected in the fact that the area has increased by around 15 per cent. They have been added after reconstruction or acquisition. One property included in the measurement for previous years has been removed in preparation for a major construction project.

Alecta's goal is to reduce energy use by at least 3 per cent. Earlier, the calculation was made against the previous three-year average, but for 2023 Alecta Fastigheter switched to a simpler procedure that is in line with industrial practice. The change is measured against the properties in the standing portfolio's outcome in the previous year. The target value is 98 kWh/sqm, but the outcome was 101 kWh/sqm, which means a reduction in energy use of 0.3 per cent, which means that the target was not achieved. The climate footprint for electricity is counted as zero because since 2015 Alecta has chosen to have electricity contracts with eco-labelled electricity from renewable sources and applies a 'market-based' approach to measuring Scope 2. For district heating, the footprint is calculated from the emission values of each district heating network but with a one-year delay. That is, the 2022 emission values are used for 2023.

Alecta's investment in photovoltaic installations in commercial properties with suitable roof areas produced a total of 897 (952) MWh in six installations. In the latter part of the year, an additional photovoltaic installation was completed at the Signalfabriken building, which is included in the calculation from 2024 onwards. The electricity generated by the photovoltaic installations is mainly used in our own properties, but any surplus can be sold.

Environment and ethics

Direct environmental impact, operations

As a service-sector company with a centrally located office, Alecta's work associated with direct environmental impact is strongly connected to our office, our travel and our cooperation with various suppliers. Over the years, we have improved the efficiency of resource use at our office, which has resulted in significant financial and environmental gains. Under normal operation, Alecta's most significant direct environmental footprint comes from customer letters, energy that is used in our property, from business travel, paper consumption and food waste. Reducing the office's environmental impact is an overall sustainability target moving forward. The results for 2020–2021 have been affected by most employees predominantely working from home. Since then, the office is once again the main workplace, but new requirements for flexibility and changing routines have become more permanent elements.

	2023	2022	2021	2020	2019
Energy use, offices, MWh					
Total	1,710	1,883	1,978	2,129	2,521
– of which electricity	683	760	703	813	1,155
– of which district heating, normal-year corrected	809	839	1,000	1,003	1,043
– of which district cooling	218	284	275	313	323
Use of paper, kg					
Office operations, indicative based on volume of purchased paper [1)]	653	0	1,152	1,154	4,048
Customer letters, paper mailings	11,191	5,570	6,666	7,642	17,752
Carbon footprint, kg CO_2					
Energy, property [2)]	45,517	45,293	38,707	53,955	85,546
Customer letters, including transport [3)]	232,578	115,295	140,040	164,890	332,360
Travel [4)]	66,674	57,273	9,391	6,968	170,544
– of which air travel	66,416	57,147	9,274	6,761	169,432
– of which trains	258	126	117	207	1,112

1) Office paper based on volumes purchased during the period. For 2019, purchases made between Sep 2018–Nov 2019 were reported. For 2020, purchases made between Nov 2019–Nov 2020 were reported. For 2021, purchases made during the year are considered, which is the purchases made since the previous measurement period. In 2022, no purchases were made because paper stock from the 2021 purchases was sufficient for this year as well. For 2023, all purchases made during the year are included.
2) All property electricity is origin-labelled from renewable sources. District cooling is produced from, for example, free cooling from water and waste heat. All carbon emissions are linked to district heating.
3) The carbon footprint of customer letters is calculated using a standard model that includes paper manufacturing and shipping.
4) In 2020–2021, travel has been very limited due to the pandemic, primarily within Sweden and Europe.

In recent years, Alecta has carried out extensive renovations of the head office, and much of the equipment was upgraded to more efficient alternatives that demonstrated positive results from the outset. This included the replacement of lighting, heat pumps and fans. During autumn 2020, Alecta's office property was certified in accordance with the BREEAM In-Use standard with the certification, Very good. Particularly distinctive for the property were positive results in energy, health and transport. The climate footprint from purchased energy consists of district heating and is affected by the energy mix at the supplier. Despite reduced energy use, the footprint went up due to increased emissions from the incineration of residual waste. Alecta's district heating supplier has phased out coal as an energy source but residual waste may contain fossil elements that increase the footprint, such as plastics.

Alecta sends a considerable amount of letters to our customers and has actively increased the proportion of digital mailings. However, in 2023, the total volume of paper increased due to a comprehensive one-time mailing related to the ITP procurement. In 2023, the share of digital mailings was 82 (81) per cent, and if these mailings were instead made in the form of paper mailings, it would have corresponded to nearly 53 tonnes of paper.

We measure the carbon footprint of our business travel to enable us to make more informed decisions on the choice of travel. Travel has increased following the strong slowdown during the pandemic, but there has been a clear behavioural change in favour of a larger share of digital meetings. The trips made are mainly related to the asset management business, which involves meeting portfolio companies and other partners. To compensate for emissions related to travel, Alecta has in recent years financed climate benefits equivalent to the emissions through Solvatten. Solvatten is a Swedish invention with a water container that uses UV light from the sun to clean and heat water, instead of burning coal or wood. The compensation for our travel in 2022 was equivalent to eight Solvatten devices, which contributes to climate benefits, better hygiene and health in vulnerable areas of Kenya.

Many environmental improvements are made in collaboration with or through our suppliers. As examples from recent years, it can be mentioned that our district heating supplier has reached its goal of phasing out coal as an energy source, or that our IT supplier moved Alecta's servers to a newly built modern data centre where new technology utilises natural temperature differences between environments and significantly reduces energy consumption.

Customer complaints, including data processing (GRI 418-1)

	2023	2022	2021	2020	2019
Customer complaints, total	872	429	542	447	550
Customer complaints about processing data and customer privacy	1	2	3	2	4

A central component in the continuous improvement process is to ask customers to provide information on their experience of Alecta and to respond to and act upon complaints. Alecta registers and analyses all cases when a customer states that we have failed in relation to the service requested by the customer or expresses dissatisfaction with the insurance distribution, the terms of an insurance contract, with information or with staff interaction. In 2023, the number of complaints increased significantly. The increase is mainly linked to Alecta's investments in US banks and Heimstaden Bostad, but we can also see an increase in the number of complaints in service and treatment. The majority of all complaints are handled and resolved directly in contact with the customer, and despite the increased number of complaints, customer satisfaction in our surveys remains at high levels during the year. The number of complaints can be seen in the context of Alecta managing occupational pensions for 2.8 million individuals, and during particularly intensive periods, handles 700–800 calls in one day.

In 2023, Alecta registered one customer complaint that concerned the processing of personal data. This was not deemed to be of such a nature that there was reason to submit a report of a personal data breach to the Swedish Authority for Privacy Protection. Nor has Alecta submitted any report of a personal data breach to the Swedish Authority for Privacy Protection for other reasons.

Fines or sanctions, as well as incidents of corruption (GRI 205-3)

	2023	2022	2021	2020	2019
Fines or sanctions following shortcomings in regulatory compliance, number and amount	0	0	0	0	0

As described in several places in this report, the Swedish Financial Supervisory Authority has initiated two investigations of Alecta. At the end of the year, these were still ongoing.

Whistle-blower function

Reported cases, number	2023	2022	2021	2020
0	x		x	
1–5		x		x

In order to uphold the integrity of the process and protect the whistle-blower, Alecta has previously chosen to report the number of reported cases in intervals. In 2022, a new system was introduced where employees can report whistleblowing cases through an external service at WhistleB. The channel is also available to employees of Alecta Fastigheter AB. External stakeholders can also report matters via the subsidiary's website. When WhistleB was initiated, Compliance and Risk held mandatory training on the rights and protections of a whistle-blower and how the new system works. Whistleblowing has also been part of a broader training on discrimination that was sent out to all employees during the autumn of 2023. The training is planned to go out to new employees and to all employees every two years. Cases that are reported must be investigated and handled in accordance with the Board's whistleblowing policy. In 2023, no whistle-blower cases were received.

Ethics and integrity – training initiatives (GRI 205-2)

During the year, relevant internal governance documents have been the subject of training, with specific in-depth training in asset management on the prudent person principle, handling insider information and risk management.

All employees who have a position involving their participation in distribution or following up distribution exercised by another actor have completed the annual training held in insurance distribution.

Alecta offers a number of training courses via the intranet to complement governance documents in each area: handling of insider information, handling of personal data, ethics, whistle-blowing, conflicts of interest, information security, complaint handling, crisis and continuity, business entertainment, private transactions by employees, handling the risk of corruption and operational risks.

This year's events and criticisms directed at Alecta have led to an intensified internal dialogue on ethics and integrity in general in the business.

Suppliers' data

	2023	2022	2021	2020	2019
Total number of suppliers	528	559	531	548	642
– of which in Sweden	463	450	469	486	574
– of which in other EU countries	19	19	23	41	50
– of which outside the EU	46	44	39	21	18
Number of suppliers with contracts for sustainability/Code of Conduct [1]	208	22	7	–	–

[1] Alecta has developed a Code of Conduct, which began to be attached to agreements with suppliers in 2021.

Alecta's suppliers mainly comprise external parties who operate outsourced IT operations, property management, providers of training and education, purchase of licences and software, maintenance of equipment, employee canteen, office supplies and research providers for asset management. Five suppliers accounted for 86 (89) per cent of the transaction volume. Swedish suppliers accounted for 98 (98) per cent of the transaction volume.

Since 2021, Alecta has had a Code of Conduct to be attached to contracts with suppliers, which has been facilitated by a new system support for contract management introduced in 2023. The purchasing function has carried out active implementation work, and in 2023 the Code of Conduct was included in 75 per cent of all new contracts signed. In total, at the end of the year, Alecta had current contracts with 377 suppliers, of which 208 – or 55 per cent – had the Code of Conduct attached to the contract.

Employees and development

Employee information (GRI 2-7, GRI 2-8) forms of employment, Group

FORMS OF EMPLOYMENT	2023		2022		2021		2020		2019	
Group	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Number of employees at 31 December	254	197	227	167	220	146	213	142	223	147
Permanent employees	252	197	227	167	218	146	212	142	219	145
of whom full-time	*235*	*189*	*211*	*161*	*199*	*142*	*184*	*139*	*186*	*139*
of whom part-time	17	*8*	*16*	*6*	*19*	*4*	*28*	*3*	*33*	*6*
Temporary employees	2	–	–	–	2	–	1	–	4	2
Number of consultants (FTE)	18	32	16	37	3	21	9	25	11	24

Almost everyone at Alecta has a full-time position. Most of those reported as part-time employees are actually on some form of temporary leave. The majority of those who have opted for temporary leave are women.

Alecta has a number of hired consultants on long-term contracts, primarily within the IT organisation, and consultants are also hired as temporary substitutes, e.g. during parental leave or for temporary resource requirements in different parts of the business such as Finance, Legal, Customer Relations, HR and Asset Management.

Employees, collective bargaining agreement affiliation (GRI 2-30), diversity (GRI 405-1)

EMPLOYEE STATISTICS Group	2023	2022	2021	2020	2019
Number of employees at 31 December	451	394	366	355	370
Percentage covered by collective bargaining agreements [1]	100 %	100 %	100 %	100 %	100 %
Average age of all employees	47	47	48	49	48
Age distribution employees [2] [3]					
– 20–39 years, (W/M)	64/38	47/35	37/31	34/28	36/28
– 40–49 years, (W/M)	57/59	64/46	59/38	48/36	49/36
– 50– years, (W/M)	118/91	104/79	106/73	111/73	115/76
Percentage of female employees	56 %	58 %	60 %	60 %	60 %
Percentage of female managers	58 %	57 %	57 %	61 %	58 %
Percentage of women in management [4]	50 %	33 %	33 %	44 %	44 %
Percentage of women on the Board [3]	22 %	36 %	36 %	45 %	42 %
Parent Company					
Employee turnover	8.1 %	6.6 %	11.1 %	3.9 %	7.9 %
Percentage of female employees	57 %	58 %	59 %	59 %	59 %
Percentage of female managers	56 %	55 %	54 %	61 %	57 %

1) Does not include employees in senior management.
2) Does not include temporary employees.
3) As decided, the executives of the subsidiary World Trade Center Stockholm AB are not included in the summary of the Group.
4) Refers to the senior management of Alecta Tjänstepension Ömsesidigt. In the subsidiaries, the proportion of women in senior management is 56 per cent at Alecta Fastigheter AB and 33 per cent in the subsidiary World Trade Centre Stockholm AB.

Alecta measures employee turnover in accordance with the approach of Nyckeltalsinstitutet, by choosing the lower of the number that started or the number that terminated their employment in relation to the average number of employees during the year.

As part of our operational planning, we carry out extensive work on skills and succession planning. The results of this work then form the basis for recruitment and planning of skills development initiatives. All employees at Alecta are covered by current collective agreements.

In 2023, we carried out 50 recruitments, which is more than in previous years (about 35 per year). Most of the recruitments were in Asset Management, IT and Customer and were carried out externally, as new services or functions required new expertise. To ensure unbiased recruitment as far as possible, we work with screening tests early in the process, have a structured interview technique where all candidates are asked the same questions and a digital system for obtaining references.

Every year, we conduct a pay review, partly in the form of a formal pay survey to identify and correct inappropriate pay differences, and partly to ensure that pay levels are in line with the market.

Skills development and follow-up (GRI 404-3)

Parent Company	2023	2022	2021	2020	2019	TARGET
Hours of training, average per employee [1]	n/a	n/a	19	32	42	–
– average, women	n/a	n/a	n/a	35	53	–
– average, men	n/a	n/a	n/a	29	26	–
Employee performance reviews	99 %	100 %	78 %	81 %	– [2]	100 %

[1] See description of changed approach for measuring training hours. No target set for indicator.
[2] Reporting for 2019 contained gaps and was not considered to meet the requirements of traceability.

Alecta is a workplace that invests in and offers employees opportunities for development. We work in a structured way with our employees' skills development at the introduction, where everyone participates in our onboarding programme. Skills development is a broad concept and can involve both formal and informal learning in day-to-day interactions between colleagues, in teams and groups, in internal and external training programmes. The responsibility for skills development lies with our employees and the manager's role is to enable and support. The goals and performance reviews include plans for skills development based on the needs and goals of both the individual and Alecta.

All employees at Alecta take part in an annual performance review, and managers are offered support by the HR organisation to plan and conduct these reviews in a clear process. At these reviews, plans for skills development based on the needs and goals of both the individual and Alecta are made.

The training offered to all employees includes Alecta as a company, the customer offer and areas that include governance documents, such as information security, ethics as well as diversity and inclusion. We also offer in-depth training opportunities in self-leadership, collective intelligence and agile working techniques. During 2023, a major focus has been on AI technology. This has involved both a broad initiative to give everyone a basic knowledge of AI and more specialised training in tools such as PowerBI. At the same time, we are working to create the necessary conditions, such as data protection, to maximise access to AI technology.

Sick leave

Group [1]	2023	2022	2021	2020	2019
Sick leave	2.8 %	–	–	–	–
– Women	2.8 %	–	–	–	–
– Men	2.9 %	–	–	–	–
Parent Company					
Sick leave	3.2 %	3.3 %	3.2 %	3.3 %	4.5 %
– Women	3.1 %	3.5 %	3.6 %	3.9 %	4.8 %
– Men	3.2 %	3.1 %	2.7 %	2.6 %	4.0 %

[1] Reported for the Group from 2023, excluding employees of the subsidiary World Trade Centre Stockholm AB.

Alecta continues to offer high flexibility based on what suits the groups and tasks and we have not set a target for a certain number of days in the office. We can conclude that flexibility is valued by employees and has contributed to more people experiencing a better balance in everyday life. Alecta has continued to encourage physical activity and has also highlighted the risk of both physical and mental ill health. We have offered a number of activities to support employees for preventive purposes, such as workout sessions, running groups, massage, medical yoga, lectures on behavioural change as well as support to get started with a healthy diet and lifestyle. We also have a benefit in the form of a wellness allowance of SEK 5,000. We regularly offer health examinations and regularly provide information about different types of addiction (e.g. alcohol), as well as the support available to get away from risk behaviour and addiction.

Alecta works with frequent follow-ups and dialogues in the event of repeated sick leave to be able to provide the support that is needed. We know that it is important to quickly return to work after a longer sick leave or rehabilitation and we have therefore done our utmost to facilitate work escalation at the pace that works for the employee.

GRI Content Index

About the sustainability reporting

Alecta's sustainability report has the same scope as the financial report, covers the financial year 2023, and has been prepared in accordance with the guidelines of the Global Reporting Initiative (GRI), GRI Standards. The statutory sustainability report covers pages 10–33, the full scope of the sustainability report in Alecta's Annual and Sustainability Report is described on pages 34–35. It is an annual report and the previous annual and sustainability report was published on 5 April 2023.

The report has been reviewed by Alecta's auditors, PwC. The review does not include sustainability information on Alecta's products in accordance with the SFDR regulation.

Scope and boundaries

Alecta is a mutual occupational pension company owned by our customers. We manage collective occupational pensions and operate in Sweden. Alecta's asset management activities comprise international investments in equity, fixed income and real assets. Alecta's directly owned real estate holdings exist only in Sweden and the Swedish properties are managed through the wholly owned subsidiary, Alecta Fastigheter AB. There have been no significant changes in the organisation's size, structure, ownership or suppliers during the reporting period.

The Sustainability Report mainly covers the parent company Alecta Tjänstepension Ömsesidigt, and Alecta's subsidiary, Alecta Fastigheter AB. The real estate companies that are joint-owned by Alecta are defined as joint ventures and are handled as financial instruments. Employee data is reported for the Group. The description of Alecta's direct environmental impact and suppliers refers to the parent company, and environmental indicators for the directly owned properties managed by Alecta Fastigheter are reported according to the standing portfolio approach, which is described under definitions. The reporting of information connected with governance is reported in accordance with the split financial year to reflect the work cycle of the nomination committee and AGM season. Other exceptions or boundaries are indicated in the report.

Calculation methods and definitions

Climate footprint: The calculations of the climate footprint for equity and corporate bonds have been made in accordance with the new standard from Insurance Sweden. The weighted average carbon intensity shows the portfolio's exposure to carbon-intensive companies, where the carbon intensity of the holding company is measured as the company's greenhouse gas emissions in relation to its revenues. This metric is calculated by totalling each company's carbon intensity based on their weight in the Alecta portfolio.

The absolute footprint shows the total carbon emissions of the portfolio in scopes 1 and 2. This metric is a total of Alecta's share of the holding companies' footprint calculated as the value of the shareholding in relation to the holding company's debt-free market value (enterprise value) multiplied by the holding company's carbon emissions. A company's emissions to both shareholders and lenders are allocated by using the debt-free market value as a base. Previously, the footprint was measured relative to the stock market value, which meant that the entire footprint was allocated to the shareholder.

Employees and consultants: Employees refer to permanent employees with the exception of employees on long-term leave, (e.g. employees on parental leave, long-term sick leave or unpaid leave). Consultants are recalculated to full-time equivalents (FTEs) for a more accurate picture of operations.

Standing portfolio: To be able to compare the environmental performance of directly owned properties over time, each year we report key performance indicators for a portfolio of properties that have been part of the portfolio with a history of three years. Properties that were project properties are excluded for the duration of the project.

The contact person for questions about Alecta's sustainability report is Anna Hall – Sustainability Manager.
Email address: hallbarhet@alecta.se

APPLICATION	Alecta Tjänstepension Ömsesidigt has reported in accordance with GRI Standards for the calendar year 2023.
GRI 1 applied	GRI 1: Foundation 2021
Relevant GRI Sector Standard(s)	GRI G4 Financial Services Sector Disclosures 2014

GRI STANDARD / other source	Disclosure	Page	Deviation/not reported		
			Omitted information	Reason	Comment
General information					
GRI 2: General information 2023	2-1 Business information	33, 45			
	2-2 Entities included in the organisation's sustainability report	33			
	2-3 Reporting period, frequency and contact point	33			
	2-4 Corrections to previously reported information			Not applicable	No corrections
	2-5 External assurance	33, 36, 38–39			
	2-6 Business, value chain and other business relationships	30–31, 45			
	2-7 Employees	31–32	Employees by region	Not applicable	Alecta only operates in Sweden
	2-8 Other workforce	31–32			
	2-9 Structure of corporate governance and board composition	12–14, 38–39, 42–43	Independent	Not applicable	Alecta is a mutual company
	2-10 Nomination and appointment of board of directors	12–14, 37–38	Shareholder info	Not applicable	Alecta is a mutual company that applies the Swedish Corporate Governance Code, according to which the Nomination Committee shall strive for gender balance in proposals to the Board.
	2-11 Board chair	39, 43–44			
	2-12 The role of the board chair in follow-up of sustainability work	12–14, 38–41			
	2-13 Work delegation sustainability work	12–14			
	2-14 The board's role in the sustainability report	12, 102			
	2-15 Conflicts of Interest	14, 100–101	Shareholder info	Not applicable	Alecta is a mutual company
	2-16 Whistleblowing or other reporting of criticism	29–30	Other channels to the board	Not applicable	Whistleblowing is the board's formal channel
	2-17 Board sustainability competence	12			
	2-18 Board evaluation	12, 39			
	2-19 Compensation guidelines	39, 41, 99	Sustainability	Incomplete information	Reported on alecta.se (for the business) The board receives fixed fees.
	2-20 Compensation process	38–39, 41			
	2-21 Relative compensation	96–99	Median compensation	Incomplete information	Exploring opportunity to report for 2024
	2-22 Sustainability strategy commitment	5–6, 12–13			
	2-23 Policy commitments	13–14, 24–25	Particularly vulnerable groups	Not applicable	Alecta does not identify specific groups, see in more detail in the SFDR section at the back of the publication.
	2-24 Establishment of policy commitments	12–14			
	2-25 Negative impact management processes	18, 24–25, 29–30	Stakeholders (external)	Not applicable	The whistle-blowing function is for internal stakeholders
	2-26 Communication channels and whistle-blowing functions	15	Stakeholders (external)	Not applicable	The whistle-blowing function is for internal stakeholders
	2-27 Regulatory compliance	29–30			
	2-28 Membership	18–19			
	2-29 Stakeholder relations	15			
	2-30 Collective Agreement	31			
List of material topics					
GRI 3: Material Topics 2021	3-1 Process for defining material topics	15–16			
	3-2 List of material topics	16–17			

GRI STANDARD / other source	Disclosure		Page	Deviation/not reported		
				Omitted information	Reason	Comment
Economic performance						
GRI 3: Material Topics 2021	3-3	Governance of material topics	7, 9, 14, 16, 18, 38–40, 56			
GRI 201: Economic Performance 2016	201-1	Economic value generated and distributed	23			
	201-2	Financial consequences and other risks and opportunities related to climate change	(24–26)	Description and quantification of financial consequences	Incomplete information	Alecta annually publishes a separate climate report for the investment portfolio in accordance with TCFD, which describes financial consequences.
Corruption						
GRI 3: Material Topics 2021	3-3	Governance of material topics	12–14, 17–18			
GRI 205: Anti-corruption 2016	205-1	Activities assessed for risk of corruption risks	18			
	205-2	Information and training regarding corruption policies and procedures	18, 30	Training and education	Incomplete information	No central training was held in 2023, but is planned for 2024.
	205-3	Confirmed corruption incidents and actions taken	30			
Training and education						
GRI 3: Material Topics 2021	3-3	Governance of material topics	12–15, 17, 31–32			
GRI 404: Training and Education 2016	404-1	Average number of training hours per employee and year	(31–32)	Number of hours per employee	Information not available	Alecta does not record the number of skills development hours.
	404-3	Percentage of employees receiving regular evaluation and performance reviews	32			
Diversity and equality						
GRI 3: Material Topics 2021	3-3	Governance of material topics	10, 12–15, 17, 21			
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity in governance body and among employees	31–32	Age groups and other relevant diversity parameters	Incomplete information	Alecta reports a somewhat different age breakdown than GRI requests, and no breakdown by age category or based on any other diversity parameters.
Customer Integrity						
GRI 3: Material Topics 2021	3-3	Governance of material topics	12–14, 17, 29			
GRI 418: Customer Privacy 2016	418-1	Complaints related to violation of customer privacy or loss of customer data	29–30			
Financial Services Sector Disclosure – Sector standard for financial actors						
GRI 3: Material Topics 2021	3-3	Governance of material topics	12–14, 16, 20			
GRI G4: FSS	FS10	Percentage and number of companies in the company's portfolio with which the company has had a dialogue on environmental or social issues	25			
GRI G4: FSS	FS11	Percentage of assets under management subject to environmental or social screen-ing	24–25, 27			

Issues in the sector standard for financial actors not considered essential	
Area	**Explanation**
FS6-8 Product indicators	Not applicable to an occupational pension provider such as Alecta, adapted information with some similarity is provided within the framework of the SFDR regulation.
FS 13-14 Indicators for local communities and vulnerable groups	Not applicable to an occupational pension provider that only provides occupational pensions through collectively agreed and collectively procured arrangements.

Auditor's Limited Assurance Report on Alecta Tjänstepension Ömsesidigt's Sustainability Report and statement on the Statutory Sustainability Report

This is the translation of the report originally prepared in Swedish. In case of discrepancies the Swedish original prevails.
To the council of administration of Alecta Tjänstepension Ömsesidigt, corporate identity number 502014-6865

Introduction

We have been engaged by the Board of Directors of Alecta Tjänstepension Ömsesidigt to undertake a limited assurance of Alecta Tjänstepension Ömsesidigt's Sustainability Report for the year 2023. The company has defined the scope of its sustainability report on page 33. The statutory sustainability report is defined on page 33. The review does not include information about Alecta's products in accordance with the EU disclosure regulation provided on pages 108–125.

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 33 of the Sustainability Report, and consists of the parts of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Alecta Tjänstepension Ömsesidigt has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQM 1 (International Standard on Quality Management) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Alecta Tjänstepension Ömsesidigt according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared and statutory sustainability information according to the EU disclosure regulation has been provided.

Stockholm, the day stated in our electronic signature
Öhrlings PricewaterhouseCoopers AB

Morgan Sandström
Authorised Public Accountant

Corporate Governance Report

Efficient corporate governance ensures that the company is managed responsibly, sustainably and as efficiently as possible with satisfactory risk management and internal controls.

Corporate governance at Alecta

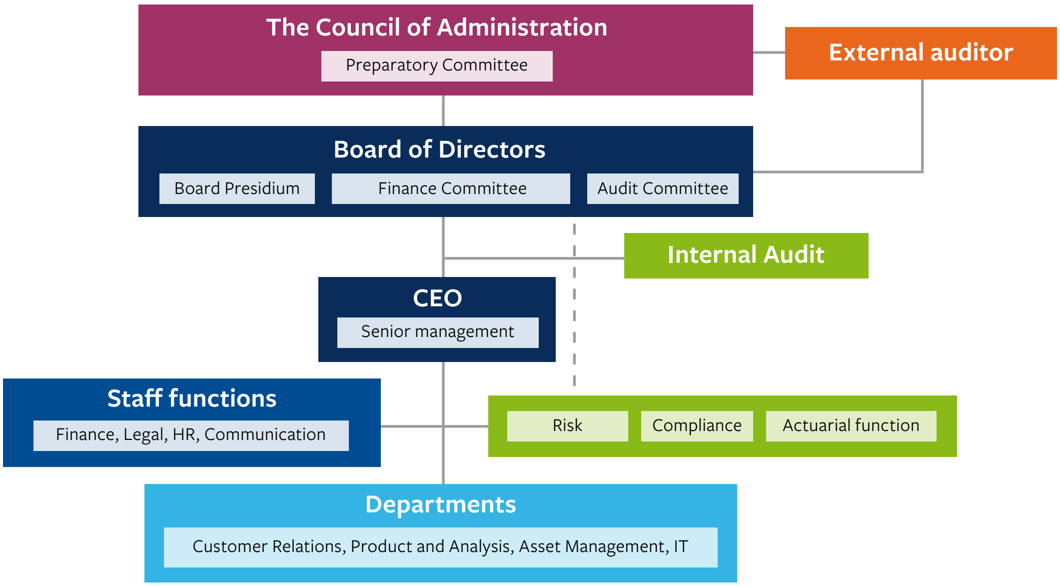
Alecta is a mutual occupational pension company that is owned by the employers who are Alecta policyholders and by those insured at Alecta.

Preparing a corporate governance report is not a requirement for Alecta according to the Swedish Act on Annual Accounts in Insurance Companies. However, Alecta applies the Swedish Corporate Governance Code (the Code) even though it has no formal obligation to do so. However, rules in the Code that are not adapted to the fact that the company is a mutual insurance company are not applied. Another deviation from the Code is that the interim report is not reviewed annually by the company's auditor.

Corporate governance involves the decision-making systems and processes through which a company is governed and controlled.

Photo: Evelina Carborn

CORPORATE GOVERNANCE MODEL



Council of Administration and Preparatory Committee

Alecta's highest decision-making body is the Council of Administration, which corresponds to the General Meeting of Shareholders in the Occupational Pension Companies Act. The Council of Administration's duties include electing the Board of Directors and external auditors, annually addressing the issue of release from liability for the Board of Directors and CEO in respect of their management during the financial year, adopting Board of Director's fees and guidelines for remuneration for senior management, adopting income statements and balance sheets for the Parent Company and the Group, and deciding on the appropriation of the profit or loss for the year.

The Council of Administration consists of 38 members and eight deputies. Of which:

a) 19 members and four deputy members are appointed by the Confederation of Swedish Enterprise and
b) 19 members and four deputy members are appointed by Unionen, the Association of Managerial and Professional Staff (Ledarna), the Swedish Association of Graduate Engineers (Sveriges Ingenjörer) and the Council for Negotiation and Cooperation (PTK).

To ensure that the interests and views of the retirees are represented, the principle that some of the Council's members should include a number of retirees who are insured in Alecta is applied. These members are appointed by the trade union organisations mentioned above.

The Council of Administration elects board members and the Chair of the Board at the annual meeting of the Council of Administration for a period of one year and auditors for a period of one to four years.

Elections of directors, Chair of the Board and external auditors are prepared by a preparatory committee, appointed by the Council of Administration. The committee works in close cooperation with the organisations that appoint members of the Council of Administration and with the Board Chair. The Preparatory Committee also submits proposals on director fees, including remuneration for committee work and fees for Alecta's auditors.

Since the meeting of the Council of Administration held in April 2021, the Preparatory Committee has the following ordinary members: Kenneth Bengtsson, convenor, Peter Hellberg, deputy convenor, Elisabeth Arbin and Ulrik Wehtje. Members were re-elected at the April 2023 meeting for a period of two years.

The convenor and deputy convenor of the Committee are also Chair and Deputy Chair, respectively of the Council of Administration. Fees have been paid to the Chair of the Council of Administration, as well as the Preparatory Committee's convenor, in the amount of SEK 60,000. No remuneration has been paid to other members for their work on the Preparatory Committee or the Council of Administration.

External auditors

External auditors are elected by the Council of Administration for a term of one to four years. The duty of the external auditors is to examine Alecta's Annual Report and accounting as well as the management performed by the Board of Directors and Chief Executive Officer.

At the ordinary meeting of the Council of Administration in April 2023, a new audit firm was chosen as external auditor, Öhrlings PricewaterhouseCoopers AB (PwC), for the period until the ordinary meeting of the Council of Administration in 2024, with authorised auditor Morgan Sandström as auditor in charge. For each financial year, the external auditors issue an audit report, which is included in Alecta's annual and sustainability report.

During the 2023 financial year, PwC, in addition to its external audit assignment, performed other assignments for Alecta, such as tax consultations and inquiry assignments. For more information on external auditor fees, refer to Note 46 Disclosures of auditors' fees.

Board of Directors

The Board of Directors is responsible for the organisation and administration of Alecta. The Board decides on Alecta's strategies and long-term targets and is responsible for ensuring that Alecta has adequate internal control. The Board is thereby responsible for ensuring that the necessary governance documents for Alecta's operations are in place, and takes decisions on matters such as Placement Guidelines, Actuarial Guidelines and Corporate Governance Policy.

Directors and CEO

At the annual meeting of the Council of Administration, the Council of Administration elects at least seven and not more than 14 directors for a term until the close of the next annual meeting of the Council of Administration. The Board of Directors also includes the directors and deputies that have been appointed in accordance with the Board Representation (Private Sector Employees) Act.

The Board appoints Alecta's CEO and the head of the internal audit and defines the framework for their work. The CEO is responsible for the day-to-day management of the company in accordance with the guidelines and directions of the Board and for ensuring that the operations are organised so that the company complies with applicable laws and regulations. The CEO shall also ensure that the Board receives reports on the performance, results and financial position of Alecta on an ongoing basis and is kept up to date on significant operational events. The CEO's general decisions in the day-to-day management of the company are normally prepared by Senior Management, which, in addition to the CEO, consists of eight of the heads of Alecta's departments and central functions.

The Board of Directors' rules of procedure, etc.

As a feature of governance, Alecta applies both rules of procedure for the Board of Directors and instructions for the CEO, which are adapted to rules in the Code. Alecta's Board of Directors continuously evaluates the CEO's work. A formal evaluation is conducted once a year. Similarly, the work within the Board is also evaluated annually. The results of the Board's evaluation are reported to the Preparatory Committee for the Council of Administration.

Alongside the activities of the Board itself, the Board operates through three committees: the Board Presidium, which also functions as a Remuneration Committee, the Finance Committee and the Audit Committee. The duties of the committees are defined in the rules of procedure for the Board.

Board Presidium

The main duties of the Board Presidium are to administer and adopt decisions on those matters which the Board delegates to the Board Presidium, to advise the CEO in the day-to-day management of the company and, prior to the Board meetings, prepare the matters that is expected to be adressed. The Board Presidium also acts as a Remuneration Committee and convenes at the initiative of the Board Chair. The Board Presidium held four meetings during 2023, all of which were scheduled.

Finance Committee

The Finance Committee's main duties are to monitor the day-to-day investment operations, to prepare Investment Guidelines, Placement Guidelines and the Policy for Responsible Investment prior to Board decisions, to prepare the asset management matters to be addressed by Alecta's Board. The Finance Committee was previously tasked with deciding on certain investment matters which are not within the remit of the CEO. During the year, the task has been changed to the Finance Committee instead preparing and making recommendations on certain investment matters which are not within the remit of the CEO. In 2023, the Finance Committee held nine meetings, four of which were scheduled.

Audit Committee

The Audit Committee's main task is to continuously evaluate and communicate to the Board its view of Alecta's risk exposure and Management's risk management. When it comes to financial risks, this involves ensuring that financial risk reporting functions well. The Audit Committee also supports the Board in monitoring and evaluating the internal and external audits, preparing matters related to the Board's work on assuring the quality of Alecta's financial reporting and overseeing Alecta's financial reporting. In 2023, the Committee held six meetings, five of which were scheduled.

Work of the Board of Directors in 2023

In 2023, the Board held 16 meetings, seven of which were scheduled. Once annually, the Board usually meets up in a Board seminar for a couple of days to discuss matters of strategic importance to Alecta.

The major matters addressed by the Board and its committees during the year included:

- recruiting a new CEO,
- strategic review of Alecta's asset management,
- Alecta's investment in Heimstaden Bostad,
- risk-limiting measures in asset management linked to Alecta's investments in the US banks and Heimstaden Bostad, and
- refunds and premium setting for 2024.

Risk management and internal control

At Alecta, the duties of every manager and employee include working for well-balanced internal control and appropriate risk management, although the Board of Directors and the CEO have ultimate responsibility for this. To ensure adequate risk management, statutory and regulatory compliance and compliance with internal governance documents, Alecta's risk management and internal control procedures are based on a model with risk management at several levels – in day-to-day operations and through four central functions.

Operational risk management

Alecta's departments and staff functions are responsible for the risks that arise in their respective activities. This responsibility entails identifying, evaluating, controlling and internally reporting risks. The departments and staff seek to ensure that clear processes and procedures have been established, which together with the internal governance documents govern Alecta's actions in different respects.

Central functions

As support for the Board, CEO and the business, within Alecta there are the central functions specified in the Act on occupational pension companies, Risk, Compliance, the Actuarial function and Internal Audit. These functions use a risk-based approach and therefore give priority to activities and follow-ups in those areas where Alecta's risks are greatest. In 2023, resources were expanded within the Compliance and Internal Audit functions.

Risk management is an integral part of Alecta's governance. To protect its customers and other stakeholders, Alecta applies strict standards for how risks are controlled and managed. More information on risks and risk management is provided in the Administration Report on page 55 and in Note 3 Risks and risk management.

Risk

The mission of the Risk function is to make it easier for Alecta's Board of Directors, CEO and managers to manage, control and make decisions on risks. At least quarterly, Risk submits a written report to the Board and the CEO. Risk's mission is to:

- work for increased awareness and better knowledge of risks and to support the operations in their risk management work,
- improve processes, methods and documentation for risk management, and
- check and assess the quality of the business's risk management, make independent assessments and compile these in reports for Senior management and the Board of Directors.

Compliance

The Compliance function's mission involves regulatory compliance risks in the operations subject to licences and other regulations that govern Alecta's operations. At least quarterly, Compliance submits a written report to the Board of Directors and the CEO.

The Compliance function's mission is to:

- advise the CEO and the Board on how to prevent non-compliance;
- assess the impact of regulatory changes;
- identify and assess the risk of non-compliance; and
- assess whether Alecta's measures to prevent regulatory non-compliance are appropriate.

Actuarial function

The Chief Actuary is responsible for the Actuarial function and reports to the CEO and the Board. The Chief Actuary is responsible for the tasks incumbent on the Actuarial function under the Occupational Pension Companies Act and regulations. The Chief Actuary works closely with Alecta's other actuaries, who have the Actuarial Group as their organisational domicile. The tasks of the Actuarial function include:

- coordinating and assuring the quality of the actuarial calculations and inquiries,
- assisting the Board and the CEO and, on their own initiative, submitting reports to them on matters relating to actuarial methods, calculations and assessments, and
- submitting the annual actuarial report.

Internal Audit

The internal audit is an independent examination function. The internal audit works on behalf of the Board and its duties are:

- to evaluate the internal control system,
- to evaluate other parts of the corporate governance system, and
- to report results and, following the evaluations, present recommendations to the Board of Directors.

Governance documents and monitoring

Everyone who works at Alecta has a responsibility to help ensure good internal control and is required to follow Alecta's governance documents. The governance documents are adopted by the CEO or the Board of Directors and are revised when required or at least annually. All employees have an independent responsibility to keep themselves informed of those governance documents which affect them through Alecta's intranet. The managers also have a responsibility to inform their employees of changes in the governance documents. As part of their mandatory introduction programme, new employees receive information about Alecta's ethical rules.

A prerequisite for effective governance is that the outcome is regularly followed up and reported back. In this way, the governance is adapted to new needs or conditions. The managers are responsible for ensuring appropriate monitoring and that controls are in place in their respective areas of responsibility.

Business follow-up

The Controller function continuously monitors operational performance regarding planned activities as well as cost outcomes and target achievement in relation to business and operational plans. On a quarterly basis, the Controller also prepares an internal report for the Board of Directors and Senior Management.

Internal control over financial reporting

The Board assures the quality of the financial reporting through, inter alia, the work of the Audit Committee. In this context, the committee addresses, where necessary, the critical accounting matters and reviews the financial reporting that Alecta intends to submit.

When compiling data for financial reporting, Alecta's Finance Department conducts checks to ensure the quality of the data provided and that the financial reporting complies with laws and other regulations.

The external auditors attended five of the Audit Committee's meetings in 2023, whereby different matters related to the audit were subject to discussion between the auditors and members of the committee. During the year, the Audit Committee also examined and evaluated the work of the external auditors.

The entire Board reads the interim reports before they are published and reviews and approves the annual and sustainability report before it is published.

The external auditors have submitted written reports to the Board of Directors concerning the year's examination, which are an audit plan, a status report and the year-end report. They have also attended a Board meeting to verbally present a report on the 2023 audit and on the evaluation of the work of senior management.

Guidelines for remuneration of Senior Management

The Council of Administration established the following guidelines for remuneration and other terms of employment for Alecta's senior management at its meeting on 20 April 2023:

Remuneration for the CEO and other senior executives in senior management consists of basic salary, pension provisions, severance pay and other benefits. Other senior executives are defined as the currently eight individuals who together with the CEO comprise Alecta's senior management.

Salary

Salary is set taking into account competencies, spheres of responsibility, authorities and performance, and is to be based on market-aligned conditions and principles. Variable remuneration is not payable to either the CEO or to any other senior executives.

Provision for pensions

All members of Senior Management are covered by the FTP plan. The usual retirement age is 65. For the CEO, a provision of 35 per cent of salary is set aside for pensions, including contributions to the FTP plan.

Severance pay and other benefits

The CEO and other senior executives are subject to a period of notice from Alecta of six months in combination with severance pay equivalent to 12 monthly salaries, which is fully deductible against income from new employment. According to an agreement that was reached before these period of notice conditions started to apply, one senior executive is subject to a period of notice of 18 months, with full deductibility of benefits received in any new employment during a corresponding period.

All members of Senior management are entitled to sickness compensation corresponding to 90 per cent of cash gross salary during the first 12 months of any illness. Otherwise, the same benefits as for other employees apply, such as health insurance and a fitness allowance.

Process and decision-making

Matters relating to salary and other terms of employment of the CEO and other senior executives, and to Alecta's variable remuneration programme, are prepared by the Board Presidium, in its capacity as the Remuneration Committee, for adoption by the Board.

For information on remuneration and incentive programmes for 2023, refer to Note 45.

Council of Administration and auditors

Members and Deputy Members

The Council of Administration's 19 members and four deputy members elected by the Confederation of Swedish Enterprise for the period 2023–2025 (as of 31 December 2023).

Members

Björn Alvengrip, Helsingborg [2]

Ola Axelsson, Spånga

Kenneth Bengtsson, Stockholm, Chair [1]

Mattias Dahl, Stockholm

Antje Dedering, Bromma

Eva Dunér, Gothenburg

Margita Gunnarsson, Stockholm

Jonas Hagelqvist, Stockholm

Sofia Larsen, Örebro

Johan Lindström, Stockholm

Carina Malmgren Heander, Stockholm

Anna Nordin, Saltsjö-Boo

Yvonne Pernodd, Enskede

Henrik van Rijswijk, Stockholm

Pierre Sandberg, Huddinge

Pontus Sjöstrand, Danderyd

Ulrik Wehtje, Malmö [1]

Klas Wåhlberg, Västerås [2]

Ann Öberg, Vaxholm

Deputy Members

Anders Canemyr, Nacka

Stefan Koskinen, Stockholm

Jonas Siljhammar, Jönköping

Tomas Torstensson, Bromma

[1] Member of the Preparatory Committee

[2] Deputy member of the Preparatory Committee

The Council of Administration's 19 members and four deputies elected by Unionen, the Association of Managerial and Professional Staff (Ledarna), Swedish Association of Graduate Engineers and the Council for Negotiation and Cooperation (PTK) for the period 2023–2025 (as of 31 December 2023).

Members

Elisabeth Arbin (Swedish Association of Graduate Engineers), Uppsala [1]

Christina Balder (Unionen), Trollhättan

Stefan Carlsson (Unionen), Norrköping [2]

Per-Erik Djärf (Unionen), Vadstena

Mikael Hansson (Unionen), Billdal

Magnus Hedberg (PTK), Enebyberg

Peter Hellberg (Unionen), Bandhagen, Vice Chair [1]

Gunnar Henriksson (Unionen), Tullinge, also a representative of Alecta's retirees

Stefan Jansson (Swedish Association of Graduate Engineers), Stockholm

Martin Johansson (Unionen), Stockholm

Ulrika Johansson (Unionen), Luleå

Sara Kullgren (Ledarna), Stockholm

Andreas Miller (Ledarna), Uppsala [2]

Maria Nassikas (Unionen), Österskär

Therese Sysimetsä (Unionen), Stockholm

Annelie Söderberg (PTK), Stockholm

Henrik Vahldiek (Union), Växjö

Marika Vikback (Union), Bromma

Malin Wulkan (Union), Saltsjö-Boo

Deputy Members

Stina Nordström (Ledarna), Stockholm

Heléne Robson (Swedish Association of Graduate Engineers), Hägersten

Veine Sjödahl (Unionen), Olofström, also for Alecta's retirees

Ulf Solhall (Union), Bålsta

Auditors

Öhrlings PricewaterhouseCoopers AB, auditor in charge Morgan Sandström

Board of Directors

Jan-Olof Jacke
Position: Chair

Born: 1965

Elected: 2019

Committee: Board Presidium, Finance Committee

Other board appointments: The Swedish Exhibition & Congress Centre Foundation (Vice Chair), the Research Institute of Industrial Economics, ICC Sweden and the Royal Swedish Academy of Engineering, Mindforce Game Lab and the Swedish-American Chamber of Commerce in New York

Other appointments: –

Other: Confederation of Swedish Enterprise (CEO, member of the Board of Directors and member of the Executive Board)

Attendance Board Meetings: 16/16

Committee attendance: 6/6 [1]

Elisabeth Sasse
Position: Second Vice Chair

Born: 1966

Elected: 2023

Committee: Audit Committee

Other board appointments: Unionen Medlemsförsäkring (Chair) and Klara Norra Fastigheter AB (Chair)

Other: Administrative Director Unionen

Attendance Board Meetings: 11/11 [2]

Committee attendance: 4/4 [2]

Marcus Dahlsten
Position: Member of the Board

Born: 1974

Elected: 2020

Committee: Audit Committee

Other board appointments: Board Member of Trygghetsfonden TSL, Fair Transport AB

Other appointments: CEO of Transport företagen TF AB as well as CEO and/or Board Member of the seven associations that are included in Transportföretagen

Other: –

Attendance Board Meetings: 15/16

Committee attendance: 6/6

Martin Fridolf
Position: Member of the Board

Born: 1964

Elected: 2021

Committee: Audit Committee

Other board appointments: –

Other appointments: –

Other: CEO Ledarna

Attendance Board Meetings: 15/16

Committee attendance: 6/6

Markus Granlund
Position: Member of the Board

Born: 1975

Elected: 2019

Committee: Audit Committee (Chair)

Other board appointments: Several Semcon subsidiaries, Squeed AB, Squeed Göteborg AB, Squeed Stockholm AB, Tedsys AB, Knightec AB and Goodpoint AB

Other appointments: Swedish Exhibition & Congress Centre Foundation

Other: CEO Semcon AB

Attendance Board Meetings: 15/16

Committee attendance: 6/6

Petra Hedengran
Position: Member of the Board

Born: 1964

Elected: 2017

Committee: Finance Committee

Other board appointments: Electrolux AB, Swedish Corporate Governance Institute

Other appointments: Association for Generally Accepted Practice in the Securities Market (Vice Chair) and the Swedish Association of Listed Companies (Vice Chair), the Research Institute of Industrial Economics (IFN)

Other: Investor AB (General Counsel and Head of Corporate Governance, Compliance and the EQT business area), Swedish Corporate Governance Institute

Attendance Board Meetings: 15/16

Committee attendance: 9/9

Magnus von Koch
Position: Member of the Board

Born: 1962

Elected: 2010

Committee: Finance Committee

Other board appointments:

Other appointments: –

Other:

Attendance Board Meetings: 15/16

Attendance Committee:9/9

Richard Malmborg
Position: Member of the Board

Born: 1961

Elected: 2003

Committee: Audit Committee

Other board appointments: –

Other appointments: –

Other: –

Attendance Board Meetings: 13/16

Committee attendance: 5/6

Björn Oxhammar
Position: Member of the Board

Born: 1958

Elected: 2023

Committee: Finance Committee

Other board appointments: Afa Försäkring tjänstepensionsaktiebolag

Other appointments: –

Other: –

Attendance Board Meetings: 10/11 [2]

Committee attendance: 6/6 [2]

Birgitta Pernkrans
Position: Employee representative Forena

Born: 1969

Elected: 2015

Committee: –

Other board appointments: –

Other appointments: –

Other: –

Attendance Board Meetings: 16/16

Committee attendance: –

Mikael Persson
Position: Employee representative SACO

Born: 1962

Elected: 2008

Committee: –

Other board appointments: –

Other appointments: –

Other: –

Attendance Board Meetings: 16/16

Committee attendance: –

[1] Chair of the Finance Committee as of 2 October
[2] Board and committee member as of 20 April

Senior Management

Peder Hasslev

Position: CEO

Born: 1963

Employed since: 2023

Education: Master of Business Administration, Bachelor of Political Science.

Previous experience: CEO Saminvest, Chair PFA Pension, Deputy CEO, Head of Asset Management AMF

Board appointments: Insurance Sweden, Employer Organisation of the Insurance Industry (FAO)

Other appointments: –

Katarina Thorslund

Position: Deputy CEO, Head of Customer Relations

Born: 1962

Employed since: 2003

Education: B.Sc. in Mathematics

Previous experience: Chief Financial Officer and Chief Actuary at Alecta. Previously Chief Actuary at Folksam Gruppförsäkring.

Other board appointments: Fund delegation at the Legal, Financial and Administrative Services Agency, Alecta Fastigheter AB (Chair)

Martin Hedensiö

Position: Head of Communication

Born: 1964

Employed since: 2016

Education: MSc. in Accounting and Auditing

Previous experience: Director of Communications at Svenska Spel, Vice President Corporate Communications Europe, Middle East & Africa at Nasdaq, Executive Partner, Head of Corporate & Financial Communications at Hallvarsson & Halvarsson, Deputy CEO of Springtime, Investor Relations Director at Electrolux.

Pablo Bernengo

Position: Head of Asset Management

Born: 1974

Employed since: 2023

Education: Degree in Economics

Previous experience: Head of Asset Management at AP3 (3rd AP Fund), CEO and Head of Asset Management at Öhman Fonder

Ulf Larsson

Position: Head of IT

Born: 1968

Employed since: 1998

Education: Bachelor of Arts in Business Administration

Previous experience: Head of IT Architecture and Group Head of Infrastructure at Alecta. Previously, consultant at WM-data.

Ulrika Malmberg Livijn

Position: Head of Legal Affairs

Born: 1968

Employed since: Consultant 2024–

Education: Law degree

Previous experience: Lawyer, Lindahl Law Firm and Setterwalls Law Firm, Corporate Lawyer and Assistant General Counsel Försäkringsaktiebolaget Skandia, General Counsel Fourth AP Fund, consultant in own business

Fredrik Palm

Position: Head of Product and Analysis

Born: 1976

Employed since: 2013

Education: M.Sc. in Mathematical Statistics

Previous experience: Chief Actuary Alecta. Self-employed actuarial consultant. Consultant and partner of consulting firm.

Maria Wahl Burvall

Position: Head of HR

Born: 1964

Employed since: 2014

Education: M.Sc. in Business and Economics, majoring in Economics and Statistics

Previous experience: Economist, HR specialist and Head of HR at the Riksbank.

Camilla Wirth

Position: Chief Financial Officer

Born: 1970

Employed since: 2017

Education: M.Sc. in Business and Economics

Previous experience: CFO Nordax Bank AB (publ), CFO Aberdeen Property Investors IIM AB, Auditor and Consultant at KPMG Financial Services.

Administration Report

The Board of Directors and the Chief Executive Officer (CEO) of Alecta Tjänstepension Ömsesidigt hereby present the Annual and Sustainability Report for 2023.

Organisation number: 502014-6865
Registered office: Stockholm, Sweden

Ownership and structure

Alecta is a mutual occupational pension company. This means that the company is owned by the policyholders and those insured, and that any surplus generated is returned to the policyholders and the insured parties.

Alecta Tjänstepension Ömsesidigt is the parent company of the Alecta Group. During the year, operations have been conducted in-house within the Group with a few exceptions; parts of the IT operations that are carried out by external parties under contractual agreements and parts of property management, which for most of the year have been outsourced to external suppliers. In addition, some of the tasks performed by Collectum and other selection centres outside the framework of the ITP and other pension plans are also considered to be performed on behalf of Alecta and other participating insurance companies and occupational pension companies.

Operations and products

Alecta offers occupational pensions through selection centres under collectively agreed occupational pension plans, i.e. insurance schemes based on collective bargaining agreements that are tied to the employment relationship and for which the premiums are paid by the employer.

Alecta's primary task is to manage the different parts of the ITP occupational pension plan on behalf of the Confederation of Swedish Enterprise and the Council for Negotiation and Cooperation (PTK), which are parties to collective bargaining agreements. Alecta thereby manages both defined benefit and defined contribution pensions, as well as risk insurance in the form of disability pension, survivor protection and premium waiver. Defined contribution retirement pensions are offered through the Alecta Optimal Pension product, which for ITP is both the default option and a selectable option.

Under the ITP agreement, there is the option of funding the employees' retirement pensions through recognising liabilities on the balance sheet under the so-called "PRI model". Obligations secured under the PRI model are administered by Alecta on behalf of PRI Pensionsgaranti with the same service and quality as if insurance had been taken out for the employees' retirement pension.

Alecta Optimal Pension is also a selectable option in the other collective bargaining areas: FTP for employees in the insurance industry (where Alecta is also the default option), SAF-LO collective pension insurance for private sector employees, government employees in the PA 16 collective bargaining area, KAP-KL/AKAP-KR for municipal and local authority employees and PA-KFS for employees of municipally-owned enterprises.

Alecta also offers occupational group life insurance (TGL) within the ITP and FTP agreement area.

Employees

In 2023, the average number of employees in the Alecta Group was 423 people (378), which is 422 on a full-time equivalent basis (374).

At year-end 2023, the total number of employees in the Group was 451 people (394), of whom 349 were in the parent company (325). The proportion of female employees was 56 per cent (58) and the average age of all employees was 47 years of age (47).

Disclosures on the average number of employees, salaries and benefits are provided in Note 45. The note also describes the principles for determining the remuneration and benefits for senior executives, as well as the applicable drafting and decision-making processes.

Profit for the year and financial position

The Group reported a profit for the year after tax of SEK 59.5 billion (24.1). Comments on financial outcome and financial position are presented in the following report.

Premiums written

Premiums written in 2023 totalled SEK 99.5 billion (66.2), see Note 4. Premiums written can be divided into invoiced premiums and guaranteed refunds.

Invoiced premiums totalled SEK 43.7 billion (47.9), where the decrease compared to the preceding year was primarily due to the adjustment of paid-up policy values and reduced one-off premiums in the form of PRI redemption.

Awarded refunds totalled SEK 55.8 billion (18.3) and consist of premium reductions on employers' premiums for defined benefit savings insurance, disability and premium waiver insurance, family cover and TGL, as well as an increase in earned pension entitlements (adjustment of paid-up policy values). The increase in guaranteed refunds is largely due to the 10.84 per cent adjustment of paid-up policy values implemented in January, on the basis of the change in the consumer price index between September 2021 and September 2022 being higher than that implemented one year earlier (2.51).

Capital return

The financial markets

Financial market developments have been very volatile during the year and were affected mainly by the continued hardline monetary policy of central banks to combat historically high inflation, which in Sweden amounted to over 10 per cent at the beginning of 2023. During the spring, the credit market was also shaken by liquidity problems among US regional banks, which affected Alecta and also had spillover effects to more markets. In addition to the war in Ukraine, a series of crises have been added to the geopolitical agenda and contributed to unrest and volatile capital markets.

The tightening monetary policy of the central banks included the Riksbank raising its policy rate four times during the year to 4 per cent, the ECB raising it on six occasions to 4.5 per cent and the US Federal Reserve raising it to 5.5 per cent. Aggressive interest rate increases have resulted in inflation slowly, but surely, declining and approaching inflation targets during the year. Rising interest costs for households, coupled with widespread price increases, have eroded the capacity for household consumption, which has also prompted several forecasting agencies to revise their global growth forecasts downwards. In particular, growth in Europe has shown a clear downward trend, and the US economy also showed signs of cooling.

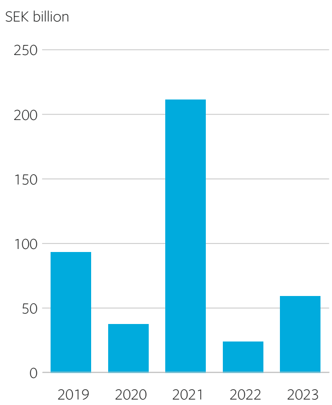
With inflation clearly falling and the global economy slowing down, in the second half of the year the major central banks paused further interest rate increases and also toned down the earlier message that interest rates would remain high for a longer period of time. This has favoured risk appetite on the stock markets, which has benefited technology companies in the United States in particular, which have performed particularly well under increasing AI euphoria. In the last quarter of the year, hopes in the market rose that central banks in both the US and Europe would be forced to cut their policy rates in the near future, which caused interest rates to fall back in the last quarter of the year. This added fuel to the stock markets, which rose significantly at the end of the year.

The Swedish stock market (MSCI Sweden) rose by 21.1 per cent during the year, which was better than the European stock markets (MSCI Europe), which together rose by 16.1 per cent. The US stock markets (MSCI USA), which are mainly driven by a handful of technology companies, returned a full 29.1 per cent, all measured in local currency.

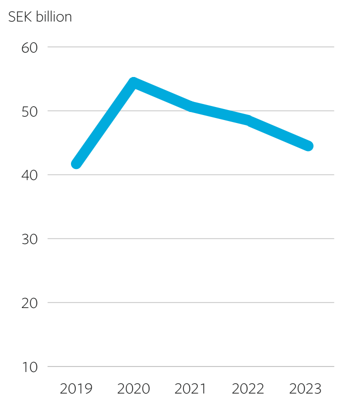
Interest rate assets have also been volatile during the year, with long-term interest rates rising sharply for three quarters before falling back to slightly lower levels than at the beginning of the year. Overall, the interest rate trend resulted in high interest returns for Alecta's fixed income holdings during the year. However, the interest rate trend has meant that Alecta's pension commitments, which are included on the liabilities side, have also increased, which has led to a lower solvency ratio for Alecta.

The interest rate trend also affected the real estate sector during the year, as the more debt-heavy real estate companies are struggling with high financing costs and there is still con-

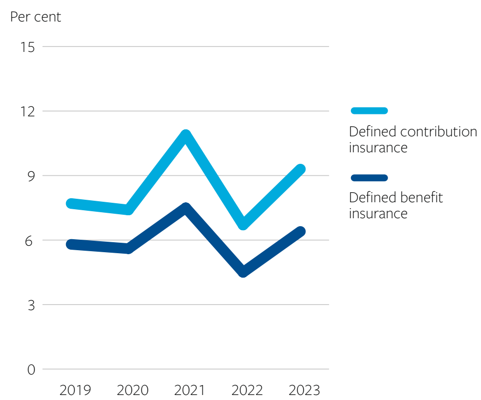
PROFIT/LOSS FOR THE YEAR



INVOICED PREMIUMS



TOTAL RETURN, FIVE-YEAR AVERAGE



siderable uncertainty in the real estate market as a whole. The number of transactions remains low and the price trend for real estate is expected to continue to fall. For Alecta's part, the value growth for Alecta's real estate holdings was negative for the quarter as well as for the full year.

The Swedish krona, which weakened considerably during the first half of the year, has strengthened against the major currencies since September, when the Riksbank announced that it would index link parts of the foreign exchange reserve. During the year, the krona was unchanged against the euro but has strengthened against the dollar by 3.4 per cent.

Returns

The total return on Alecta's investments amounted to 7.4 per cent (–7.9) in 2023. The positive return is largely attributable to rising share prices, but the interest rate trend has also contributed to a positive return for interest rate assets.

The real assets, such as real estate, contributed negatively to the return during the year as the value of most holdings was adjusted downwards.

Alecta's average annual return over the past five years has been 6.8 per cent (4.9). The return on shares for the year was 15.8 per cent (–15.3), debt securities had a return of 6.7 per cent (–7.7) and the return on alternative investments was –5.9 per cent (8.9). At the end of the year, the alternative investments consisted of 60 per cent (67) real estate and the remaining part of mainly alternative credits, i.e. debt instruments with higher credit and market risk, as well as infrastructure investments.

The return on Alecta's defined contribution savings product, Alecta Optimal Pension, was 8.7 per cent (–9.8). Over the past five years, Alecta Optimal Pension has generated an average annual return of 9.3 per cent (6.7).

The return on the Alecta defined benefit insurance was 7.1 per cent (–7.4). The average annual return over the past five years was 6.4 per cent (4.5). In the income statement, return on capital for the Group including unrealised value changes was SEK 85.1 billion (–99.0). At year-end 2023, the market value of total investment assets amounted to SEK 1,245.5 billion (1,152.7); refer to the total return table. Of these, the Alecta Optimal Pension accounted for SEK 243.8 billion (207.9).

Changes in the portfolio

At year-end, the proportion of shares of the portfolio was 38.3 per cent (39.6). The proportion of shares varied during the year as a result of market events but was also due to the active selection of upward and downward weighting of the proportion of shares during the year The country allocation remained largely unchanged compared to the previous year.

At year-end, the proportion of alternative investments was 19.6 per cent (21.5). The decrease is primarily explained by changes in value for Swedish and foreign properties.

The composition of the portfolio is presented on page 48.

Total return table for investments, total	Market value 31/12/2023		Market value 31/12/2022		Total return, per cent		
	SEK million	%	SEK million	%	2023	2022	Average 2019–2023
Shares	447,341	38.3	456,777	39.6	15.8	–15.3	15.2
Debt securities	524,613	42.1	448,010	38.9	6.7	–7.7	0.5
Alternative investments [1]	243,504	19.6	247,959	21.5	–5.9	8.9	4.6
Total investments	**1,245,458**	**100.0**	**1,152,747**	**100.0**	**7.4**	**–7.9**	**6.8**

Total return for each year and asset class for the period 2019–2023, which are included in the average total return are presented in the five-year summary on page 57.

The total return table has been prepared in accordance with the recommendations of Insurance Sweden. The reporting and valuation of the investments are not consistent with the accounting principles applied in the financial statements. Total assets on the balance sheet amount to SEK 1,293,891 million (1,190,421). The difference from market value according to the total return table above is, essentially, assets that are not classified as investment assets and items from the debt side that are deducted in the total return table. Total return according to Insurance Sweden's Recommendation amounts to SEK 85,416 million (–97,021). Capital return, net according to the income statement amounts to SEK 85,137 million (–99,012). The largest differences arise from currency effects in foreign subsidiaries booked against equity in the accounts and tax included in the total return table which in the income statement has been classified as tax.

Total return table for investments, defined contribution insurance (Alecta Optimal Pension)	Market value 31/12/2023		Market value 31/12/2022		Total return, per cent		
	SEK million	%	SEK million	%	2023	2022	Average 2019–2023
Shares	140,173	57.5	126,629	60.9	15.8	–15.3	15.2
Debt securities	55,588	22.8	36,176	17.4	4.9	–9.2	–0.4
Alternative investments [1]	48,055	19.7	45,108	21.7	–5.9	8.9	4.6
Total investments	**243,816**	**100.0**	**207,913**	**100.0**	**8.7**	**–9.8**	**9.3**

The proportion of equities in Alecta Optimal Pension is higher than in other Alecta products. The table above refers to the portfolio that constitutes Alecta's default option, which has a 60 per cent share component. The market value of the total Alecta Optimal Pension portfolio, i.e. including all asset classes is SEK 265.3 billion (225.4).

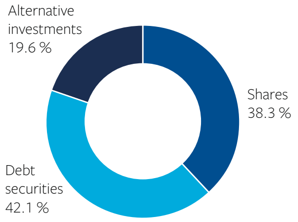
Total return table for investments, defined benefit insurance	Market value 31/12/2023		Market value 31/12/2022		Total return, per cent		
	SEK million	%	SEK million	%	2023	2022	Average 2019–2023
Shares	328,440	33.5	322,705	34.8	15.8	–15.3	15.2
Debt securities	460,513	47.0	405,588	43.7	7.0	–7.5	0.6
Alternative investments [1]	191,216	19.5	199,057	21.5	–5.9	8.9	4.6
Total investments	**980,170**	**100.0**	**927,351**	**100.0**	**7.1**	**–7.4**	**6.4**

The total return tables refer to the Group. Due to rounding, the sum of the figures shown in the tables above may differ from the totals.

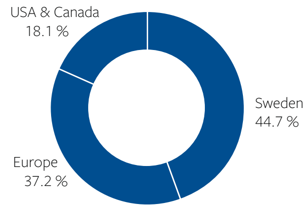
[1] Alternative investments include real estate, infrastructure investments, private equity and so-called alternative credits that are subject to higher market risk than traditional debt securities.

Alecta portfolio composition as at 31/12/2023

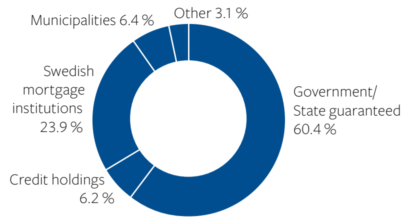
TOTAL INVESTMENT PORTFOLIO



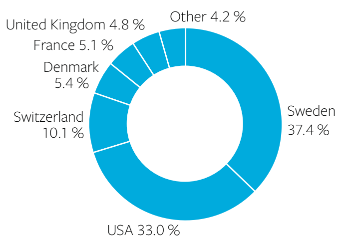
DEBT SECURITIES, geographic distribution



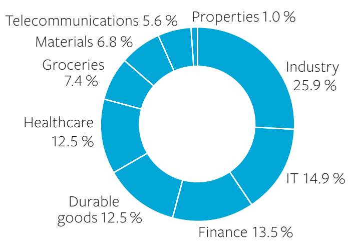
DEBT SECURITIES, type of issuer



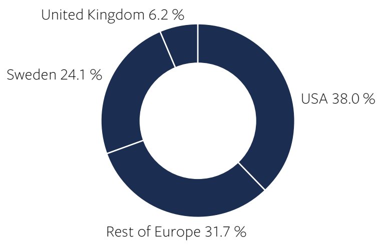
SHARES, geographic distribution



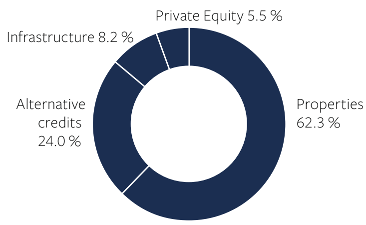
SHARES, sector distribution



ALTERNATIVE INVESTMENTS, geographic distribution



ALTERNATIVE INVESTMENTS, category



Alecta's five largest shareholdings as at 31/12/2023

Shares	Sector	Market value, SEK million
Investor	Finance	22,060
Novo Nordisk	Healthcare	20,813
Atlas Copco	Industry	19,929
Microsoft	IT	17,233
Alphabet	Telecom	16,178

Market value according to total return table and refers to listed shareholdings. A list of Alecta's holdings in shares, interests and real estate is published on alecta.se and disclosed in Note 18 Investments in stakeholder companies and jointly controlled entities.

Insurance claims incurred

Claims incurred consist partly of insurance claims paid and partly of changes in provisions for claims outstanding.

During 2023 insurance claims paid that consist primarily of benefits incurred in retirement pensions, disability and life insurance increased to SEK 25.2 billion (24.3). The increase is largely attributable to a greater number of new retirees and a higher average pension amount than for retirees whose payments ended due to death or because the beneficiary reached the final payment age. Operating expenses incurred in connection with the settlement of claims are also included in claims paid and in 2023 these totalled SEK 179 million (173) – see also Notes 7 and 8.

The change in the provision for claims outstanding was SEK –0.6 billion (–1.2).

Technical provisions

Technical provisions consist of the net present value of Alecta's guaranteed obligations for insurance contracts that are in effect and are divided into provisions for life insurance and provisions for claims outstanding. Technical provisions totalled SEK 621.5 billion on 31 December 2023. This is an increase of SEK 92.0 billion (–84.3) for 2023, which was due to the following reasons:

- Premiums and payments resulted in an increase in technical provisions of SEK 74.6 billion (42.1), of which SEK 46.3 billion (10.3) refers to guaranteed refunds of earned pension entitlements, as well as premium reductions for defined benefit savings insurance of SEK 5.1 billion (3.0).
- The difference between underlying premiums and assumptions in the calculation of technical provisions reduced the provisions by SEK 36.9 billion (23.7) for savings insurance.
- The results from disability and waiver of premium reduced the provisions by SEK 2.3 billion (2.3).
- Lower market interest rates in 2023 meant that the interest rate curve used in the valuation decreased, which increased provisions by SEK 44.0billion (–113.4). The average cash flow-weighted rate declined from 3.25 to 2.74 per cent in 2023.
- Cumulative return after deduction for released tax and operating expenses meant that the technical provisions increased by SEK 15.5 billion (14.8).
- Other changes and results led to an overall decrease in technical provisions of SEK 2.9 billion (1.4).

For further information, see Notes 35 and 36.

Operating expenses

Operating expenses for the insurance business, which are referred to as operating expenses in the income statement, totalled SEK 602 million (571).

The increased operating expenses are largely attributable to non-recurring costs, mainly consulting and staff-related costs, caused by the turbulence during the year. In total, one-off costs amount to SEK 83 million, of which SEK 45 million is included in the operating expenses of the insurance business and SEK 38 million in asset management expenses. Staff costs are also increasing as a result of increased staffing.

The amortisation of intangible assets is significantly lower than in the previous year as our insurance system was fully amortised as of the first quarter of 2023.

Management expense ratio

The total management expense ratio for the Group has increased to 0.07 (0.06) compared to the previous year. The key performance indicator for defined contribution insurance has increased to 0.05 (0.04). The key performance indicator for defined benefit insurance remained unchanged at 0.07 (0.07). The key performance indicators have mainly been affected negatively by non-recurring costs.

Tax

In 2023, the yield tax net of foreign tax credits was SEK 1,081 million (492). Yield tax is payable on pension products and family cover.

The income tax expense, which comprises current and deferred tax was SEK 1,197 million (income 1,020). The deferred tax expense is net of income and expenses In addition to Swedish income tax, the item also includes withholding tax and foreign income tax. In the parent company, the business segments disability pension, waiver of premium and TGL are subject to income tax.

Distribution of surplus

A surplus arises when the return on Alecta's assets exceeds the financial cost of its guaranteed obligations but can also arise when the discount rate used to value the guaranteed obligations is higher than the agreed premium rate. In addition, a surplus can also arise in other situations, for example when Alecta's actual outcomes for mortality, morbidity and operating expenses are positive. A more detailed presentation of how the surplus arises is provided in the alternative income statement on pages 58–59. Alecta is a mutual company, which means that any surplus generated is returned to our customers, i.e. the policyholders and the insured parties. This takes place in the form of refunds. Over the past 15-year period (2009–2023), Alecta has distributed SEK 188 billion in refunds. The refunds have been distributed to policyholders and insured parties in the form of pension supplements, increases in earned pension entitlements and premium reductions.

For Alecta's defined contribution insurance product, Alecta Optimal Pension, any surplus or deficit is allocated directly to the insured parties on a monthly basis. The funding range is 98–102 per cent with a target funding of 100 per cent. Any surplus is distributed in connection with the payment of a supplement to the guaranteed pension in accordance with the actuarial guidelines adopted by the Alecta board of directors.

For defined benefit insurance products, on an annual basis the Alecta board of directors decides whether and in what form refunds are to be distributed. For 2023, the Board approved an upward adjustment of defined benefit pensions of 10.84 per cent. The decision covers both pensions in payment as well as earned pension entitlements, known as paid-up policies, and is based on the change in CPI between September 2021 and September 2022. The Board also resolved to adopt a premium reduction for defined benefit age and family pensions of 40 per cent in relation to the 2022 premium bases for ongoing premiums. The Board also resolved to retain the premium reductions of 90 per cent for disability insurance and to reduce premium reductions for premium waiver insurance from 70 per cent to 60 per cent and for family cover from 40 per cent to 30 per cent. For TGL, the premium reduction was SEK 8 per insured party and month.

For more information on surplus distribution, see Note 33.

Collective funding and solvency

The defined contribution insurance plans had a collective funding level of 99 per cent (100), which is within the funding range of 98–102 per cent.

Alecta's funding policy for its defined benefit insurance products specifies the maintenance of a collective funding ratio of 125 to 175 per cent under normal conditions and to apply the following limits for the allocation of refunds:

- 125 per cent – lower limit for indexation of pensions (pension supplement)
- 135 per cent – lower limit for increase in earned pension (adjustment of paid-up policy values)
- 150 per cent – lower limit for premium reduction
- 175 per cent – lower limit for other refunds to policyholders

At year-end 2023, the collective funding ratio for the Group's defined benefit insurance products was 158 per cent (172). The collective funding capital totalled SEK 354.7 billion (385.6).

The solvency ratio at year-end 2023 was 199 (218) per cent.

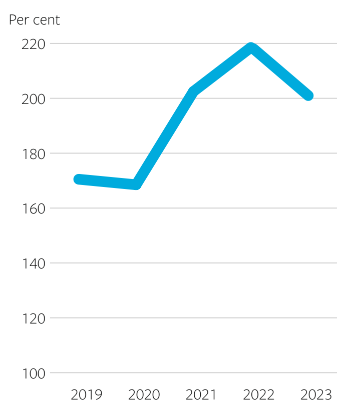
PERFORMANCE IN 2023	SOLVENCY RATIO	COLLECTIVE FUNDING RATIO, defined benefit insurance
Opening balance	**218.2 %**	**172.2 %**
Returns	15.7 %	12.3 %
Cumulative return, TP	–5.8 %	–5.5 %
Changed discount rate	–15.3 %	–11.6 %
Premiums	5.6 %	4.6 %
Guaranteed pension paid	5.0 %	3.2 %
Pension supplement paid	–1.0 %	–4.9 %
Adjustment of paid-up policy values	–17.5 %	–11.8 %
Premium reductions risk	–1.7 %	–2.2 %
Premium reductions savings	–1.9 %	–1.7 %
Disability result	0.9 %	0.8 %
Other	–3.1 %	2.1 %
Closing balance	**199.1 %**	**157.6 %**

Proposed appropriation of profits

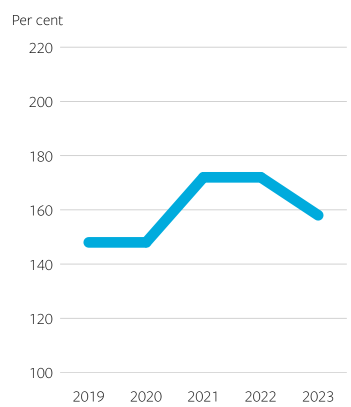
The Board of Directors and Chief Executive Officer propose to the Council of Administration that the parent company profit of SEK 61,899,553,754 for 2023 be transferred to the surplus fund.

The Board and CEO propose that the Council of Administration approve the resolution of the Board regarding refunds as set out in the section, Distribution of surplus in the Administration Report on pages 49–50 and the section, Index-linked pension and premium reduction, page 52.

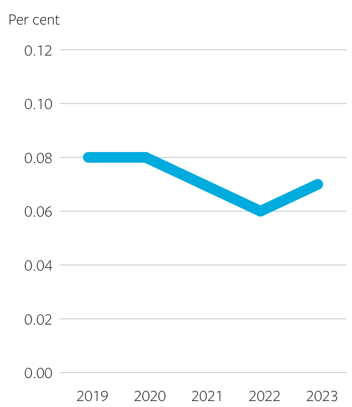
SOLVENCY RATIO



COLLECTIVE FUNDING RATIO, defined benefit insurance



MANAGEMENT EXPENSE RATIO, total



Important events during the year

Turbulent Year

It has been a turbulent year for Alecta, largely characterised by the investments in three US banks and in Heimstaden Bostad AB. The events have led to a significant crisis of confidence and resulted in the Swedish Financial Supervisory Authority initiating two separate investigations.

Alecta's investments in US banks and measures taken

In March, a spectacular crisis unfolded in the banking sector, particularly in the US where Alecta had an exposure that led to losses of around SEK 20 billion.

The losses have resulted in a serious crisis of confidence and Alecta has taken a number of measures to restore confidence. In early April, the then CEO Magnus Billing decided on organisational changes to strengthen asset management. The Head of Equity Management left Alecta and Ann Grevelius took over as acting Head of Equity, and resigned as a member of the Board. Furthermore, Kerim Kaskal, with extensive experience in asset management, took over as acting Head of Asset Management. Under the placement guidelines, it was decided to immediately start reducing the risk of high ownership shares in individual companies far from Alecta's home market.

The measures taken to strengthen asset management were fully supported by the Board, which, however, after further discussions, concluded that Alecta needed new leadership to implement the necessary changes. Accordingly, Magnus Billing stepped down as CEO with immediate effect on 10 April. Deputy CEO Katarina Thorslund took over as acting CEO and Ingrid Bonde joined as working Board Chair to support the organisation until a new CEO is recruited and takes office.

In order to draw the lessons from the large losses in US banks, the Board also decided to extend the strategic review of asset management under the leadership of the CEO and the Head of Asset Management, which started in December 2022. The review was presented to the Board in early June and the results are described below under a separate heading.

In September, Alecta announced that a US court named Alecta as lead plaintiff in the ongoing US class action lawsuit related to First Republic Bank. The proceedings are being conducted with the assistance of US trial lawyers. By taking an active role in this process, Alecta is working to maximise the amount of capital that can be recovered on behalf of both Alecta and the other participants in this class action. It is currently difficult to assess the amount of money that can be recovered and in a class action of this type it normally takes several years before a solution is reached. Alecta is also passively participating in the class action against the US banks Signature Bank and Silicon Valley Bank, but these are being led by other investors.

Heimstaden Bostad AB

Heimstaden Bostad AB, Alecta's single largest holding with a value of SEK 37.7 billion at the end of the year, ended up in a troublesome financial position during the year. This has meant a decline in value of approximately 25 per cent in the holding in Heimstaden Bostad in 2023. It became clear that the shareholders' agreement is highly unbalanced to Alecta's disadvantage. The return does not correspond to the risk that Alecta has taken, and Alecta does not have influence to the extent corresponding to the ownership share.

During the summer and autumn, there was considerable media focus on the financial position and possible need for a capital injection into Heimstaden Bostad. This has further damaged confidence in Alecta.

Work on the expanded strategic review of asset management has intensified since Alecta's new CEO Peder Hasslev took over on 1 September. Peder's primary focus to date has been Heimstaden Bostad. Negotiations on the shareholder agreement have been initiated, during which it has been clearly stated that Alecta will assume its responsibility and can participate in a refinancing if the terms of the agreement are market-based.

During the summer, Alecta's Board appointed the law firm Hammarskiöld to conduct an investigation into Alecta's investments in Heimstaden Bostad. The task included investigating whether the investment was made in accordance with rules and guidelines. In its investigation, Hammarskiöld made the assessment that there had been deviations from internal rules and that there were indications of legal violations. The Board took this very seriously and therefore decided to obtain a second opinion from another law firm. Since there were different assessments of possible breaches of the law, and since reporting to the police on insufficient grounds could have negative consequences for both Alecta's customers and individuals, the Board decided not to make a report to the police and submitted both investigations to the Swedish Financial Supervisory Authority.

The Swedish Financial Supervisory Authority's investigations

As a result of the events described above, Alecta has had ongoing contact with the Swedish Financial Supervisory Authority, which has also initiated two investigations into Alecta.

At the beginning of May, an investigation into Alecta's risk management with a focus on the measurement of investment risks was initiated. The purpose of the investigation is to examine whether Alecta has complied with external and internal rules based on its investments in the US banks.

After the summer, the Swedish Financial Supervisory Authority announced in mid-September that it had also launched an investigation into Alecta's investments in Heimstaden Bostad. Alecta is fully cooperating with the authority.

The latter investigation led to a report of suspected corruption being submitted to the National Anti-Corruption Unit. The report concerns individuals, not the company Alecta. Alecta has not taken part of the police report and is awaiting the proceedings. Alecta has submitted all the material requested by the prosecutor after the report was received and will continue to assist the preliminary investigation if necessary.

New CEO and new Chair of the Board

As stated above, Peder Hasslev took over as Alecta's new CEO on 1 September. Katarina Thorslund and Ingrid Bonde then returned to their previous roles. However, one month later, on

2 October, Ingrid Bonde chose to step down as Chair of the Board. First Vice Chair Jan-Olof Jacke took over as Chair of the Board until a new Chair has been elected.

Renewed trust as an ITP default option

At the end of March, Collectum announced the outcome of the procurement of ITP occupational pension managers. In competition with other Swedish pension companies and banks, Alecta received renewed trust as the default option for another five years, during the period 1 October 2023–30 September 2028. For those pension savers participating in the ITP programme who do not make an active choice, the occupational pension is thus managed by Alecta. Alecta has also been designated one of the active choices that a pension saver participating in the ITP programme can make in traditional management, a so-called cross-choice.

In connection with the procurement, a number of improvements were introduced in the Alecta Optimal Pension. The already low fees was further reduced, from 0.09 to 0.05 per cent, and the fee cap was lowered from SEK 600 to SEK 480 per year. In addition, an improved cushioning rule and forecast rate model were introduced to reduce the volatility of pension amounts.

Strategic review of asset management

The extended review of asset management, which the Board decided on in early April, has resulted in the Board deciding on a number of fundamental positions in June. In summary, this means that the defined contribution product Alecta Optimal Pension will continue to be managed with active equity management, but with increased diversification, and that a future portfolio allocation for defined benefit pensions needs to take into account the slow phasing out of the ITP 2 portfolio. The review has also resulted in increased risk reporting to the Board, new stricter limits and an updated risk management process.

Index-linked pension and premium reductions

In autumn 2023, the Alecta Board of Directors resolved to index-link defined benefit pensions by 6.48 per cent for 2024, matching the inflation rate over the past year. The increase affects the approximately 1.6 million customers at Alecta who are covered by the ITP 2 occupational pension. The decision applies to pensions in payment and earned pension that has not yet begun to be paid.

As a result of Alecta's strong financial position in accordance with Alecta's funding policy, the Board also decided on a premium reduction for 2024 for a defined benefit retirement and family pension of 30 per cent in relation to the unreduced premium level.

In addition to the premium reduction for retirement and family pensions, the Board has also decided to continue to provide premium reductions for risk insurance in 2024. The Board decided on a premium reduction for disability insurance of 90 per cent, as well as 50 per cent for premium waiver in the event of illness and parental leave. However, high inflation has had a negative impact on the finances of Alecta's family cover and TGL. For family cover, there will be no premium reduction for 2024. The premium for the occupational group life insurance (TGL) is increasing from SEK 26 to 31 per month and employee.

In total, the premium reductions on risk premiums and savings premiums amount to approximately SEK 6.4 billion. In addition, costs for companies decreased by another SEK 1.9 billion as an effect of the upward adjustment of earned pension benefits. In total, this means that Alecta is reducing the costs of companies by SEK 8.3 billion in 2024, compared to if no premium reduction had been given, which corresponds to approximately 1.5 per cent of the ITP companies' total payroll amount during one year.

Furthermore, the Alecta Board resolved to reduce the employer one-off premiums with the redemption of defined benefit retirement pensions (PRI redemption). The premium reduction is effective from and including 1 January 2024 and is due to rising market interest rates in 2023. For an average PRI redemption, the measure means that the premium is reduced by approximately 7 per cent.

Alternative investments

Within alternative credits, Alecta invested in seven additional transactions during the period, where the underlying exposure means that Alecta shares credit risk with major banks concerning their core customers. The total investment amounted to around EUR 580 million. Furthermore, investment commitments for three different credit funds have been signed where Alecta has already invested with the respective managers in previous funds. The fund commitments totalled USD 700 million. In addition, Alecta has invested in a fund focusing on sustainability-linked bonds in developing countries. Alecta has also made an investment commitment of EUR 110 million to a fund dedicated to investing in the most subordinated parts of a structured loan (CLO). Finally, two existing investments have been expanded in reinsurance by a total of USD 250 million.

In Real Assets, Alecta made a commitment during the summer, via a fund investment, to invest just over SEK 1 billion in a strategy focused on logistics properties in the UK.

Alecta Fastigheter AB

Since 2021, the Group's management of all directly and indirectly owned Swedish properties has taken place at Alecta Fastigheter AB, where operations are being built up with the aim of creating a future-oriented and efficient company. As part of this, management is gradually being brought in-house from being previously outsourced. During the year, Alecta Fastigheter AB took over the management and development of the company's properties in Nacka Strand and is preparing to take over the management of the portfolio in Bredden, Upplands Väsby, at the beginning of next year.

During the year, the parent company Alecta Tjänstepension Ömsesidigt acquired the remaining shares in the previously half-owned Sollentuna Stinsen JV AB from Magnolia Bostad AB. Alecta's JV partnership with Magnolia, regarding the property Sollentuna Stinsen 2, was thereby terminated. Alecta Fastigheter AB acquired the property immediately thereafter by acquiring the now wholly owned company, Sollentuna Stinsen JV AB from the parent company. No other acquisitions or sales of properties were made during the year.

Geopolitical concern

During the year, the world experienced an increased level of geopolitical concern with Russia's continued warfare in Ukraine and, in the autumn, the conflict in the Middle East. These conflicts have created great human suffering and economic devastation, but the effects on the financial markets during the year have been very limited. However, the war in Ukraine as well as the conflict in the Middle East may risk spreading and becoming prolonged, and there is a great risk that this may affect inflation and economic prospects in the future and thus lead to increased turbulence in the financial markets.

The impact of inflation

In 2023, inflation in Sweden and in the western world declined from the historically very high levels reached in the previous year and also began to approach the central banks' target levels in Europe and the United States. Like other central banks, the Riksbank has pursued a restrictive monetary policy during the year, with four policy rate increases from 2.5 per cent to 4.0 per cent. This has led to CPI inflation in Sweden falling from 12.3 per cent at the start of last year to 4.4 per cent at the end of 2023.

Higher policy rates and stubborn inflation meant that interest rates rose for most of the year. In the last quarter of the year, inflation fell more than expected which, combined with the economic slowdown, led to a global decline in interest rates.

Interest rates and inflation have a very significant impact on the present value of nominal and real obligations that are many years ahead, such as Alecta's pension obligations. The average discount rate has decreased from 3.25 per cent at the beginning of the year to 2.74 per cent at the end of the year. This has contributed to an increase in technical provisions of SEK 44 billion. Overall, the changes in the value of assets and liabilities have meant that Alecta's financial position has weakened somewhat during the year but remains at a high level. Alecta's solvency ratio at year-end was 199 per cent. A high funding ratio is a prerequisite for compensating defined benefit pensions for the negative effects of inflation going forward, see more information above under the section Index-linked pension and premium reductions.

Organisational changes

As stated above, Magnus Billing stepped down as CEO on 10 April and Deputy CEO Katarina Thorslund took over as acting CEO.

In early June, the Board of Directors appointed Peder Hasslev as the new CEO of Alecta. Peder, who was most recently CEO of the state-owned venture capital company Saminvest AB, took up his new position on 1 September. His previous positions include Chair of the Board of Denmark's largest commercial pension manager PFA Pension, Deputy CEO and Head of Asset Management at AMF and Head of Equities at SEB Asset Management.

Head of Asset Management Henrik Gade Jepsen, who joined in December 2022, left Alecta in mid-June for health reasons. In August it was announced that Pablo Bernengo had been recruited as the new Head of Asset Management. Pablo, who most recently came from a similar role at the Third AP Fund, took office on 14 December. Kerim Kaskal, who took over as Acting Head of Asset Management in April on a consultancy basis, remained in this role until 3 October, after which Peder Hasslev took over as Acting Head of Asset Management, in addition to his role as CEO, until Pablo took over. During this period, Katarina Thorslund, in her role as Deputy CEO, relieved Peder by taking overall responsibility for Product and Analysis, IT and Customers, in addition to her role as Head of the Customer Department.

In September, Magnus Tell was hired as the new Head of Equities with responsibility for equity analysis and equity management. Magnus, who was most recently Head of Equities at the Third AP Fund, took over at the end of November. Previously, Magnus was responsible for equity strategy at ABG Sundal Collier in Stockholm, and a fund manager and strategy manager at Deutsche Bank and Arrowgrass Capital Partners in London and New York.

As mentioned above, Ingrid Bonde decided to step down as Chair of the Board on 2 October. The First Vice Chair of the Board, Jan-Olof Jacke, took over as Chair until a new Chair is elected.

Ulrika Hellmark, Head of Business Development, has been a new member of senior management since the beginning of the year, but resigned during the autumn and will leave Alecta at the beginning of 2024.

At the end of November, Alecta implemented an organisational change in which the Legal, Procurement and Sustainability department was split up. In connection with this, Alecta's General Counsel William McKechnie left. Legal was reorganised into a separate department headed by a General Counsel, who is a member of senior management. The Procurement and Sustainability units are being relocated to the Finance department under the leadership of CFO Camilla Wirth. An acting General Counsel has been hired on a consultancy basis and the recruitment of a new General Counsel has begun.

Significant events after the balance sheet date

At an extra meeting of the Board of Directors on 22 February, Carina Åkerström was elected as the new Chair of the Board of Directors of Alecta. However, shortly thereafter, at the beginning of March, she chose to resign after changing her assessment of her ability to fulfil her duties without conflicts of interest, linked to her employment at Handelsbanken. First Vice Chair Jan-Olof Jacke rejoined as Chair.

Expected future outlook

Financial markets

The past year marks the end of the first global increase cycle since 2006–07. This means that anyone under the age of 40 can only have a vague notion of the economic consequences of significantly higher interest rates. Despite significantly higher interest rates, the global economy has held up well and it is only recently that signs of a slowdown can be discerned. However, just because the effects are not yet visible does not mean that they do not exist or are not coming. All parts of the economy

– households, businesses and the public sector – have to adjust their balance sheets and income statements to the new situation. Higher interest rates mean a lower rate of investment as more projects fail to meet required rates of return, lower values of real assets such as housing and real estate, less capacity for consumption and squeezed government budgets.

The stock market is trying to find a valuation that is compatible with the estimated future interest rates. Today's stock market valuation is based on the assumption that central banks will cut interest rates significantly in 2024, which means that current interest rates are too high to justify today's valuation. At the same time, if the central banks cut more than expected, the economy has entered a much weaker phase, which will not favour stock market performance. The stock market will be forced to live in a fairly narrow interest rate corridor.

Higher interest rates mean increasingly better returns on our bond portfolio. In combination with decent credit margins, interest-based investments appear to be increasingly attractive with regard to the stock market and, above all, real assets.

Finally, 2024 is likely to be the major trial year for all the assets and investment strategies that benefited from the former low interest rate world. It takes a while for adjustments to take place, but after a few years of increasing interest rates, we now see that leveraged investment strategies of low-earning assets are becoming increasingly challenging. What will and must happen is that asset prices will be devalued and that the loan-to-value ratios are reduced. This means that at some stage, when this process is completed, these assets will again offer reasonable returns and financial risk is likely to have been reduced. This process will offer abundant investment opportunities for investors with good liquidity.

The labour market and pensions market

Despite the downturn in autumn 2023, the labour market remained relatively strong. Companies held off on staff reductions and continued to recruit scarce skills in order to have the resources to face a future economic upturn with good capacity. The importance of being able to retain more staff than is currently needed was a lesson after the pandemic, as several industries had difficulty regaining staff once the pandemic was over.

The economic downturn is expected to last through 2024 and, even if it is not deep, unemployment is expected to rise the longer the turnaround takes. A countervailing factor is that many companies are still hunting for skills to grow in a profound structural transformation. If automation and digitalisation have set the agenda in recent years, one particular aspect came to characterise 2023: awareness of the need for artificial intelligence (AI) skills.

Technological development in AI is moving at a rapid pace and companies are looking for possible applications in their businesses, while not yet knowing what regulations they will have to deal with. The need for new skills is obvious, but competition for top-level expertise is fierce. Therefore, it is a more reasonable strategy to try to strengthen the AI skills of existing staff. Provided that companies have the financial resources, 'overcapacity' during the economic downturn can be used for skills initiatives, which might have been more difficult to prioritise in an economic boom with full capacity utilisation.

In the short term, technology-driven structural change can slow down unemployment. In the longer term, it will lead to the disappearance of many jobs and the creation of new ones. Unemployment combined with a shortage of skills is a situation that will not go away. Re-skilling is as much the focus of the employee as of the employer. And should do the same for politics, but the initiatives have been few since the tripartite agreement on the transition study support.

Political initiatives currently seem more concerned with limiting labour immigration and raising pensions for those who have stopped working. The pension debate is characterised by the view that retirees as a group are in a particularly difficult financial situation, and the basic approach of the new parties in the parliamentary pension group is to increase pensions. In light of an ageing electorate, the message may seem politically reasonable, but is not supported by the facts. There is also a hope that the introduction of a "stimulus" in the national pension will make it possible to increase pensions at no cost. The issue will be investigated, but these hopes may turn out to be too high if politicians also want to avoid the "stimulus" causing intergenerational inequality.

While broad increases in pensions risk providing incentives that counteract higher retirement ages, it is an initiative that could make it easier for more people to work a little more. During the year, a strong proposal is likely to be made to make it possible to stop ongoing payment of occupational pensions.

Rapid technological developments, particularly in the field of AI, have favoured a handful of global companies with access to huge amounts of data, which is needed to 'train' machine learning algorithms. This raises concerns about the power of these companies. Global tech companies operating in Sweden also challenge our labour market model by refusing to sign collective agreements, which in 2023 led to several conflicts with ideological undertones.

Collectively agreed occupational pensions, where life insurance companies compete for the insured's choice via selection centres, are growing faster than the occupational pension market as a whole. One explanation is that the fully defined contribution agreements ITP 1 and AKAP-KR are growing to cover more and more insured persons. In addition, employers' premium payments are increasing as provisions for part-time and flexible pensions are raised in the private sector, as are the levels of collective agreements in the public sector. Salary exchanges made through the collective agreement's selection centre also dilute growth.

Many of the larger companies without collective agreements in particular offer occupational pension solutions for their employees. Together with, for example, high earners solutions, executive pensions and a significant part of all salary exchanges, it constitutes a diverse sub-market, which is growing at a slower pace than the choice centre market.

The life insurance industry is focusing on increasing the amount of salary exchanges and will be helped in 2024 by the fact that the cut-off point for employees to start paying national tax will not be raised, enabling more people to participate in salary exchanges. The industry is also driving transfers of occupational pension capital. It is mainly outside the selection centre market that there is potential for incentives, such as transfer commissions and transfer bonuses, and in particular the transfer of unit-linked insurance.

Large and long-established life insurance companies are facing increased competition from niche banks and other players offering occupational pension solutions based on cost-effective fund platforms. At the same time, Fintech companies are starting to develop viable business models that are enabling new partnerships with established life insurance companies. With access to more and more customer data, new types of attractive customer offers can be developed. AI may play a greater role here in the coming years.

Product reporting

Alecta operates in accordance with principles of mutuality, and it is important that income and expenses are allocated equitably among the different Alecta products. Our ability to take advantage of economies of scale and distribute shared expenses across all products, enables us to add value for our customers. The Alecta product areas are:

Savings insurance

- Defined benefit pensions (primarily ITP)
- Defined contribution pensions (mainly ITP but also in other collective bargaining areas)

Risk insurance

- Disability pension (mainly ITP)
- Survivor cover (mainly ITP)
- Premium waiver (mainly ITP)

Alecta monitors the financial performance of its different products very closely. The allocation of operating expenses between the different products is based on specific allocation principles and allocation keys. The allocation keys are reviewed regularly to ensure the most equitable allocation possible.

In addition to the equitable allocation of income and expenses among its different products, Alecta also endeavours to bear the risks in an equitable manner. Alecta's monitoring of solvency and risk is intended to ensure that each product has adequate capital cover for these risks.

Risk management and risk organisation

To protect the interests of Alecta's customers and other stakeholders, we need to ensure that we maintain strict control of the risks and how the risks are managed. Insurance risks must be managed in a way that ensures that Alecta is able to meet its insurance obligations. The investment risks taken must generate the highest possible return without jeopardising Alecta's obligations to insured parties. Also, other risks such as compliance, sustainability and information security risks must be managed in a way that does not prevent Alecta from fulfilling its tasks. Operational risks in the business are to be managed in a way that contributes to internal control.

It is the responsibility of the Board of Directors to ensure that Alecta's risk exposure is well-balanced and that the internal control is good. The Board has delegated the task of monitoring Alecta's investment activities to its investment committee and the task of monitoring Alecta's risks and how management handles these to its audit committee. The CEO is responsible for the day-to-day management of operations, which includes ensuring a high level of internal control.

Insurance risks

The Board of Directors defines actuarial guidelines, as describing the methods and principles to be used for actuarial assumptions. The CEO determines the basis for actuarial calculations, which contains more detailed calculation models, as well as the assumptions to be applied in the actuarial calculations. The Chief Actuary is responsible for the management and ongoing monitoring of Alecta's insurance risks, which involves a responsibility to continuously adapt actuarial guidelines and the bases for actuarial calculations by submitting proposals for amendments that should be made.

Investment risks

The Board of Directors decides on Alecta's Investment Guidelines, which set out the direction and framework for the investment activities that Alecta has to follow. The Board also decides on the governance document, Placement Guidelines, which is a complement to the governance documents Investment Guidelines and the Risk Management Policy. The Placement Guidelines regulate in detail how the investment activities may and should be conducted. The Board is responsible for ensuring compliance with the guidelines. The Board's Finance Committee prepares and makes recommendations in the matters of asset management to be dealt with or decided by the Board. The CEO is responsible for the placement activities under the mandate set out in the placement guidelines and other resolutions of the Board. Subject to certain restrictions, this mandate has been sub-delegated to the Head of Asset Management, who is responsible for the management and monitoring of Alecta's financial risks.

Other risks

All managers and employees are responsible for ensuring good internal control in their respective business areas, which includes responsibility for managing and controlling risks and their potential consequences. Alecta's management of the above risk categories is described in greater detail in Note 3.

Risk management support functions:

- The independent central functions Compliance, Risk and Actuary make independent assessments of Alecta's risks and risk management. They also perform a supporting role in relation to management and other business functions. The Risk and Compliance Managers are also recipients of whistleblowing cases.
- The Data Protection Officer assists in ensuring that Alecta complies with the General Data Protection Regulation, GDPR.

- The Complaints Officer is tasked with assisting in the management of customer complaints.
- Risk and Portfolio Analysis, an independent function within Asset Management, is responsible for the day-to-day control of financial risks.
- The Information Security Officer (CISO) leads the work of the Information Security function and coordinates the work on information security and supports the activities in the area.
- IGC function – Internal Governance And Control – supports operations by coordinating and developing processes and procedures within internal control.
- The internal audit function conducts independent audits and evaluations of the company's internal control on behalf of the Board.

Corporate governance

Alecta applies the Swedish Corporate Governance Code (the Code), although it has no formal obligation to do so. However, one minor deviation is that the interim report is not annually reviewed by the company auditor. A corporate governance report prepared in accordance with the Code is available on pages 37–44.

Sustainability reporting

In accordance with Chapter 6, Section 1 of the Insurance Companies Annual Accounts Act and Chapter 6, Section 11 of the Annual Account Act, Alecta has chosen to present its statutory sustainability statement separate from its Administration Report. The Board is responsible for the sustainability report. It covers the whole Group and describes Alecta's standpoint on key sustainability issues, including sustainability risks and governance of the work. The sustainability report has been submitted to the auditors along with the annual report and encompasses pages 10–32. The auditor's report on the review of the sustainability report, the scope of which is defined by the content index of the Global Reporting Initiative (GRI) on pages 33–35, and opinion on the statutory sustainability statement, can be found on page 36. Feedback on Alecta's pension products in accordance with the EU disclosure regulation (SFDR) is available on pages 108–125.

Five-year summary

GROUP, SEK MILLION	2023	2022	2021	2020	2019
Profit/loss					
Premiums written	99,527	66,200	55,759	62,749	52,776
Invoiced premiums	*43,678*	*47,897*	*50,043*	*53,823*	*41,081*
Guaranteed refunds	*55,849*	*18,303*	*5,716*	*8,926*	*11,695*
Insurance claims incurred	–25,863	–23,037	–24,633	–21,424	–18,148
Net return on capital	85,137	–99,012	173,292	50,033	125,031
Profit/loss before tax	61,750	23,598	212,646	38,332	97,651
Profit/loss for the year	59,472	24,126	211,410	37,662	93,306
Financial position					
Assets under management [1)]	1,247,395	1,155,313	1,233,221	1,039,949	964,029
– of which is defined contribution insurance	*266,559*	*225,980*	*227,532*	*168,047*	*141,132*
Technical provisions	621,507	529,531	613,809	621,962	570,634
Collective funding capital	354,712	385,615	418,346	278,344	263,282
Capital base [2)]	615,880	625,762	619,312	410,551	385,722
Required solvency margin [3)]	242,702	241,210	–	–	–
Minimum capital requirement [2) 4)]	26,486	22,187	25,612	25,923	23,887
Key performance indicators					
Total return for the Group, per cent [5)]	7.4	–7.9	16.6	5	14.8
– of which is shares	*15.8*	*–15.3*	*40.6*	*10.9*	*32.8*
– of which is debt securities	*6.7*	*–7.7*	*–0.8*	*2.3*	*2.6*
– of which is alternative investments	*–5.9*	*8.9*	*13.2*	*0.2*	*7.6*
Total return, defined contribution insurance, per cent [6)]	8.7	–9.8	24.1	6.6	20.3
Total return, defined benefit insurance, per cent [6)]	7.1	–7.4	15.2	4.7	14.1
Direct return for the Group, per cent	2.4	2.9	1.9	1.6	2.1
Management expense ratio [7)]	0.07	0.06	0.07	0.08	0.08
Management expense ratio, defined contribution insurance [7)]	0.05	0.04	0.05	0.06	0.07
Management expense ratio, defined benefit insurance [7)]	0.07	0.07	0.08	0.08	0.08
Total asset management expense ratio [8)]	0.14	0.12	–	–	–
Asset management expense ratio [9)]	0.03	0.02	0.02	0.02	0.02
Collective funding ratio, defined contribution insurance, per cent [10)]	99	100	100	100	100
Collective funding ratio, defined benefit insurance, per cent	158	172	172	148	148
Solvency ratio, per cent	199	218	201	167	169

1) Defined as equity, provisions for life insurance and claims outstanding.
2) Information refers to parent company and Group. As of 2023, when calculating the capital base, special indexation funds are deducted.
3) The key performance indicator is a new requirement from 2022 (according to FFFS 2019:23) as Alecta is a mutual occupational pension company as of 1 January 2022 according to the Swedish Occupational Pension Undertakings Act (2019:742). The comparative figure has been adjusted due to a refined calculation method.
4) Up to and including 2021 required solvency margin.
5) Information refers to the Group defined benefit and defined contribution retirement pensions and risk insurance. Calculated for all years in accordance with the recommendations of Insurance Sweden.
6) Calculated for all years in accordance with the recommendations of Insurance Sweden. Total return for defined contribution insurance refers to the portfolio constituting Alecta's default option, which has a 60 per cent share component.
7) Calculated as operating expenses and claims settlement expenses relative to average assets under management.
8) A new key performance ratio calculation has not been done for years earlier than 2022. Calculated as total asset management expenses relative to average assets under management. Note 8 Operating expenses contains a summary of total asset management expenses.
9) Calculated as internal operating expenses for asset management relative to average assets under management. Note 8 Operating expenses contains a summary of asset management expenses.
10) Surplus/deficit is allocated to the insured parties on a monthly basis, which is why the collective funding ratio is nearly always 100 per cent. The 2023 outcome of 99 per cent did not achieve the target funding of 100 per cent but is within the funding range of 98–102 per cent, see also page 50.

Alecta has conducted a review of which items and key performance indicators are deemed relevant to report in the five-year summary. All indicators and most of the items specified in the general recommendations of the Swedish Financial Supervisory Authority (FFFS 2019:23) are presented. In addition, some additional items and indicators not included in the general recommendations are presented.

Alternative income statement

Group

It can be difficult to obtain an understanding from the income statement of how the profit of an occupational insurance company was achieved. The main reason for this is that the changes made to the technical provisions during the year are recognised on a net basis in the income statement items, Change in provision for life insurance and Change in provision for claims outstanding. As these figures are presented on a net basis, it is not possible to deduce solely on the basis of the income statement, the mortality results for the company or its total financial results for assets and liabilities.

The alternative income statement is intended to give readers a better understanding of the factors behind the reported results and is prepared through allocation of the change in TPs and other items from the income statement amongst the four sub-results of administration result, risk result, financial result and tax result. For each sub-result, income and expenses are matched.

Consolidated profit was SEK 59.5 billion (24.1).

ALTERNATIVE INCOME STATEMENT (SEK MILLION)	2023	2022
Administration result	194	113
Risk result	4,980	3,979
Financial result	55,351	18,224
Tax result	–1,053	1,810
Profit/loss for the year	**59,472**	**24,126**

Administration result

The administration result was SEK 194 million (113) and represents the difference between Alecta's income and operating expenses (excluding asset management expenses, which are presented in the financial results). TPs include a provision for future operating expenses for the company's current insurance portfolio. The provision for operating expenses is reversed on an ongoing basis and along with operating expenses charged to premiums written, constitutes Alecta's income (released operating expenses).

Other income, which consists primarily of administrative fees from PRI Pensionsgaranti is presented separately in the alternative income statement. In Note 8 Operating expenses, other income has instead been deducted from operating expenses.

ADMINISTRATION RESULT (SEK MILLION)	2023	2022
Income	1,019	914
of which is released operating expenses	*975*	*856*
of which is other income	*44*	*58*
Expenses	–825	–801
Total administration result	**194**	**113**

Risk result

The risk result was SEK 5.0 billion (4.0) and shows how closely Alecta's assumptions on mortality, morbidity and use of insurance options are consistent with actual outcomes. Insurance options refer to the potential right of the insured party to transfer the value of their insurance, decide when payments should begin or end and the right to discontinue regular premium payments. In addition to measured options other changes also occur, primarily on defined benefit insurance products that are included under the item, Other.

RISK RESULT (SEK MILLION)	2023	2022
Annual mortality result	77	301
Annual morbidity result	2,314	2,348
Insurance options	904	–850
Changes in methods and assumptions used in calculating FTA	–	315
Other	1,684	1,865
Total risk result	**4,980**	**3,979**

Financial result

The financial result was SEK 55.4 billion (18.2). The financial result is largely dependent on the performance of financial markets and normally accounts for most of the profit for the year. A longer description of Alecta's return on capital is provided in the Capital return section of the Administration Report.

The financial result is also affected by the cumulative return on TPs, changes to the discount rate and investment management operating expenses. Finally, the financial result is affected by the profit that arises when the discount rate used to value the insurance obligation exceeds the contractual premium interest rate. This profit is recognised in the item, Other profit sources and is essential to Alecta's ability to distribute substantial refunds to the insured parties and the policyholders and the item primarily relates to the profit effect of the difference between the premium bases and the assumptions we use when calculating FTA, refer to the Technical provisions section in the Administration Report.

FINANCIAL RESULT (SEK MILLION)	2023	2022
Return on capital result	85,137	–99,012
of which is asset management expenses	*–340*	*–264*
Released operating expenses for asset management	76	72
Cumulative return on TPs	–18,848	–17,508
Other profit sources	38,087	24,273
Premier reduction defined benefit savings	–5,101	–3,021
Changes in TPs as a result of changed market interest rates	–44,000	113,420
Total financial result	**55,351**	**18,224**

Tax result

The tax result totalled SEK –1.1 billion (1.8). TPs include a provision for future yield tax for guaranteed benefits. The result for yield tax is thus the income that arises on an ongoing basis as provisions for tax are reversed, less yield tax before tax credits for the year. Income tax is described in the Tax section of the Administration Report.

TAX RESULT (SEK MILLION)	2023	2022
Result, yield tax	144	790
Income tax	–1,197	1,020
Total tax result	**–1,053**	**1,810**

Financial Statements Contents

Reports

Note

Note

Income Statement

SEK MILLION	NOTE	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
TECHNICAL ACCOUNTS, LIFE INSURANCE BUSINESS					
Premiums written	4	99,527	66,200	99,527	66,200
Invoiced premiums		*43,678*	*47,897*	*43,678*	*47,897*
Guaranteed refunds		*55,849*	*18,303*	*55,849*	*18,303*
Capital return, income	5	75,381	66,768	74,634	66,409
Unrealised gains on investment assets	6	23,257	843	23,257	–
Insurance claims incurred		–25,863	–23,037	–25,863	–23,037
Insurance claims paid	7	*–25,235*	*–24,276*	*–25,235*	*–24,276*
Change in provision for claims outstanding		*–628*	*1,239*	*–628*	*1,239*
Change in other technical provisions		–91,348	83,039	–91,348	83,039
Provision for life insurance		*–91,348*	*83,039*	*–91,348*	*83,039*
Refunds and discounts		–5,101	–3,021	–5,101	–3,021
Operating expenses	8	–602	–571	–602	–571
Capital return, expenses	9	–5,718	–9,406	–5,444	–9,197
Unrealised losses on investment assets	10	–7,783	–157,217	–4,573	–158,623
Life insurance, total balance on the technical accounts		**61,750**	**23,598**	**64,487**	**21,200**
NON-TECHNICAL ACCOUNTING					
Life insurance, balance on the technical account		61,750	23,598	64,487	21,200
Profit/loss before tax		**61,750**	**23,598**	**64,487**	**21,200**
Tax on profit for the year	11, 12	–2,278	528	–2,588	875
PROFIT/LOSS FOR THE YEAR		59,472	24,126	61,900	22,075

Statement of Comprehensive Income

SEK MILLION	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Profit/loss for the year	**59,472**	**24,126**	**61,900**	**22,075**
Items that can be subsequently reclassified to the income statement				
Foreign exchange difference that can later be reclassified as profit	–211	948	–	–
Other comprehensive income	**–211**	**948**	**–**	**–**
COMPREHENSIVE INCOME FOR THE YEAR	59,261	25,075	61,900	22,075

Comprehensive income for the year is wholly attributable to the owners of the parent company.

Performance Analysis

Parent company 2023

SEK MILLION	Total	DIRECT INSURANCE OF SWEDISH RISKS – Occupational pension insurance: Defined benefit insurance	Defined contribution traditional insurance	Occupational disability insurance	Waiver of premium insurance	Other life insurance: Group life and occupational group life insurance
LIFE INSURANCE, BALANCE ON THE TECHNICAL ACCOUNTS						
Premiums written	99,527	66,511	26,031	2,670	4,062	252
Capital return, income	74,634	55,020	17,512	1,364	706	32
Unrealised gains on investment assets	23,257	17,145	5,457	425	220	10
Insurance claims incurred	–25,863	–19,178	–2,006	–1,764	–2,729	–185
Insurance claims paid	*–25,235*	*–19,176*	*–2,006*	*–1,290*	*–2,579*	*–184*
Change in provision for claims outstanding	*–628*	*–2*	*–*	*–474*	*–150*	*–2*
Changes in other technical provisions	–91,348	–73,814	–17,535	–	–	–
Provision for life insurance	*–91,348*	*–73,814*	*–17,535*	–	–	–
Refunds and discounts	–5,101	–5,101	–	–	–	–
Operating expenses	–602	–296	–88	–130	–66	–22
Capital return, expenses	–5,444	–4,021	–1,269	–100	–52	–2
Unrealised losses on investment assets	–4,573	–3,371	–1,073	–84	–43	–2
Life insurance, total balance on the technical accounts	**64,487**	**32,896**	**27,030**	**2,381**	**2,098**	**83**
TECHNICAL PROVISIONS						
Provision for life insurance	607,851	508,463	99,388	–	–	–
Claims outstanding	13,656	25	–	8,395	5,209	28
Total technical provisions	**621,507**	**508,487**	**99,388**	**8,395**	**5,209**	**28**
Surplus fund	**552,838**	**396,019**	**138,331**	**13,056**	**5,047**	**385**
Total operating expenses, excluding property management expenses						
Operating expenses (administrative expenses in the insurance business)	–602	–296	–88	–130	–66	–22
Claims settlement expenses (included in Insurance claims paid)	–179	–91	–31	–45	–8	–5
Investment management expenses (included in Capital return, expenses)	–333	–253	–70	–7	–4	0
Total operating expenses, excluding property management expenses	**–1,114**	**–640**	**–189**	**–182**	**–77**	**–27**

Balance Sheet

		Group		Parent Company	
SEK MILLION	NOTE	31/12/2023	31/12/2022	31/12/2023	31/12/2022
ASSETS					
Intangible assets					
Intangible assets	13	–	20	–	20
		–	**20**	**–**	**20**
Investment assets					
Land and buildings	15	39,984	42,890	11,049	12,327
Investment in Group companies, associated companies and joint ventures					
Shares and participations in Group companies	16	–	–	11,759	9,567
Debt securities issued by and loans to Group companies	17, 19	–	–	18,630	18,635
Shares and participations in associated companies and joint ventures	18, 19, 22, 23, 41	65,531	80,066	55,901	69,584
Debt securities issued by, and loans to, associated companies and joint ventures	18, 19, 22, 23, 41	378	2,626	378	2,626
Other financial investment assets					
Shares and participations	19, 22, 23, 24	596,161	598,706	595,339	597,851
Bonds and other debt securities	19, 22, 23, 25, 41, 42	523,795	399,462	523,795	399,462
Loans secured by real estate	19, 22, 26	6,934	5,999	4,767	5,128
Other loans	19, 22, 23, 27	11,319	23,116	11,319	23,116
Derivatives	19, 22, 28, 29	32,792	14,305	32,792	14,305
		1,276,895	**1,167,170**	**1,265,730**	**1,152,599**
Receivables					
Receivables related to direct insurance operations	19, 30	1,853	1,724	1,853	1,724
Other receivables	12, 19, 31	6,617	13,738	6,163	14,311
		8,470	**15,462**	**8,015**	**16,035**
Other assets					
Tangible fixed assets	14	12	12	2	4
Cash and bank balances	19, 42	3,879	3,672	3,606	3,468
		3,891	**3,684**	**3,608**	**3,471**
Prepaid expenses and accrued income					
Accrued interest and rental income	19, 32	4,525	3,948	4,538	3,950
Other prepaid expenses and accrued income		111	137	55	62
		4,636	**4,085**	**4,593**	**4,012**
TOTAL ASSETS		**1,293,891**	**1,190,421**	**1,281,947**	**1,176,138**

Balance Sheet, *cont.*

SEK MILLION	NOTE	Group 31/12/2023	Group 31/12/2022	Parent Company 31/12/2023	Parent Company 31/12/2022
EQUITY, PROVISIONS AND LIABILITIES					
Equity					
Surplus fund	33	552,838	589,918	552,838	589,918
Translation difference	33	1,118	1,329	–	–
Retained earnings		12,459	10,408	–	–
Profit/loss for the year		59,472	24,126	61,900	22,075
		625,888	**625,782**	**614,738**	**611,994**
Technical provisions					
Provision for life insurance	35	607,851	516,503	607,851	516,503
Claims outstanding	36	13,656	13,028	13,656	13,028
		621,507	**529,531**	**621,507**	**529,531**
Other provisions					
Provisions for taxes	12	2,016	2,330	30	–
Other provisions	37	6	6	2	2
		2,021	**2,336**	**32**	**2**
Liabilities					
Liabilities related to direct insurance operations	19, 38	708	847	708	847
Derivatives	19, 22, 28, 29	11,622	20,488	11,622	20,488
Other liabilities	19, 39	30,842	9,573	32,421	11,810
		43,172	**30,908**	**44,751**	**33,145**
Accrued expenses and prepaid income					
Other accrued expenses and prepaid income	19, 40	1,303	1,864	919	1,466
		1,303	**1,864**	**919**	**1,466**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,293,891	1,190,421	1,281,947	1,176,138

Statement of Changes in Equity

Group

	Surplus fund [1]						
		Discretionary participations	Other reserves				
SEK MILLION	Collective surplus	Allocated refunds to insured parties and policyholders [2]	Special indexation funds [3]	Translation reserve [4]	Retained earnings	Profit/loss for the year	Total
OPENING EQUITY AS OF 01/01/2022	199,895	190,490	9,969	381	7,267	211,410	619,412
Effect of changed accounting principle (refer to Note 15)	–	–	–	–	1,531	–	1,531
OPENING EQUITY AS OF 01/01/2022	199,895	190,490	9,969	381	8,798	211,410	620,943
Appropriation of profits from previous years	209,799	–	–	–	1,611	–211,410	–
Allocated refunds							
Defined benefit	–57,872	57,872	–	–	–	–	–
Defined contribution plan	–2,961	2,961	–	–	–	–	–
Guaranteed refunds							
Pension supplements, defined benefit plan	–	–3,075	–	–	–	–	–3,075
Supplementary amounts, defined contribution plan	–	–460	–	–	–	–	–460
Adjustment of paid-up policy values, defined benefit plan	–2,928	–7,378	–	–	–	–	–10,306
Premium reduction risk	–	–4,977	–	–	–	–	–4,977
Collective risk premium [5]	–	–	–134	–	–	–	–134
Other changes							
Fees	–23	–	23	–	–	–	–
Interest	–557	557	–	–	–	–	–
Effect of changes in market interest rates	4,045	–4,045	–	–	–	–	–
Research grants [6]	0	–	–	–	–	–	0
Other [7]	201	–1,483	–	–	–	–	–1,281
Profit/loss for the year	–	–	–	–	–	24,126	24,126
Other comprehensive income							
Exchange rate fluctuations for the period	–	–	–	948	–	–	948
Comprehensive income for the year	–	–	–	948	–	24,126	25,075
CLOSING EQUITY AS OF 31/12/2022	349,600	230,461	9,858	1,329	10,408	24,126	625,782
OPENING EQUITY AS OF 01/01/2023	349,600	230,461	9,858	1,329	10,408	24,126	625,782
Appropriation of profits from previous years	22,075	–	–	–	2,051	–24,126	–
Allocated refunds							
Defined benefit	–42,071	42,071	–	–	–	–	–
Defined contribution plan	–27,701	27,701	–	–	–	–	–
Guaranteed refunds							
Pension supplements, defined benefit plan	–	–5,269	–	–	–	–	–5,269
Supplementary amounts, defined contribution plan	–	–410	–	–	–	–	–410
Adjustment of paid-up policy values, defined benefit plan	–19,252	–27,016	–	–	–	–	–46,267
Premium reduction risk	–	–4,480	–	–	–	–	–4,480
Collective risk premium [5]	–	–	–142	–	–	–	–142
Other changes							
Fees	–9	–	9	–	–	–	–
Interest	–1,462	1,178	284	–	–	–	–
Effect of changes in market interest rates	–2,101	2,101	–	–	–	–	–
Research grants [6]	–1	–	–	–	–	–	–1
Other [7]	909	–3,495	–	–	–	–	–2,586
Profit/loss for the year	–	–	–	–	–	59,472	59,472
Other comprehensive income							
Exchange rate fluctuations for the period	–	–	–	–211	–	–	–211
Comprehensive income for the year	–	–	–	–211	–	59,472	59,261
CLOSING EQUITY AS OF 31/12/2023	279,988	262,842	10,008	1,118	12,459	59,472	625,888

1) See accounting principles in Note 33.

2) Funds that have been allocated to Alecta's insured parties and policyholders under different discretionary resolutions. These funds constitute part of Alecta's risk capital and are not guaranteed until assigned. Formally, Alecta can recall the funds. Of SEK 262,842 million (230,461), SEK 1,268 million (1,395) are funds intended for cost coverage of measures within the ITP plan, where the collective agreement parties have been given the right to designate use. The decision on the final use of the funds is made by Alecta's Board of Directors, provided that the Board unanimously agrees that the designated use is consistent with Alecta's interests as an insurance company. See accounting principles in Note 33.

3) Funds contributed to Alecta for indexation of pensions or for other pension promotion purposes or alternatively, to be transferred to a foundation designed for indexation of pensions. The Council of Administration decides how the funds should be used. See accounting principles in Note 33. When calculating the company's capital base, special indexation funds are deducted. In 2023, Alecta investigated whether special indexation funds should be separately reported outside the consolidation fund and intends to reconcile the issue with the Swedish Financial Supervisory Authority in 2024.

4) Refers to the exchange rate change for the period, see accounting principles in Note 33.

5) Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increased employers' expenses arising from the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.

6) Research grants to the Karolinska Institute and the Swedish Corporate Governance Institute.

7) The item consists of cumulative return, inheritance gains and portfolio changes.

Statement of Changes in Equity

Parent Company

SEK MILLION	Collective surplus	Surplus fund [1] Discretionary participations: Allocated refunds to insured parties and policyholders [2]	Other reserves: Special indexation funds [3]	Profit/loss for the year	Total
OPENING EQUITY AS OF 01/01/2022	**199,895**	**190,490**	**9,969**	**209,799**	**610,153**
Appropriation of profits from previous years	209,799	–	–	–209,799	–
Allocated refunds					
Defined benefit plan	–57,872	57,872	–	–	–
Defined contribution plan	–2,961	2,961	–	–	–
Guaranteed refunds					
Pension supplements, defined benefit plan	–	–3,075	–	–	–3,075
Supplementary amounts, defined contribution plan	–	–460	–	–	–460
Adjustment of paid-up policy values, defined benefit plan	–2,928	–7,378	–	–	–10,306
Premium reduction risk	–	–4,977	–	–	–4,977
Collective risk premium [4]	–	–	–134	–	–134
Other changes					
Fees	–23	–	23	–	–
Interest	–557	557	–	–	–
Effect of changes in market interest rates	4,045	–4,045	–	–	–
Research grants [5]	0	–	–	–	0
Other [6]	201	–1,483	–	–	–1,282
Profit/loss for the year	–	–	–	22,075	22,075
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**22,075**	**22,075**
CLOSING EQUITY AS OF 31/12/2022	**349,600**	**230,461**	**9,858**	**22,075**	**611,994**
OPENING EQUITY AS OF 01/01/2023	**349,600**	**230,461**	**9,858**	**22,075**	**611,994**
Appropriation of profits from previous years	22,075	–	–	–22,075	–
Allocated refunds					
Defined benefit plan	–42,071	42,071	–	–	–
Defined contribution plan	–27,701	27,701	–	–	–
Guaranteed refunds					
Pension supplements, defined benefit plan	–	–5,269	–	–	–5,269
Supplementary amounts, defined contribution plan	–	–410	–	–	–410
Adjustment of paid-up policy values, defined benefit plan	–19,252	–27,016	–	–	–46,267
Premium reduction risk	–	–4,480	–	–	–4,480
Collective risk premium [4]	–	–	–142	–	–142
Other changes					
Fees	–9	–	9	–	–
Interest	–1,462	1,178	284	–	–
Effect of changes in market interest rates	–2,101	2,101	–	–	–
Research grants [5]	–1	–	–	–	–1
Other [6]	909	–3,495	–	–	–2,586
Profit/loss for the year	–	–	–	61,900	61,900
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**61,900**	**61,900**
CLOSING EQUITY AS OF 31/12/2023	**279,988**	**262,842**	**10,008**	**61,900**	**614,738**

1) See accounting principles in Note 33.
2) Funds that have been allocated to Alecta's insured parties and policyholders under different discretionary resolutions. These funds constitute part of Alecta's risk capital and are not guaranteed until assigned. Formally, Alecta can recall the funds. Of SEK 262,842 million (230,461), SEK 1,268 million (1,395) are funds intended for cost coverage of measures within the ITP plan, where the collective agreement parties have been given the right to designate use. The decision on the final use of the funds is made by Alecta's Board of Directors, provided that the Board unanimously agrees that the designated use is consistent with Alecta's interests as an insurance company. See accounting principles in Note 33.
3) Funds contributed to Alecta for indexation of pensions or for other pension promotion purposes or alternatively, to be transferred to a foundation designed for indexation of pensions. The Council of Administration decides how the funds should be used. See accounting principles in Note 33. When calculating the company's capital base, special indexation funds are deducted. In 2023, Alecta investigated whether special indexation funds should be separately reported outside the surplus fund and intends to reconcile the issue with the Swedish Financial Supervisory Authority in 2024.
4) Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increased employers' expenses arising from the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.
5) Research grants to the Karolinska Institute and the Swedish Corporate Governance Institute.
6) The item consists of cumulative return, inheritance gains and portfolio changes.

Notes

NOTE 1 Group and Parent Company Accounting Principles

This annual and sustainability report refers to the financial year 2023 for Alecta Tjänstepension Ömsesidigt with its seat in Stockholm and organisation number 502014-6865. Postal address is 103 73 Stockholm. The street address for the head office is Regeringsgatan 107.

This annual and sustainability report was approved for publication by the Board of Directors on 21 March 2024 and will be presented to the Council of Administration for adoption on 25 April 2024.

The amounts specified refer to SEK millions unless otherwise stated. Due to rounding, the sum of the figures may differ from the totals. Figures in brackets refer to the previous year.

Presentation

General accounting principles and new accounting rules are described in Note 1 below. Other accounting principles are described in the relevant Note in order to enhance the reader's understanding of each area of accounting.

Basis of Preparation of Financial Statements

The Group and the parent company annual report has been prepared in accordance with the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL) and the Swedish Financial Supervisory Authority regulations and general advice on annual accounts in insurance companies and occupational pension companies (FFFS 2019:23) with its amendment regulations. Furthermore, the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities has been applied.

Both the Group and the parent company apply so-called legally restricted IFRS, which means that international standards adopted are applied as far as possible, i.e. with the limitations that follow from ÅRFL, RFR 2 and FFFS 2019:23. Alecta has transitioned from full IFRS to legally restricted IFRS in the consolidated financial statements from 2022.

Consolidated Financial Statements

The consolidated financial statements consist of the parent company, Alecta Tjänstepension Ömsesidigt and those subsidiaries in which the parent company directly or indirectly owns more than half of the voting rights for all shares and participations or otherwise has a controlling influence. Controlling influence means that Alecta directly or indirectly has a right to design a company's financial and operational strategies for the purpose of obtaining financial returns. Disclosures on shares and participations in Group companies are provided in Note 16. Profits or losses from subsidiary operations that were acquired or sold during the year are included in the consolidated financial statements from the acquisition date respectively until the date when the parent company ceases to have a controlling influence. All intragroup transactions, balance sheet items, income and expenses are eliminated in their entirety with consolidation. Untaxed reserves in legal entities are eliminated in the consolidated financial statements and allocated to equity and deferred tax.

Basis of measurement

The basis of measurement applied in preparing the consolidated financial statements is historical acquisition cost with the exception of derivatives and assets and liabilities categorised as financial assets and financial liabilities at fair value through profit or loss. The breakdown by category is described in Note 19.

The technical provisions are calculated at present value and these calculations are based on prudent actuarial assumptions including on interest rates, mortality, morbidity, operating expenses and other variables.

The preparation of financial statements in compliance with ÅRFL (Lagen om årsredovisning i försäkringsforetag [Annual accounts Act for Insurance Companies, AAIC]) and legally restricted IFRS requires the use of some critical accounting estimates. Management is also required to make certain judgements in applying the Group's accounting principles. Areas that involve a high degree of judgement that are complex or areas in which assumptions and estimates have a material impact on the consolidated financial statements are described in Note 2.

Asset acquisitions and business combinations

In preparing the financial statements, the acquisition method has been applied to both the acquisition of participations in entities as well as to the direct acquisition of assets and liabilities in entities. If the acquisition concerns participations in a company, this method is regarded as a transaction in which the Group indirectly acquires the assets and contingent assets of the subsidiary and assumes its liabilities and contingent liabilities. The consolidated cost is determined through acquisition value allocation in association with the acquisition. In the analysis, the acquisition value of the participations or assets and liabilities and the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities are determined.

When an entity is acquired, an assessment is made of whether the acquisition should be classified as a business or an asset. For the acquisition of property through a business transaction, the acquisition is treated as if the property was purchased directly. This type of acquired company normally has no employees and no organisation, nor any operations other than those directly attributable to the holding of the property. The acquisition value constitutes the fair value of the assets and any associated loans. Deferred tax is not recognised as a liability on premiums attributable to the acquisition. Any deductions related to deferred tax received in addition to reported tax in the acquired company are recognised as a deduction from the fair value of the acquired property, both at acquisition and in the subsequent financial statements.

If the acquired assets and assumed liabilities belong to an entity that also engaged in business activities through employees, Alecta defines the acquisition as a business combination Business combinations are reported in accordance with IFRS 3 which means, for example that acquisition costs are expensed directly, as well as deferred tax being recognised as the difference between the market value of the acquired assets and their residual tax value.

Alecta determines whether each acquisition should be classified as a business or an asset for each individual acquisition. As at 31 December 2023, all acquisitions made by Alecta have been classified as asset acquisitions.

Translation of foreign currency

The functional currency of the parent company is the Swedish krona and the financial statements are presented in Swedish kronor.

Translation of subsidiaries' balance sheets in foreign currency is done at the closing rates at the balance sheet date. Translation of subsidiaries' income statements in foreign currency is done at the average rate for the year. Translation differences arising at translation are recognised in Other comprehensive income and are transferred to the Group translation reserve.

Monetary assets and liabilities in foreign currency have been translated to Swedish kronor at the closing rates on the balance sheet date. Realised and unrealised changes in value resulting from changes in exchange rates are recognised on a net basis in the income statement in Capital return, income or Capital return, expenses.

Insurance contracts

As an insurer, Alecta provides a range of insurance products. Alecta distinguishes between pension products and disability and life insurance products. Disability and life insurance products consist of risk insurance policies for which the premium is determined for periods of one year at a time. These insurance policies do not include a savings component. For pension products, the pension entitlement is earned during the premium payment period. For accounting purposes, all Alecta products are classified as insurance contracts. The defining feature of an insurance contract is the inclusion of a significant insurance risk of some kind.

NOTE 1 Group and Parent Company Accounting Principles, *cont.*

Allocation of surplus and deficit funds

With regard to Alecta Optimal Pension, which is a defined contribution product, surpluses and deficits are allocated to the insured parties on a monthly basis. An allocated surplus is disbursed in the form of a supplement to the guaranteed pension – a so-called "supplementary amount". The surplus is not guaranteed but is part of the Alecta risk capital. The size of the surplus or deficit depends on changes in the pension capital, which in turn reflect the actual outcomes for the returns, tax, mortality and operating expenses for the relevant defined contribution insurance collective. The Company allocates surpluses and deficits by calculating the refund rate on a monthly basis in arrears, which means that the collective funding ratio is normally close to 100 per cent. The surplus is recognised as equity on the balance sheet.

A surplus or deficit arising in other products is transferred to the Alecta surplus fund. The primary function of the surplus fund is to safeguard Alecta's ability to meet its insurance commitments and secondly, it is used for distribution of surpluses to policy holders and insured parties. A surplus that is distributed to policyholders and insured parties can take the form of disbursement of pension supplements, an increase in earned pension entitlements, a reduction in insurance premiums, cash payments and allocations to policyholders in the form of business-related funds. Pension supplements, premium reductions and business-related funds will be guaranteed in association with disbursement, deposit and use and in association with this, capital is transferred from the surplus fund. An increase in earned pension entitlements will be guaranteed in association with its allocation to the insurance policies and results in a technical provision.

Changes in accounting principles

New and amended IASB accounting standards applied from 2023:

There are no new accounting standards from IASB nor any amended accounting standards applied that have affected the Alecta financial statements from 2023.

As Alecta transitioned to legally restricted IFRS in the Group from 2022, Alecta does not need to apply IFRS 17 Insurance Contract, which entered into force 1 January 2023.

New and amended IASB accounting standards to be applied from 1 January 2024 or later. Only those standards that are expected to have a material impact on Alecta are described.

There are no new or amended accounting standards from the IASB with application from 2024 or later that are expected to materially affect Alecta's financial statements.

Capital return

Capital return includes net operating income from investment properties, interest income, interest expenses, dividends on shares and participations, foreign exchange gains and losses, capital gains and losses, and unrealised changes in value on investment assets less operating expenses for asset management. Capital gains and losses are recognised on a net basis for each asset class in Capital return, income and Capital return, expenses. Unrealised gains and losses are also recognised on a net basis for each asset class. Unrealised gains and losses consist of the change in the difference between acquisition value and fair value for the year. When an asset is sold the accumulated unrealised changes in value are reversed as unrealised gain or loss and an equivalent realised profit or loss is reported. Both realised and unrealised changes in value for the year are recognised through the income statement in the period in which they arise. Capital return is presented in Notes 5, 6, 9 and 10.

Investment assets

General information

Investment assets consist of the balance sheet items, Land and buildings, Investments in Group companies, associated companies and joint ventures, as well as Other financial investment assets.

Reporting of business events

Financial assets at fair value are recognised at fair value after the acquisition date. The cost of investment assets excludes transaction costs related to financial instruments. Purchases and sales of financial assets are recognised on the balance sheet on the transaction date. Transactions that are not liquid-regulated as of the balance sheet date are reported as receivables or liabilities to the counterparty under other receivables and other liabilities other liabilities. Purchases and sales of land and buildings are recognised on the balance sheet on the completion date.

Transaction costs

Transaction costs that are directly attributable to purchases and sales of financial investment assets are recognised through the income statement and included in net capital gain or loss in the items Capital return, income or Capital return, expenses. Transaction costs attributable to purchases and sales of land and buildings and assets measured at amortised cost are reported as an increase in acquisition value or a decrease in capital gain or loss.

For acquisitions of companies classified as a business combination, the transaction costs are recognised through the income statement and included in the item Capital return, expenses.

Other financial investment assets

Alecta identifies and classifies its financial investment assets in the category of financial assets valued at fair value via the income statement. For shares held for trading and derivatives, the category of financial assets measured at fair value via the income statement is mandatory, while others are classified into the category at initial recognition based on the business model. This classification is based on the fact that Alecta manages and measures all investment assets at fair value. The measurement of financial assets traded on an active market is based on observable market data. The fair values of financial assets that are not traded on an active market are determined using established valuation techniques. In the event of acquisitions at below cost price, the so-called day-1 gain is recognised for bonds accrued over the life of the instrument and for shares only at the time of sale or when a market price exists. Note 22 provides fair value disclosures for each class of financial instrument in a table format, based on a hierarchy with three levels of fair value.

Cash and cash equivalents

Cash and cash equivalents constitute a financial asset and are classified in the amortised cost valuation category. Cash and cash equivalents are termed cash and bank balances in the Group, as well as the parent company.

Technical provisions

Technical provisions consist of the net present value of the company's guaranteed commitments for insurance contracts in effect, as well as the provision for life insurance and the provision for claims outstanding. These provisions are calculated according to generally accepted actuarial principles. This means that the provisions are measured at present value and that the calculations are based on prudent actuarial assumptions on interest rates, mortality, morbidity, operating expenses and other variables. Technical provisions also include pension commitments to Alecta's employees in accordance with the FTP plan.

Pensions in the Alecta Group

With the exception of a few pension plans in subsidiaries, pension plans within the Alecta Group are reported as defined contribution plans. This means that contributions are recognised as an expense in the period in which the benefits are earned, which in most cases is the same as when the contribution is paid.

Parent company accounting policies

The parent company applies the so-call legally restricted IFRS, which means

NOTE 1 Group and Parent Company Accounting Principles, *cont.*

that international accounting standards are applied to the extent possible under Swedish accounting and taxation legislation. From 2022, legally restricted IFRS is also applied in the Group, which means that the consolidated financial statements have become more similar to the financial statements in the parent company. However, some differences remain. The most significant differences are described below.

Shares and participations in Group companies

Shares and participations in Group companies are recognised at cost in the parent company but are eliminated in the consolidated financial statements.

Debt securities issued by and loans to Group companies

Intracompany loans and receivables are recognised at amortised cost in the parent company but are eliminated in the consolidated financial statements.

Appropriations, untaxed reserves

Swedish tax legislation allows companies to reduce their taxable income for the year through provisions for transferring funds to untaxed reserves on the balance sheet through the income statement item, Appropriations.

Due to the relationship between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not reported separately in the parent company.

NOTE 2 Significant estimates and judgements

The preparation of financial statements and application of different accounting standards are often based on estimates and judgements made by management and the Board of Directors. In most cases, these estimates and judgements are based on historical experience but may also be based on other factors, including expectations of future events. Management evaluates these estimates and judgements on an ongoing basis. Actual outcomes may differ from the estimates and judgements applied.

Those areas in which Alecta deems estimates and judgements to have the biggest impact on earnings and/or on assets and liabilities are listed in the table below, and presented in more detail in the respective notes indicated in the table references.

Significant estimates and judgements	Note	
Technical provisions [1]	3, 35, 36	Provision for life insurance, Provision for claims outstanding
Financial Instruments [2]	3, 22	Valuation categories for financial instruments measured at fair value
Investment properties	15	Land and buildings
Income tax	12	Tax
Deferred tax	12	Tax

1) Notes 35 and 36 describe the valuation of technical provisions, current assumptions and changes introduced during the year. Note 3 describes the sensitivity of the assumptions.

2) The measurement of financial instruments is described in the accounting principles in the respective notes. Note 3 presents a sensitivity analysis that shows the impact on solvency ratio and profit/loss for the year. Note 22 describes valuation techniques and presents a sensitivity analysis that illustrates estimated effects on fair value.

Heimstaden Bostad AB

Alecta's investment assets in respect of financial instruments are measured at fair value using IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement. Alecta's basic approach to valuing unlisted holdings in property companies is the NAV (net asset value) values reported in accordance with IFRS for these holdings. If there are reasons to assume that the value has been affected by specific characteristics of the share in the unlisted holding, an adjustment of the NAV shall be made. The outcome of this evaluation may imply that the NAV corresponds to the market value of the asset or a substance discount or premium can be identified. Factors that can lead to a substance discount or premium occurring are numerous and can shift over time. Factors that can be seen to have implicated a substance discount in the market for unlisted property investments in 2023 are: market sentiment, financing risk, and the interest rate and inflation environment. Evaluation of these factors takes place on each closing date.

Heimstaden Bostad constitutes a significant holding for Alecta and the valuation of this asset thus constitutes a significant assumption as the asset qualifies as an asset within level 3 where the valuation is not based on observable information. To quality assure this valuation, Alecta has engaged independent valuation expertise to validate the assumptions.

In the valuation of Heimstaden Bostad, Alecta has assumed that the equity instruments that Alecta owns shall be measured as an entity in accordance with the guidelines that exist on the market via IPEV Valuation Guidelines. The valuation of the holding in Heimstaden Bostad has thus been made on the basis of the NAV reported by the company. Alecta has subsequently assessed that the value of the equity has been adversely affected by a number of factors (mainly market sentiment, interest rate environment and financing risk) which, when weighed together, indicate that a substance discount should be applied to the NAV. Alecta has decided on an applicable net asset value discount and applied it to the NAV. The substance discount was set at 15 percent as of December, 31 2023.

NOTE 3 Risks and risk management

A general description of Alecta's risk management and risk organisation is provided on page 55 of the Administration Report. In this note, Alecta's different risk categories are described in greater detail.

Risk of loss

This risk category refers to the risk of consequences, for example in the form of loss of reputation or financial loss. Such consequences may result from a failure to manage risks in the risk categories described below.

Insurance risks

Insurance risks are risks associated with Alecta's insurance products and insurance portfolio and concern factors such as pricing, the calculation of technical provisions and the calculation and allocation of surplus funds. These calculations are based on actuarial assumptions, primarily assumptions on mortality, morbidity, operating expenses and interest rates, each of which constitutes a risk.

To determine the reliability of the actuarial assumptions used, Alecta's reported earnings are analysed from an actuarial perspective each year. This is done by comparing actual outcomes for mortality, morbidity, operating expenses and capital return to the assumptions used. The assumptions are revised when the analysis shows this to be necessary. Changes to assumptions can lead to a change in technical provisions and/or the determination of premiums. As Alecta's insurance collectives are large and diversified the concentration risks are negligible.

Mortality risk

Mortality risk is the risk that the average life expectancy of the insured parties will differ from what has been assumed. The risk varies depending on whether the insurance is a death benefit or life benefit. In a death benefit insurance policy, the insurance amount is paid out when the insured party dies. Alecta's family pension, family cover and occupational group life insurance (TGL) products are death benefit policies. In a life benefit insurance policy, the insurance amount is paid out when the insured party reaches the age specified in the contract. Retirement pension is a life benefit insurance policy. Retirement pension with repayment cover is an example of a combined death benefit and life benefit insurance policy.

A reduction in mortality means that the insured party lives longer than what had been assumed. A life benefit insurance policy is negatively affected by reduced mortality, as the costs for the policy increase because the pensions have to be paid out over a longer period than originally assumed. The opposite applies to death benefit insurance.

Under the applicable mortality assumptions, a man or a woman born in the 1950s is expected to live for a further 22.8 (22.8) and 23.9 (23.9) years, respectively after their 65th birthday. The increase in life expectancy for individuals born thereafter is assumed to be approximately 0.7 (0.7) years for each subsequent birth decade.

A 20 per cent decrease in assumed mortality means that the life expectancy of people aged 65 today will increase by 1.5 (1.5) years and the Alecta life insurance provision will increase by approximately 5 per cent (5).

Morbidity risk

Morbidity risk is the risk that the insured party will remain ill for a longer period or at a higher level of compensation than originally assumed. Alecta's morbidity risk is included in its disability and waiver of premium insurance products. When an insured party falls ill, a technical provision is made based on specific assumptions on the future degree of incapacity to work and the duration of the illness.

If the probability that illness ends decreases by 20 per cent, which means that the expected duration of cases of illness increases, while the level of working capacity increases by 20 per cent, the technical provisions for disability pension and premium waiver would increase by approximately 32 per cent (32).

Operating expenses risk

The operating expenses risk consists of the possibility that Alecta's operating expenses will be higher than has been assumed. Alecta monitors operating expenses on an ongoing basis to ensure they are in line with the levels assumed in the calculations.

Interest Risk

Interest risk arises from the assumptions on future returns used as a basis for calculating premiums and benefits and calculation of technical provisions. Technical provisions are valued primarily on the basis of the yield curve defined in the regulations of the Swedish Financial Supervisory Authority. In the annual and sustainability report, the yield curve is expressed as a cash flow-weighted average interest rate. The impact of the interest rate on Alecta's profit/loss and solvency ratio is described in the sensitivity analysis on page 71. A further description of management of the total interest rate risk for assets and liabilities is provided under Matching risk on the next page.

Financial risks

Financial risks exist in the investment activities and consist of market, credit and liquidity risks, matching risk and solvency risk. The goal for the investment activities is to generate a sustainable, real return, i.e., a positive, inflation-adjusted return that consistently exceeds both inflation and the growth of Alecta's insurance commitments. In 2023, the central function Risk carried out audits of risk management in asset management.

Market Risk

Market risk is the risk that the value of Alecta's investments will be negatively affected by changes in interest rates, exchange rates or the prices of shares, bonds or alternative investments. To limit market risk and avoid concentrations in the portfolio, Alecta spreads its investments across different asset classes and markets:

Asset allocation

	Exposure		Share of portfolio	
Asset category	2023	2022	2023	2022
Shares	477,341	456,777	38.3 %	39.6 %
Debt securities	524,613	448,010	42.1 %	38.9 %
Alternative investments [1]	243,504	247,959	19.6 %	21.5 %
Total	**1,245,458**	**1,152,747**	**100.0 %**	**100.0 %**

[1] Alternative investments include real estate, infrastructure investments, private equity and so-called alternative credits that are subject to higher market risk than traditional debt securities.

The table shows Alecta's asset allocation based on the classification in the total return table, see page 47. A detailed breakdown by asset class is presented in the diagrams on page 48.

To ensure that Alecta is able to meet its solvency requirements by a comfortable margin even in adverse market conditions, the investment policy establishes limits for risk levels. Different derivative instruments, such as interest rate futures, equity futures, forward exchange contracts and interest rate and currency swaps, are used to reduce the risks in the event of major price fluctuations and to increase the cost-effectiveness of Alecta's asset management activities.

Currency risk:

In investment activities, currency risk arises from investments in foreign assets. By using FX swaps and FX futures, the entire holding of foreign bonds as well as parts of foreign equities and alternative investments is currency indexed. The total currency exposure after currency indexation was equal to 7.1 per cent (8.9) of the investments at year-end. Without currency indexation, 49.3 per cent (51.8) of the assets would have been exposed to exchange rate fluctuations.

Currency exposure after currency indexation

	Exposure		Share of investment portfolio	
	2023	2022	2023	2022
CHF	8,405	12,324	0.7 %	1.1 %
DKK	25,326	24,745	2.0 %	2.1 %
EUR	–4,595	2,573	–0.4 %	0.2 %
GBP	5,065	3,784	0.4 %	0.3 %
USD	48,592	55,479	3.9 %	4.8 %
Other	5,083	3,091	0.4 %	0.3 %
Net exposure	**87,875**	**101,995**	**7.1 %**	**8.90 %**

Summation is in absolute terms, which means that a negative position in one currency cannot cancel a positive exposure in another currency.

NOTE 3 Risks and risk management, *cont.*

Credit risk

Credit risk is the risk of financial losses due to the insolvency of an issuer or counterparty. Alecta analyses the credit risks associated with different types of investment and establishes credit limits for issuers and counterparties. Limits have also been established for single exposures, i.e. limits for Alecta's total equity and fixed income exposure to the same corporate group. Risk and Portfolio Analysis daily checks that the limits are not exceeded. Debt Securities consist primarily of investments in securities issued by borrowers with very high credit ratings. Investments are undertaken primarily in bonds assigned a rating of BBB– or higher by the Standard & Poor's, Moody's and Fitch rating agencies. In addition to external ratings, all issuers are assessed for credit risk using internal credit rating models.

Credit exposure	Bonds and other debt securities			
	Market value including forward exposure		Share	
	2023	2022	2023	2022
Rating Aaa/AAA	285,673	177,010	45.6 %	39.4 %
Rating Aa/AA	208,998	92,182	33.4 %	20.5 %
Rating A/A	56,366	38,463	9.0 %	8.6 %
Rating Baa/BBB	24,058	39,974	3.8 %	8.8 %
Rating Ba/BB	5,795	33,974	0.9 %	7.6 %
Unrated	45,131	68,301	7.2 %	15.2 %
of which securities issued by state-owned issuers	*97,257*	*8,469*	*15.5 %*	*1.9 %*
Total	**626,022**	**449,279**	**100.0 %**	**100.0 %**

Liquidity risk

Liquidity risk is the risk of loss on financial instruments arising from the inability to immediately sell an instrument without a reduction in the price or the risk that Alecta will be unable to meet its payment obligations at maturity without an increase in the cost of obtaining the necessary funds. Alecta's payment obligations consist of insurance obligations and financial liabilities – of Alecta's total obligations, approximately 91 per cent have a maturity in excess of five years, see Notes 35 and 36. Alecta's financial liabilities are limited to the derivative contracts used for indexation of foreign currency risk and interest rate risk and usually have a maturity of less than one year. Information on the nominal values of Alecta's derivative contracts is presented in Note 28. A maturity analysis of financial liabilities is also presented in Note 21. Liquidity risk is monitored through detailed cash flow forecasts and is limited by the fact that a large portion of Alecta's investments are invested in highly liquid assets such as government bonds and treasury bills. Note 22 shows that SEK 488.5 billion of Alecta's investments consist of shares in listed companies that can be converted into cash within one week. In the event that major items of the Swedish shareholding are to be sold, this is done through a sales programme over a longer period of time. The remaining investments are deemed convertible into cash within one year and the liquidity risk is therefore regarded as negligible.

Matching risk

Matching risk is the risk of a deterioration in the Company's financial position due to differing characteristics between assets and technical provisions. The value of Alecta's insurance commitments and debt securities depends on the level of interest rates. When interest rates fall, Alecta's commitments increase as does the value of its debt securities. Given that the commitments are larger and have a longer average maturity than the debt securities, a decrease in interest rates is unfavourable for Alecta. Information on the maturities of the commitments, as well as fixed-rate terms for the asset portfolio is available in Notes 35 and 36 and 25 respectively.

To calculate the matching risk, Alecta uses an asset liability management (ALM) analysis intended to identify the optimal composition of investment assets with regard to Alecta's insurance commitments. The analysis takes into account how both the investment assets and the market-valued liabilities and therefore, Alecta's risk capital are affected by price fluctuations in the financial markets. Decisions on the composition of investments are based on Alecta's long-term assessments of market conditions in relation to its obligations, targets and financial position. Decisions are reported on an ongoing basis in the board's finance committee.

Solvency risk

Solvency risk is the risk that Alecta will be considered to have insufficient risk capital to ensure that it is able to meet its guaranteed commitments. Alecta measures the solvency risk daily in accordance with the risk-sensitive capital requirement model in the Swedish Occupational Pension Companies Act. In addition, Alecta performs its own stress tests on a daily basis that identify significant financial risks and are based on slightly more adverse market scenarios than those prescribed in the model for risk-sensitive capital requirement. The stress tests measure risk exposure and in the event that a limit is reached, action is taken to safeguard Alecta's solvency.

Sensitivity analysis	Impact on			
	Solvency ratio (% points)		Profit/loss for the year	
Group	2023	2022	2023	2022
Interest rate decrease 1 % point	–13.7 %	–15.8 %	–32,754	–31,651
Share price decrease 10 %	–7.9 %	–8.6 %	–49,054	–45,678
Share price decrease 10 % alternative investments	–5.7 %	–4.7 %	–35,344	–24,796
Exchange rate decrease 10 %	–1.4 %	–1.9 %	–8,788	–10,202

The table shows how the solvency ratio and profit for the year would be affected by a decrease in the value of shares, alternative investments and currencies, as well as by a decrease in market interest rates irrespective of maturity and market. A decrease in the market rates increases the value of Alecta's commitments by SEK 60.1 billion (50.8) and the value of its debt securities by SEK 27.3 billion (19.1). Overall, this results in a decrease in the solvency ratio by 13.7 percentage points. The calculation of a share price decrease in the price of alternative investments for 2023 has also taken into account the underlying exposure of indirect property holdings.

Other risks

In addition to the risks referred to above, Alecta needs to manage other risks such as compliance risks, sustainability risks and information security risks. An important method for mitigating these risks, as well as the above risk categories is to control operational risks, see below. More information on Alecta's management of these risks is presented in the Corporate Governance Report on page 39.

Operational risks

Alecta defines operational risk as the risk of operational inadequacies or failures related to staff, organisation and processes, IT systems or security. Such inadequacies or failures can cause risks in other risk categories. For example, inadequate expertise on the part of Alecta's staff could result in the Company unknowingly being exposed to financial risks. Operational risks are counteracted by good internal control. Good internal control is achieved through a clear division of responsibilities, documented processes and procedures, effective controls and by other means.

Risk Self-Assessment

Using a central self-assessment method, all departments at Alecta identify and assess their risks and controls in different risk categories on an annual basis. Areas for improvement are identified and decisions are made about what risk-reducing and economically, or for other reasons, justified measures are to be taken. Work on continuous improvement in the day-to-day operations also helps to reduce the risks.

Incident management

Despite the preventive actions taken to identify and reduce risks, incidents may still occur. Such incidents must of course be addressed immediately to limit any possible damage and loss. Equally important is to learn from what has occurred and to take measures to try to avoid the recurrence of similar incidents. Incidents are therefore discussed and reported at all levels of Alecta on a regular basis.

NOTE 4 Premiums written

Group and Parent Company	2023	2022
Current premiums	41,440	42,872
One-off premiums	2,354	5,136
Premium tax [1]	–115	–111
Invoiced premiums	**43,678**	**47,897**
Adjustment of paid-up policy values	46,267	10,306
Premium reduction risk	4,480	4,977
Premier reduction defined benefit savings	5,101	*3,021*
Guaranteed refunds	**55,849**	**18,303**
Total premiums written	**99,527**	**66,200**

[1] The tax base is 95 per cent (95) of premiums received for occupational group life products. The tax is 45 per cent (45) of the tax base.

Accounting principle

Premiums written can comprise paid-in and credited premiums, as well as refunds in the form of adjustments of paid-up policy values and premium reductions. Premiums recognised under the item Awarded Refunds can either be financed through the surplus fund (refers to a adjustment of paid-up policy values and premium reduction for risk insurance) or expensed under the profit and loss item Refunds and Discounts (refers to premium reduction for defined benefit savings insurance).

The accounting treatment of premiums written differs depending on whether the premiums relate to defined contribution or defined benefit insurance. For the defined premium insurances, the cash principle is applied and for the defined benefit insurances, the debiting principle is applied when reporting premium income. Reductions are made for special premium tax (refers to occupational group life products).

Premiums are recognised as income and impact different balance sheet items depending on whether the premium relates to savings insurance or risk insurance. For savings insurance, an increase is made in technical provisions on the debt side of the balance sheet. On the other hand, risk insurance applies to allocation of premiums to equity through profit or loss.

Calculation of premiums

Premiums are intended to cover Alecta's commitments to its policy holders. The premium is determined on the basis of actuarial assumptions on interest rates, mortality, morbidity and operating expenses. These assumptions are based on experience and observations and are broken down by insurance portfolio. Pension insurance can either be defined benefit or defined contribution. For defined benefit insurance, the benefits are specified in the insurance contract and premiums are determined on the basis of actuarial assumptions. Premiums are determined individually for each insured party. For defined contribution insurance, the premium is specified in the insurance contract and the benefits are determined on the basis of actuarial assumptions.

The premium for risk insurance is either calculated individually for each insured party or distributed collectively over a group of insured parties and applies for one calendar year at a time.

NOTE 5 Capital return, income

	Group		Parent Company	
	2023	2022	2023	2022
Rental income from land and buildings	2,351	2,134	632	585
Dividends received	16,037	22,993	16,165	23,396
of which are Group companies	–	–	*733*	*1,299*
of which are associated companies and joint ventures	*3,211*	*8,813*	*2,644*	*8,813*
Interest income, etc.	11,867	10,531	12,745	11,050
bonds and other debt securities	*10,965*	*10,150*	*10,965*	*10,150*
loans secured by real estate	*319*	*159*	*272*	*159*
other interest income	*583*	*223*	*574*	*210*
other interest expenses, Group companies	–	–	*933*	*531*
Reversal of impairment	–	–	8	313
shares in Group companies	–	–	*8*	*313*
Net foreign exchange gains [1]	–	*8,861*	–	*8,861*
Net capital gains	45,093	22,225	45,085	22,203
land and buildings	*0*	–	–	–
shares and participations	*45,093*	*22,171*	*45,085*	*22,149*
other loans	–	*54*	–	*54*
Other income	33	24	–	–
Total capital return, income	**75,381**	**66,768**	**74,634**	**66,409**

[1] Currency gains amount to SEK 101,769 million (134,367) and foreign exchange losses to SEK –102,032 million (–125,506).

NOTE 6 Unrealised gains on investment assets

	Group		Parent Company	
	2023	2022	2023	2022
Land and buildings	–	843	–	–
Bonds and other debt securities	22,886	–	22,886	–
Loans secured by real estate	372	–	372	–
Total unrealised gains on investment assets	**23,257**	**843**	**23,257**	**–**

NOTE 7 Insurance claims paid

Group and Parent Company	2023	2022
Base amount paid before indexation	–21,203	–20,689
Waiver of premium paid	–2,577	–2,759
Cancellations and repurchases [1]	–1,276	–656
Operating expenses for claims management	–179	–173
Total claims paid	**–25,235**	**–24,276**

[1] The item includes transferred capital of SEK 1,273 million (653).

Accounting principle

Benefits can either be guaranteed under the concluded contract or contingent, for example in the form of a pension supplement. A guaranteed benefit is recognised in the income statement as an expense and reduces the technical provision on the balance sheet by the same amount. A contingent benefit does not affect profit or loss but is recognised directly in equity.

NOTE 8 Operating expenses

	Group		Parent Company	
	2023	2022	2023	2022
Administrative expenses	–602	–571	–602	–571
Total operating expenses in insurance business	**–602**	**–571**	**–602**	**–571**
Claims management [1]	–179	–173	–179	–173
Asset management [2]	–340	–264	–333	–257
Property management [3]	–276	–254	–78	–76
Total operating expenses	**–1,397**	**–1,263**	**–1,191**	**–1,077**
Specification of total operating expenses				
Staff costs	–527	–436	–527	–436
Premises costs	–18	–21	–18	–21
Amortisation/depreciation	–20	–80	–20	–80
IT costs	–260	–255	–260	–255
Property management costs	–276	–254	–78	–76
Selection centre costs	–178	–174	–178	–174
Other costs [4]	–159	–98	–152	–90
Administration fees	42	55	42	55
Total operating expenses	**–1,397**	**–1,263**	**–1,191**	**–1,077**

1) Recognised in Claims paid in the income statement, see Note 7.
2) Recognised in Capital return, expenses in the income statement, see Note 9.
3) Recognised in Capital return, expenses in the income statement (included in the item Operating expenses for land and buildings in Note 9).
4) Other expenses primarily consist of costs for consultants and fees paid to the Swedish Financial Supervisory Authority.

	Group	
Total asset management expenses [1]	2023	2022
Asset management expenses (internal) [2]	–340	–264
External management fees (for funds) [3]	–731	–694
Property Management Sweden [4]	–276	–254
External transaction costs [5]	–237	–173
Custodian fees [2]	–44	–23
Total	**–1,629**	**–1,408**

1) The costs of managing joint ventures and associated companies are not included in total capital management costs.
2) Reported on a separate line in the table for the item Capital return, expenses under Note 9.
3) These fees were recognised on a net basis for each holding offset against Capital return, income under Note 5 or against Unrealised losses on investment assets under Note 10.
4) Included in the line Operating expenses for land and buildings in the table for the item Capital return, expenses under Note 9.
5) For financial investment assets, transaction costs are reported as capital gains, net in the item Capital return, income under Note 5, or Capital returns, expenses under Note 9. Transaction costs attributable to purchases and sales of land and buildings are reported as an increase in acquisition value or a decrease in capital gain or loss. In 2023, transaction costs that increased the acquisition value amounted to SEK 1 million (14) (not reported in the table).

Accounting principle

Operating expenses are expenses for employees or temporary staff, costs for premises, IT costs, scheduled depreciation of tangible assets and intangible assets, costs for the agency agreement with Collectum related to defined benefit retirement pension and disability insurance and other business-related costs. These expenses are recognised as they are incurred. Operating expenses are divided into the following functions: acquisition, administration, claims management, asset management and property management. Acquisition expenses and administrative expenses are recognised in the item Operating expenses in the income statement.

Acquisition expenses

Acquisition expenses refer to expenses incurred by the company in acquiring new insurance contracts. Alecta does not capitalise its acquisition expenses, as the amount is insignificant.

Administrative expenses

Administrative expenses consist of operating expenses incurred by Alecta for the day-to-day administration of its insurance contracts, as well as costs for central Group functions, such as Finance and Legal.

Claims management

Expenses for claims management consist of expenses for managing contracts that are under payment. They also include a portion of the IT costs incurred in supporting the claims management process and expenses allocated to cover a portion of costs for the central Group functions. Claims management expenses are recognised in the income statement in the item, Claims paid.

Asset management

Asset management expenses are recognised in the item Capital return, expenses in the income statement. These expenses consist of direct costs, primarily staff, information and IT costs, as well as indirect costs such as the share of costs for premises and costs allocated for central Group functions.

Property management

Like asset management expenses, -property management expenses are recognised in Capital return, expenses in the income statement. A expense item related to property management is external costs, as a part of the management of Alecta's real estate has been outsourced to external service providers.

NOTE 9 Capital return, expenses

	Group		Parent Company	
	2023	2022	2023	2022
Operating expenses for land and buildings	–1,023	–947	–330	–307
Asset management expenses	–340	–264	–333	–257
Interest expenses, etc.	–2,120	–6,123	–2,203	–6,140
bonds and other debt securities	*–2,088*	*–6,074*	*–2,088*	*–6,074*
other interest expenses	*–32*	*–48*	*–31*	*–48*
other interest expenses, Group companies	*–*	*–*	*–85*	*–17*
Custodian fees	–44	–23	–44	–23
Depreciation/amortisation and impairment	–	–	–348	–421
shares in Group companies	*–*	*–*	*–348*	*–421*
Net foreign exchange losses [1]	–262	–	–262	–
Net capital losses	–1,924	–2,049	–1,924	–2,049
land and buildings	*–*	*–*	*–*	*0*
bonds and other debt securities	*–1,919*	*–2,049*	*–1,919*	*–2,049*
loans secured by real estate	*–5*	*–*	*–5*	*–*
Other	–4	0	–	–
Total capital return, expenses	**–5,718**	**–9,406**	**–5,444**	**–9,197**

1) Currency gains amount to SEK 101,769 million (134,367) and foreign exchange losses to SEK –102,032 million (–125,506).

NOTE 10 Unrealised losses on investment assets

	Group		Parent Company	
	2023	2022	2023	2022
Land and buildings	–4,591	–	–1,790	–639
Shares and participations	–2,888	–108,454	–2,478	–109,221
Bonds and other debt securities	–	–48,291	–	–48,291
Loans secured by real estate	–	–298	–	–298
Other loans	–305	–174	–305	–174
Total unrealised losses on investment assets	**–7,783**	**–157,217**	**–4,573**	**–158,623**

NOTE 11 Yield tax

Group and Parent Company	2023	2022
Yield tax [1]	–1,081	–492
Total yield tax	**–1,081**	**–492**

[1] Yield tax		
Capital base [2]	1,119,498	1,193,514
Tax base [3]	16,345	5,968
Yield tax before tax credit [4]	–2,452	–895
Deduction of withholding tax and foreign income tax paid.	1,371	403
Yield tax after tax credits	**–1,081**	**–492**

Sensitivity analysis	Effect on yield tax before tax credit	
Group	2023	2022
Capital base +/– 10 %	–/+ 245	–/+ 90
Allocation percentage +/– 1 % point	–/+ 25	–/+ 9
Average government borrowing rates +/– 1 % point	–/+ 1,679	–/+ 1,790

[2] Calculation of the capital base for yield tax is based on the value of all assets at the beginning of 2023 less financial liabilities on the same date. The capital base is adjusted for premiums on indirectly owned foreign and Swedish properties. Of the capital base, SEK 14,504 million (10,792) refers to such excess values. The capital base for yield tax, which includes Alecta's pension products and family cover represents 96.84 per cent (96.66) of the total base. This portion is calculated on the basis of equity and technical provisions attributable to these products.

[3] The tax base is calculated as the capital base multiplied by the average government borrowing rate for the calendar year immediately preceding the beginning of the tax year, which results in a form of standardised yield. The average government borrowing rate used for calculating the tax base was 1.46 per cent (0.50).

[4] Tax rate: 15 per cent (15) .

Accounting principle

Yield tax is payable on Alecta's pension products and on family cover.

In the income statement, yield tax is recognised along with income tax in the item, Tax on profit for the year.

NOTE 12 Tax

	Group		Parent Company	
	2023	2022	2023	2022
Current tax				
Swedish tax on profit for the year [1]	–54	–49	–	–
Foreign tax on directly and indirectly owned properties	–52	–221	–50	–220
Withholding tax	–641	–623	–641	–623
Total current tax	**–747**	**–893**	**–691**	**–843**
Deferred tax				
Change in deferred tax assets/liabilities	–450	1,914	–816	2,210
Total deferred tax	**–450**	**1,914**	**–816**	**2,210**
Income tax	**–1,197**	**1,020**	**–1,507**	**1,367**
Yield tax				
Yield tax [2]	–1,081	–492	–1,081	–492
Total yield tax	**–1,081**	**–492**	**–1,081**	**–492**
Tax on profit for the year	**–2,278**	**528**	**–2,588**	**875**

[1] In the parent company, the portion subject to income tax consists of disability pension, waiver of premium and occupational group life insurance (TGL).

[2] For the calculation of yield tax, see Note 11.

	Group		Parent Company	
Reconciliation of theoretical tax expense and reported tax	2023	2022	2023	2022
Profit before yield tax and income tax according to the income statement	61,750	23,598	64,487	21,200
Less: Profit/loss from operations subject to yield tax, including consolidation adjustments	–59,626	–21,393	–59,926	–20,702
Profit from operations subject to income tax	**2,124**	**2,205**	**4,562**	**499**
Tax at applicable tax rate, 20.6 %	**–437**	**–454**	**–940**	**–103**
Difference in tax rate [1]	0	–13	–	–
Non-deductible expenses	–403	–160	–111	–4
Non-taxable income	23	336	20	66
Taxable income not included in profit	–1	–3	–1	–3
Guaranteed premium reduction	914	1,015	914	1,015
Effect of initial recognition of properties in previous years	73	–52	–	–
Tax attributable to previous years [2]	–1,401	406	–1,401	407
Creditable foreign tax [3]	723	781	698	826
Foreign income tax	–52	–219	–50	–220
Deduction for foreign income tax during the year	5	6	5	6
Withholding tax	–641	–623	–641	–623
Reported income tax	**–1,197**	**1,020**	**–1,507**	**1,367**
Effective tax	**–56 %**	**46 %**	**–33 %**	**274 %**

[1] Refers to the USA.

[2] Of which SEK 0 million (800) relates to the reversal of a deferred tax asset for foreign tax and SEK 1,371 million (403) to the utilisation of a previously recognised tax asset for foreign tax against yield tax.

[3] Consists of foreign tax paid during the year and for the Group, the corresponding deferred tax on the difference between the book and tax values of foreign properties.

NOTE 12 Tax, *cont.*

	Group				Parent Company			
	2023		2022		2023		2022	
	Tax asset	Tax liability	Tax asset	Tax liability	Tax asset	Tax liability	Tax asset	Tax liability
Deferred tax related to:								
Temporary differences								
Land and buildings in Sweden	–	–1,793	–	–2,167	–	–19	–	–31
Land and buildings abroad	–	–163	–	–144	–	–	–	–
Other financial investment assets	–	–1,400	–	–1,230	–	–1,400	–	–1,230
Excess depreciation	–	–20	–	–26	–	–	–	–
Loss carry-forwards [1]	249	–	212	–	227	–	189	–
Creditable foreign tax [2]	4,018	–	4,694	–	3,859	–	4,554	–
Deferred tax assets and liabilities	**4,267**	**–3,377**	**4,906**	**–3,567**	**4,086**	**–1,419**	**4,743**	**–1,261**
Offsetting of assets and liabilities	–1,445	1,445	–1,287	1,287	–1,419	1,419	–1,261	–1,261
Net deferred tax assets and liabilities	**2,822**	**–1,932**	**3,619**	**–2,280**	**2,668**	**0**	**3,483**	**0**
of which are expected to be settled after more than 12 months, amount before offsetting	*1,646*	*–3,377*	*3,324*	*–3,567*	*1,486*	*–1,419*	*3,184*	*–1,261*

[1] Recognised as deferred tax asset as this is expected to be utilised against deferred tax liability attributable to temporary differences.
[2] Consists of creditable foreign tax exceeding the maximum limit, creditable foreign tax paid during the year and for the Group, the corresponding deferred tax on the difference between the book and tax values of foreign properties.

Changes in net deferred tax assets and liabilities	Group		Parent Company	
	2023	2022	2023	2022
Opening balance	1,339	–466	3,483	1,272
Recognised in profit or loss for the year	–450	1,914	–816	2,210
Foreign exchange differences	1	–1	–	–
Change through business combinations/disposal	–	–97	–	–
Effect of changes in accounting principles	–	–11	–	–
Closing balance	**890**	**1,339**	**2,668**	**3,483**

Accounting principle

Tax is calculated individually for each company based on the applicable tax rules. Income tax refers to current tax and deferred tax. Current tax includes tax on profit for the period and withholding tax on dividends received.

Deferred tax is calculated using the balance sheet calculation method for temporary differences between the carrying amounts and tax bases of assets and liabilities, as well as tax loss carry-forwards and other unused tax deductions. In an asset acquisition, the temporary difference arising on the initial recognition of assets and liabilities is not taken into account. Deferred tax assets are recognised to the extent that it is probable that they can be used.

Alecta is entitled to deduct foreign tax credits when calculating future yield tax and income tax. Alecta's tax expense (yield tax and income tax) will thus be reduced, resulting in future economic benefits. Alecta's assessment is that a tax asset should be recognised if the future tax credit can be reliably estimated. The offset of future tax credits against yield tax is not specifically regulated in IFRS. Alecta's assessment is that the right to future tax credits has a similar nature to income tax credits under IAS 12. An asset related to future tax credits will therefore be recognised as a deferred tax asset, even though it will mainly be offset against yield tax.

Deferred tax assets and deferred tax liabilities are recognised on a net basis when there is a legal right of offset and the assets and liabilities refer to taxes levied by the same tax authority.

The business segments in the parent company on which income tax is levied are disability pension, waiver of premium and occupational group life insurance (TGL).

Alecta will not be subject to the Act on top-up tax for companies in large groups (which entered into force on 1 January 2024) as Alecta meets the requirements for being a pension fund, which is an exempt entity under this Act.

Significant estimates and judgements

Income tax

When calculating the basis for income tax in the parent company, an assessment needs to be done of the allocation of income and expenses between operations subject to income tax and operations subject to yield tax. The division takes place by distributing capital returns and operating expenses through allocation keys. Capital returns are distributed on the basis of assets under management per segment. Premiums, claims paid and changes in technical provisions are attributable directly to each segment. The principles applied have a direct impact on the estimated income tax.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences, unused tax loss carry-forwards and other unused tax deductions. The reported deferred tax is affected by assumptions and judgements used in determining the carrying amounts of different assets and liabilities and in estimating future taxable profits.

Alecta is entitled to deduct foreign tax credits when calculating future yield tax and income tax. The resulting future economic benefits are recognised as a deferred tax asset, even though the asset will largely be offset against yield tax. An asset is recognised when the future tax credit can be reliably measured.

Every year, Alecta assesses whether there is a possibility for new deferred tax assets to be capitalised and whether there is a need for impairment for previous years' tax loss carry-forwards or unused tax deductions.

NOTE 13 Intangible assets

	Group		Parent Company	
	2023	2022	2023	2022
Cost				
Opening balance, cost	683	683	683	683
Closing balance, cost	**683**	**683**	**683**	**683**
Accumulated depreciation and impairment				
Opening balance, depreciation	–549	–469	–549	–469
Depreciation for the year	–20	–80	–20	–80
Closing balance, depreciation	**–569**	**–549**	**–569**	**–549**
Opening balance, impairment	–114	–114	–114	–114
Closing balance, impairment	**–114**	**–114**	**–114**	**–114**
Carrying amount, intangible assets	–	**20**	–	**20**

Intangible assets consist of internally generated expenditure for IT development, primarily IT development for the insurance system that was taken into use in April 2008 and represents SEK 680 million (680) of the total cost. All parts of the insurance system have been fully amortised as of 31 March 2023.

Accounting principle

Intangible assets consist of direct expenditure for proprietary software. Internally generated intangible assets in the Group are measured at cost. They are expected to generate future economic benefits. All internally generated intangible assets related to proprietary software are recognised only if all of the following criteria are met: that an identifiable asset exists, it is probable that the asset created will generate future economic benefits, the Company has control over the asset and the cost of the asset can be reliably measured.

Capitalised development costs are amortised on a straight-line basis from the date on which the asset goes into production. Amortisation schedules are prepared based on the estimated useful lives. Amortisation is recognised as an operating expense. Alecta's intangible assets have been fully amortised as of 31 March 2023.

NOTE 14 Tangible fixed assets

	Group		Parent Company	
	2023	2022	2023	2022
Cost				
Opening balance, cost	72	71	42	42
Purchases during the year	4	2	–	–
Closing balance, cost	**76**	**72**	**42**	**42**
Accumulated depreciation				
Opening balance, depreciation	–60	–55	–38	–35
Depreciation for the year	–4	–5	–2	–3
Closing balance, depreciation	**–64**	**–60**	**–40**	**–38**
Carrying amount, tangible fixed assets	**12**	**12**	**2**	**4**

Accounting principle

Tangible assets consist of IT equipment, machinery and equipment, and artwork and are measured at cost less accumulated depreciation. Assets are depreciated on a straight-line basis based on their estimated useful lives. The depreciation period is three years for IT equipment and between three to five years for machinery and equipment. Artwork is not depreciated. Depreciation methods and useful lives are reviewed at each closing date. At each closing date, an assessment is made of whether there are any indications that a fixed asset may be subject to impairment. If so, the recoverable value of the asset is calculated. If this amount is assessed as being less than the carrying amount, the asset is written down to the lower amount.

NOTE 15 Land and buildings

Investment and owner-occupied properties

Specification of change in fair value

Group	2023	2022
Opening balance	**42,890**	**35,942**
Effect of changed accounting principle	–	1,510
Carrying amount at the beginning of the year	**42,890**	**37,452**
New builds, extensions and conversions	943	619
Acquisitions	701	3,947
Sales	–	–4
Change in value	–4,550	876
Closing balance	**39,984**	**42,890**

Parent Company	2023	2022
Opening balance	**12,327**	**12,589**
New builds, extensions and conversions	512	377
Change in value	–1,790	–639
Closing balance	**11,049**	**12,327**

Fair value per property type	Group		Parent Company	
	2023	2022	2023	2022
Investment properties	37,826	40,328	8,891	9,764
Owner-occupied properties	2,158	2,563	2,158	2,563
Total	**39,984**	**42,890**	**11,049**	**12,327**

	Group		Parent Company	
Fair value by sector	2023	2022	2023	2022
Office	26,184	28,865	7,821	8,816
Residential	252	301	–	–
Retail	8,170	8,114	2,617	2,857
Other	5,379	5,611	611	654
Total	**39,984**	**42,890**	**11,049**	**12,327**

Cost per property type	Group		Parent Company	
	2023	2022	2023	2022
Investment properties	31,833	30,214	8,651	8,164
Owner-occupied properties	545	520	545	520
Total	**32,378**	**30,734**	**9,196**	**8,684**

	Group	
Lettable floor area by sector, m^2	2023	2022
Office	523,810	519,498
Residential	8,013	8,013
Retail	360,343	318,480
Other	105,601	106,571
Total	**997,767**	**952,562**

	Group	
Future rental income by maturity	2023	2022
Within one year	1,902	1,998
Later than one year but within five years	5,677	4,771
Later than five years	3,992	3,739
Total	**11,571**	**10,508**

NOTE 15 Land and buildings, *cont.*

Accounting principle

Investment properties

Properties held in the Group for rental income, capital appreciation or a combination of both are classified and reported as investment properties in accordance with IAS 40. After the transition to legally restricted IFRS in the consolidated financial statements from 2022, the investment properties are reported on the line, Land and buildings on the consolidated balance sheet, similar to the parent company balance sheet. The change is purely a classification issue. The income statement and the value on the balance sheet have not been affected. All investment properties are located in Sweden.

Investment properties are measured at fair value, which is the price that would be received to sell an asset in a transaction settled between market participants on the measurement date. In accordance with IFRS 13, Alecta's investment properties are classified at Level 3 of the fair value hierarchy, which means that non-observable inputs have been used. No properties were transferred to a different level of the hierarchy during the year. Alecta's current use of the investment properties is deemed to be the best use, which means that the valuation of the properties should reflect the maximum value of the assets. Gains and losses that have arisen from changes in the fair values of the investment properties are recognised in the income statement in the period in which the gain or loss occurs. Purchases and sales of investment properties are recognised on the balance sheet on the completion date.

All rental agreements for the Group investment properties are classified as operating leases. Rental income is recognised as income on a straight-line basis so that only that proportion of the rent that is attributable to each period is recognised as income in the period.

Owner-occupied properties

With the transition to legally restricted IFRS in the Group from 2022, Alecta chose to cease applying IAS 16. Instead, Alecta measures the owner-occupied properties at fair value in line with the parent company, according to FFFS 2019:23 and the ÅRFL. As the transition effect was not material, the comparison year was not adjusted. The effect of a change in the accounting principle was reported in 2022. Actual operating and maintenance expenses for Alecta's owner-occupied properties are recognised in operating expenses in the income statement.

Significant estimates and judgements

Valuation method

Alecta engages an external valuation firm to assess the market value of all properties every full year and half year. The external valuer bases its estimates on information about the specific characteristics of each property, such as current tenancies, operating expenses and estimated market rents. The information is quality assured by Alecta in connection with the external valuation.

The total value of Alecta's property portfolio is based on the estimated market value of each individual property. The market value consists of the future benefits that could be obtained by a future acquirer of the property. The key factors are what the property may be used for and the extent to which and way in which an acquirer can use the property.

Market values of properties are normally determined through cash flow assessments based on estimates of the earnings potential for each property. The method involves an analysis of expected future cash flows over a calculation period normally of ten years. In the calculation, a present value calculation for these cash flows is done at an estimated discount rate. The components of the nominal discount rate are estimated inflation rate, the risk-free real interest rate and a risk premium. In determining the risk premium, consideration is given to the nature of the investment, the property, contractual relationships and financial risks. The valuations have been designed to meet the requirements of the MSCI Swedish Real Estate Index.

Significant valuation assumptions

The valuation method used is based on several assumptions, such as estimates of market rents, future trends in costs, long-term vacancies, inflation, discount rates and required rates of return in the residual value assessment. A change in any of these assumptions will affect the valuation. Some of the key valuation assumptions are presented below.

Valuation assumptions, weighted	2023	2022
Market rent per square metre, SEK	2,815	2,748
Long-term vacancy rate, %	6.46	5.47
Required rate of return, initial, %	4.56	3.96
Required rate of return, exit, %	5.47	4.48

Sensitivity Analysis

The parameters affecting value that are used in the valuation should reflect the reasoning of a prospective buyer in the market. To illustrate the uncertainty in the valuation, a number of assumptions that show the impact on the valuation in SEK million have been singled out.

Sensitivity Analysis	Change	2023	2022
Market rent	+/– 10 %	+/– 4,092	+/– 4,473
Property costs	+/– SEK 50/m2	–/+ 858	–/+ 958
Long-term vacancy rate	+/– 2 %	–/+ 800	–/+ 869
Required rate of return, exit	+/– 0.5 % (+/– 0.25 %)	+/– 3,387	+/– 2,095

NOTE 16 Shares and participations in Group companies [1)]

Swedish companies, Parent Company	Organisation no.	Registered office	Number of shares	Share of equity	Carrying amount, 2023	Carrying amount, 2022
Alecta AB	556597-9266	Stockholm	1,000	100 %	0	0
Alecta BRF Komplementär AB	559187-3210	Stockholm	500	100 %	0	0
Alecta Fastigheter AB	559103-4086	Stockholm	500	100 %	2,837	1,380
Alecta Bredden Holding AB	556922-4198	Stockholm	1,000,000	100 %	–	–
Alecta Bredden Holding 2 AB	556918-4806	Stockholm	50,000	100 %	–	–
– Bredden 1 Fastighets AB	556684-3784	Stockholm	100,000	100 %	–	–
Alecta Köpcentrum AB	556943-7071	Stockholm	500	100 %	–	–
Alfab Hönsfodret AB	559158-4080	Stockholm	50,000	100 %	–	–
Alfab Mimer 7 AB	559122-1477	Stockholm	500	100 %	–	–
Alfab Nacka 4 AB	559006-0892	Stockholm	1,000	100 %	–	–
Alfab Nacka 12 AB	559006-1015	Stockholm	1,000	100 %	–	–
Alfab Solna Centrum AB	556051-3268	Stockholm	5,000	100 %	–	–
– Alfab Solna Parkering AB	556482-7797	Stockholm	1,000	100 %	–	–
Alfab Solna Garage AB	556340-1941	Stockholm	1,000	100 %	–	–
Alfab Värmdö 1 AB	556687-7071	Stockholm	1,000	100 %	–	–
Alfab Värmdö 2 AB.	556743-0102	Stockholm	100,000	100 %	–	–
Lidingö Hotellfastighets AB	556701-7099	Stockholm	1,000	100 %	–	–
Solna Kasernen 8 Fastighets AB	556162-0393	Stockholm	10,000	100 %	–	–
Alecta Retail Holding AB	556660-2594	Stockholm	1,000	100 %	–	–
Alfab Järfälla 1 AB	556664-7599	Stockholm	1,000	100 %	–	–
Alfab Jönköping 1 AB	556692-9385	Stockholm	1,000	100 %	–	–
Alfab Jönköping 4 AB	556188-6127	Stockholm	1,000	100 %	–	–
Alfab Jönköping 5 AB	556658-9783	Stockholm	1,000	100 %	–	–
Alfab Valutan 13 AB	556708-2713	Stockholm	100,000	100 %	–	–
Fastighetsaktiebolaget Åkersberga Österåker Runö	556785-6389	Stockholm	1,000	100 %	–	–
Fyrfast AB	556604-5513	Stockholm	1,000	100 %	–	–
Kabelverket Holding AB	556587-1075	Stockholm	1,000	100 %	–	–
Alfab Göteborg 3 AB	556913-5717	Stockholm	500	100 %	–	–
Alfab Göteborg 4 AB	556718-6654	Stockholm	1,000	100 %	–	–
Alfab Göteborg 5 AB	556690-0386	Stockholm	1,000	100 %	–	–
Alfab Stockholm 1 AB	556660-5530	Stockholm	1,000	100 %	–	–
Alfab Vällingby 1 AB	556892-7858	Stockholm	500	100 %	–	–
Alfab Vällingby 2 AB	556892-7882	Stockholm	500	100 %	–	–
Alfab Västerport 1 AB	556690-0378	Stockholm	1,000	100 %	–	–
Alfab Västerport 2 AB	556946-8944	Stockholm	500	100 %	–	–
Fastighets AB Kablaget	556577-4642	Stockholm	1,000	100 %	–	–
– Alecta Fastighetsutveckling AB	556577-4618	Stockholm	1,000	100 %	–	–
– Fastighets AB Kabelverket	556577-4568	Stockholm	1,000	100 %	–	–
Vasaterminalen AB	556118-8722	Stockholm	2,022,000	100 %	–	–
– World Trade Center Stockholm AB	556273-0803	Stockholm	1,000	100 %	–	–
– WTC Parkering AB	556424-3920	Stockholm	1,000	100 %	–	–
Sollentuna Stinsen JV AB [2)]	559085-9954	Stockholm	500,000	100 %	–	–
Sollentuna Stinsen Holding 1 AB [2)]	559085-9947	Stockholm	100,000	100 %	–	–
– Sollentuna Stinsen Property 1 AB [2)]	556706-9678	Stockholm	1,000	100 %	–	–
– Sollentuna Stinsen Property 2 AB [2)]	559104-8888	Stockholm	50,000	100 %	–	–
– Sollentuna Stinsen Property 3 AB [2)]	559104-8912	Stockholm	50,000	100 %	–	–
– Sollentuna Stinsen Property 4 AB [2)]	559104-8904	Stockholm	50,000	100 %	–	–
Alecta Tjänstepensioner AB	556713-7160	Stockholm	1,000	100 %	0	0
Alfab Indirekt Holding AB [3)]	556931-5459	Stockholm	–	–	–	319
Fastighetsbolaget Augustendal KB	916635-9084	Stockholm	–	99.9 %	1,120	1,029
Fastighetsbolaget Båthamnen KB	916626-5711	Stockholm	–	99.9 %	53	58
Fastighetsbolaget Ellensvik KB	916625-6991	Stockholm	–	99.9 %	251	234
Fastighetsbolaget Grönkulla KB	969782-1115	Stockholm	–	99.9 %	6	0
Fastighetsbolaget Gustafshög KB	916625-6983	Stockholm	–	99.9 %	0	16
Fastighetsbolaget Klaraberg KB	916625-6975	Stockholm	–	99.9 %	592	530
Fastighetsbolaget Mässan KB	916626-5653	Stockholm	–	99.9 %	62	104
Fastighetsbolaget Oljekällaren KB	916626-5638	Stockholm	–	99.9 %	368	220

NOTE 16 Shares and participations in Group companies [1], *cont.*

Swedish companies, Parent Company	Organisation no.	Registered office	Number of shares	Share of equity	Carrying amount, 2023	Carrying amount, 2022
Fastighetsbolaget Philipin KB	916626-5679	Stockholm	–	99.9 %	489	396
Fastighetsbolaget Saluhallen KB	916626-5695	Stockholm	–	99.9 %	73	54
Nacka Strand Event & Möten KB	969646-7225	Stockholm	–	99.9 %	10	–17
Morgonen 1 i Lund KB	969784-9975	Stockholm	–	99.9 %	315	41
Naraden Göteborg 1 KB	969697-7892	Stockholm	–	99.9 %	357	325
SoliFast Finansiering KB	969787-1292	Stockholm	–	99.9 %	–3	–2
2 Kilo i Halmstad KB	969784-9967	Stockholm	–	99.9 %	374	5
Total Sweden [4]					**6,903**	**4,692**

1) As all shares are unlisted, market values are not indicated. Carrying amounts are not indicated for subsidiaries of subgroups.
2) The company was acquired in 2023.
3) The company was divested in 2023.
4) Surplus values refer to the difference between the carrying amount and the fair value of shares and participations in Group companies and these are estimated as totalling SEK 9,632 million (12,345) for the Swedish Group companies.

Foreign Group companies, USA , Parent Company	Organisation no.	Registered office	Number of shares	Share of equity	Carrying amount, 2023	Carrying amount, 2022
Alecta Real Estate USA, LLC	–	Delaware	–	100 %	879	898
Alecta Real Estate Investment, LLC	–	Delaware	–	100 %	–	–
Alecta Value Add Investments, LLC	–	Delaware	–	100 %	–	–
Boylston Street Investors, LLC	–	Delaware	–	100 %	–	–
PMAK MOB ALECTA REIT FEEDER, LTD.	–	Delaware	–	100 %	3,977	3,977
Total USA					**4,856**	**4,875**
Total shares and participations in Group companies [2]					**11,759**	**9,567**

1) As all shares are unlisted, market values are not indicated. Carrying amounts are not indicated for subsidiaries of subgroups.
2) Excess values refer to the difference between the carrying amount and the fair value of shares and participations in Group companies and these are estimated as amounting to SEK 1,439 million (2,019) for the foreign Group companies.

Parent Company	Carrying amount, 2023	Carrying amount, 2022
Cost		
Opening balance, cost	19,269	18,051
Purchases during the year	–	–5
Shareholder contributions during the year	1,457	1,108
Divestments for the year	–319	–
Share of profit for the year	93	115
Deposits of the year limited companies	1,038	–
This year’s withdrawal limited liability company	–56	–
Closing balance, cost	**21,483**	**19,269**
Accumulated impairment		
Opening balance, impairment	–9,702	–9,595
Impairment for the year	–342	–421
Reversal of impairment for the year	2	313
Divestments for the year	319	–
Closing balance, impairment	**–9,723**	**–9,702**
Total shares and participations in Group companies	**11,759**	**9,567**

Accounting principle

Shares and participations in Group companies are recognised at cost less necessary impairment in the parent company.

NOTE 17 Debt securities issued by and loans to, Group companies

Parent Company	Carrying amount, 2023	Carrying amount, 2022
Cost		
Opening balance, cost	18,635	13,075
Change for the year	–4	5,560
Total debt securities issued by and loans to, Group companies	**18,630**	**18,635**

Accounting principle

Intracompany loans and receivables are financial assets that are not listed in an active market. Assets are classified as financial assets valued at amortised cost.

NOTE 18 Investments in associated companies and joint ventures

31/12/2023 Parent Company – Joint ventures	Country	Organisation no.	Share of equity	Fair value, shares	Fair value debt securities issued by, and loans to	Interest income
Alfa SSMJV AB	Sweden	556840-4262	50.00 %	0	–	–
KB Alfa SSM	Sweden	969715-3998	49.00 %	11	–	–
Ancore Fastigheter AB	Sweden	556817-8858	50.00 %	1,886	–	–
Ankhiale Topco AB (Stockholm Exergi)	Sweden	559317-8741	15.00 %	3,657	–	–
Convea AB	Sweden	556912-4505	50.00 %	7	–	–
Global Business Gate JV AB	Sweden	559109-9030	50.00 %	0	–	–
Global Business Gate JV KB	Sweden	969781-4847	49.50 %	222	–	–
Kongahälla Holding AB	Sweden	559126-1903	50.00 %	398	–	–
Midstar Hotels AB	Sweden	559007-7979	49.70 %	3,116	–	–
SoliFast Holding AB JV	Sweden	559149-7770	20.12 %	20	1	0
Stadsrum Fastigheter AB	Sweden	559028-9624	49.40 %	2,937	–	–
Swedish Airport Infrastructure Holding AB	Sweden	559012-5182	50.00 %	1	–	–
Swedish Airport Infrastructure Holding KB	Sweden	969775-2609	49.90 %	1,826	–	–
Parent Company – Associated companies						
Heimstaden Bostad AB	Sweden	556864-0873	39.54 %	37,671	377	48
Bain Capital Credit CLO Management Ltd	Jersey	–	24.35 %	1,055	–	–
Bain Capital Credit CLO Management II Ltd	Jersey	–	20.63 %	521	–	–
SR Energy AB	Sweden	556711-9549	20.00 %	2,574	–	–
Total Parent Company [2]				**55,901**	**378**	**48**
Group company – Joint ventures						
ARE-LEI Venture, LLC	USA	–	95.00 %	2	–	–
Boylston Street Associates LLC	USA	–	95.00 %	4	–	–
KACORE JV, ILC	USA	–	39.10 %	3,046	–	–
KAGR Master JV LLC	USA	–	47.50 %	1,612	–	–
KAGR Master JV LLC	USA	–	47.50 %	2,451	–	–
PMAK MOB JV REOC, LLC	USA	–	48.13 %	2,516	–	–
Total Group [2]				**65,531**	**378**	**48**

[2] The cost of assets in the parent company is SEK 61,636 million (59,365) and in the Group, SEK 70,342 million (68,496).

31/12/2022 Parent Company – Joint ventures	Country	Organisation no.	Share of equity	Fair value, shares	Fair value debt securities issued by, and loans to	Interest income
Alfa SSMJV AB	Sweden	556840-4262	50.00 %	0	–	–
KB Alfa SSM	Sweden	969715-3998	49.00 %	12	–	–
Ancore Fastigheter AB	Sweden	556817-8858	50.00 %	2,103	–	–
Ankhiale Topco AB (Stockholm Exergi)	Sweden	559317-8741	15.00 %	3,676	–	–
Convea AB	Sweden	556912-4505	50.00 %	8	–	–
Global Business Gate JV AB	Sweden	559109-9030	50.00 %	0	–	–
Global Business Gate JV KB	Sweden	969781-4847	49.50 %	147	–	–
Kongahälla Holding AB	Sweden	559126-1903	50.00 %	458	–	–
Midstar Hotels AB	Sweden	559007-7979	49.70 %	2,962	–	–
SoliFast Holding AB JV	Sweden	559149-7770	20.00 %	20	–	–
Sollentuna Stinsen JV AB	Sweden	559085-9954	50.00 %	3	430	–28
Stadsrum Fastigheter AB	Sweden	559028-9624	49.40 %	3,062	–	–
Swedish Airport Infrastructure Holding AB	Sweden	559012-5182	50.00 %	0	–	–
Swedish Airport Infrastructure Holding KB	Sweden	969775-2609	49.90 %	2,032	–	–
Parent Company – Associated companies						
Heimstaden Bostad AB	Sweden	556864-0873	35.64 %	50,353	2,196	19
Bain Capital Credit CLO Management Ltd	Jersey	–	24.35 %	1,108	–	–
Bain Capital Credit CLO Management Ltd [1]	Jersey	–	20.63 %	281	–	–
SR Energy AB	Sweden	556711-9549	20.00 %	3,359	–	–
Total Parent Company [2]				**69,584**	**2,626**	**47**
Group company – Joint ventures						
ARE-LEI Venture, LLC	USA	–	95.00 %	1)	–	–
Boylston Street Associates LLC	USA	–	95.00 %	3	–	–
KACORE JV, ILC	USA	–	39.10 %	3,110	–	–
KAGR Master JV LLC	USA	–	47.50 %	1,770	–	–
KAGR2 Master JV LLC [1]	USA	–	47.50 %	2,772	–	–
PMAK MOB JV REOC, LLC	USA	–	48.13 %	2,826	–	–
Total Group [2]				**80,066**	**2,626**	**47**

[1] Acquired in 2022.
[2] The cost of assets in the parent company is SEK 59,365 million (51,008) and in the Group, SEK 68,496 million (57 396).

Accounting principle

Alecta owns shares and participations in companies that are categorised as either jointly controlled entities or associated companies. Investments in jointly controlled entities are through joint ventures.

Shares and participations in associated companies and joint ventures are mandatorily recognised at fair value through the income statement. On the balance sheet, shares and participations are recognised in the investment assets category. Changes in value are accounted for in the income statement as unrealised gains or losses. Dividends are reported as dividends received in the item, Capital return, income Note 5.

Debt securities issued by, and loans to are measured at fair value through the income statement at initial recognition. The balance sheet shows the assets in the investment assets category. Changes in value are recognised in the income statement as unrealised gains or losses. Interest income is reported as interest income in the item Capital return, income Note 5. Valuation techniques for shares and participations as well as debt securities issued by, and loans to, are described in Note 22. Information on transactions between Alecta and the above joint ventures as well as associated companies is provided in Note 48, Related party disclosures.

NOTE 19 Classification of financial assets and liabilities

Group 31/12/2023	Financial assets/ liabilities measured at fair value through the income statement on initial recognition	Financial assets/ liabilities measured at fair value through the income statement; mandatory	Financial assets and liabilities measured at amortised cost	Total carrying amount	Fair value
Financial assets					
Shares and participations in associated companies and joint ventures	–	65,531	–	65,531	65,531
Debt securities issued by, and loans to, associated companies and joint ventures	378	–	–	378	378
Shares and participations	–	596,161	–	596,161	596,161
Bonds and other debt securities	523,795	–	–	523,795	523,795
Loans secured by real estate	6,934	–	–	6,934	6,934
Other loans	11,319	–	–	11,319	11,319
Derivatives	–	32,792	–	32,792	32,792
Receivables related to direct insurance operations	–	–	1,853	1,853	1,853
Other receivables	–	–	1,718	1,718	1,718
Cash and bank balances	–	–	3,879	3,879	3,879
Accrued interest and rental income	–	–	4,525	4,525	4,525
Total	**542,426**	**694,484**	**11,975**	**1,248,885**	**1,248,885**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	10	10	10
Derivatives	–	11,622	–	11,622	11,622
Other liabilities	–	–	30,766	30,766	30,766
Other accrued expenses	–	–	645	645	645
Total	**–**	**11,622**	**31,421**	**43,043**	**43,043**

Group 31/12/2022	Financial assets/ liabilities measured at fair value through the income statement on initial recognition	Financial assets/ liabilities measured at fair value through the income statement; mandatory	Financial assets and liabilities measured at amortised cost	Total carrying amount	Fair value
Financial assets					
Shares and participations in associated companies and joint ventures	–	80,066	–	80,066	80,066
Debt securities issued by, and loans to, associated companies and joint ventures	2,626	–	–	2,626	2,626
Shares and participations	–	598,706	–	598,706	598,706
Bonds and other debt securities	399,462	–	–	399,462	399,462
Loans secured by real estate	5,999	–	–	5,999	5,999
Other loans	23,116	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305	14,305
Receivables related to direct insurance operations	–	–	1,724	1,724	1,724
Other receivables	–	–	8,550	8,550	8,550
Cash and bank balances	–	–	3,672	3,672	3,672
Accrued interest and rental income	–	–	3,948	3,948	3,948
Total	**431,203**	**693,077**	**17,894**	**1,142,174**	**1,142,174**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	13	13	13
Derivatives	–	20,488	–	20,488	20,488
Other liabilities	–	–	9,494	9,494	9,494
Other accrued expenses	–	–	1,248	1,248	1,248
Total	**–**	**20,488**	**10,755**	**31,243**	**31,243**

NOTE 19 Classification of financial assets and liabilities, *cont.*

Parent Company, 31/12/2023	Financial assets/ liabilities measured at fair value through the income statement on initial recognition	Financial assets/ liabilities measured at fair value through the income statement; mandatory	Financial assets and liabilities measured at amortised cost	Total carrying amount	Fair value
Financial assets					
Debt securities issued by and loans to Group companies	–	–	18,630	18,630	18,630
Shares and participations in associated companies and joint ventures	–	55,901	–	55,901	55,901
Debt securities issued by, and loans to, associated companies and joint ventures	378	–	–	378	378
Shares and participations	–	595,339	–	595,339	595,339
Bonds and other debt securities	523,795	–	–	523,795	523,795
Loans secured by real estate	4,767	–	–	4,767	4,767
Other loans	11,319	–	–	11,319	11,319
Derivatives	–	32,792	–	32,792	32,792
Receivables related to direct insurance operations	–	–	1,853	1,853	1,853
Other receivables	–	–	1,479	1,479	1,479
Cash and bank balances	–	–	3,606	3,606	3,606
Accrued interest and rental income	–	–	4,538	4,538	4,538
Total	**540,259**	**684,032**	**30,106**	**1,254,397**	**1,254,397**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	10	10	10
Derivatives	–	11,622	–	11,622	11,622
Other liabilities	–	–	32,365	32,365	32,365
Other accrued expenses	–	–	637	637	637
Total	**–**	**11,622**	**33,012**	**44,634**	**44,634**

Parent Company, 31/12/2022	Financial assets/ liabilities measured at fair value through the income statement on initial recognition	Financial assets/ liabilities measured at fair value through the income statement; mandatory	Financial assets and liabilities measured at amortised cost	Total carrying amount	Fair value
Financial assets					
Debt securities issued by and loans to Group companies	–	–	18,635	18,635	18,635
Shares and participations in associated companies and joint ventures	–	69,584	–	69,584	69,584
Debt securities issued by, and loans to, associated companies and joint ventures	2,626	–	–	2,626	2,626
Shares and participations	–	597,851	–	597,851	597,851
Bonds and other debt securities	399,462	–	–	399,462	399,462
Loans secured by real estate	5,128	–	–	5,128	5,128
Other loans	23,116	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305	14,305
Receivables related to direct insurance operations	–	–	1,724	1,724	1,724
Other receivables	–	–	9,318	9,318	9,318
Cash and bank balances	–	–	3,468	3,468	3,468
Accrued interest and rental income	–	–	3,950	3,950	3,950
Total	**430,332**	**681,740**	**37,095**	**1,149,167**	**1,149,167**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	13	13	13
Derivatives	–	20,488	–	20,488	20,488
Other liabilities	–	–	11,749	11,749	11,749
Other accrued expenses	–	–	1,231	1,231	1,231
Total	**–**	**20,488**	**12,993**	**33,481**	**33,481**

NOTE 20 Net profit by class of financial assets and liabilities

	Group		Parent Company	
	2023	2022	2023	2022
Financial assets measured at fair value through the income statement				
Shares and participations	53,862	–31,370	54,001	–34,495
Debt securities	25,351	–22,189	25,304	–22,189
Loans secured by real estate	645	259	645	259
Other loans	1,163	1,941	1,163	1,941
Financial assets and liabilities held for trade				
Derivatives	7,418	–48,616	7,418	–48,616
Financial assets and liabilities measured at amortised cost				
Loans and receivables	168	–1	1,656	1,731
Other liabilities	–113	–49	–113	–49
Total net profit [1)]	**88,494**	**–100,025**	**90,074**	**–101,418**
Land and buildings, net	–2,240	2,978	–1,728	–339
Asset management and custodian expenses	–375	–287	–377	–279
Other, net	–742	–1,678	–95	625
Total return on capital as reported in income statement	**85,137**	**–99,012**	**87,874**	**–101,411**

1) Net profit includes realised and unrealised changes in value as well as interest, dividends and foreign exchange gains and losses.

NOTE 21 Maturity analysis of financial liabilities

Time to maturity Group 31/12/2023	< 3 months	3 months < 1 year	1–5 years	> 5 years	Total
Non-liquidated securities transactions	–2,079	–	–	–	–2,079
Liability for cash collateral received for derivatives	–28,293	–	–	–	–28,293
Derivatives gross – outflow	–458,570	–57,680	–60,939	–24,744	–601,933
Derivatives gross – inflow	482,285	57,585	49,095	23,321	612,286
Other liabilities	–404	–	–	–	–404
Other accrued expenses	–645	–	–	–	–645
Total cash flow	**–7,706**	**–96**	**–11,844**	**–1,423**	**–21,069**

Time to maturity Group, 31/12/2022	< 3 months	3 months < 1 year	1–5 years	> 5 years	Total
Non-liquidated securities transactions	–5,848	–	–	–	–5,848
Liability for cash collateral received for derivatives	–3,324	–	–	–	–3,324
Derivatives gross – outflow	–469,592	–55,959	–44,886	–27,226	–597,663
Derivatives gross – inflow	473,325	55,921	37,716	30,999	597,961
Other liabilities	–335	–	–	–	–309
Other accrued expenses	–1,248	–	–	–	–1,274
Total cash flow	**–7,022**	**–38**	**–7,171**	**3,773**	**–10,458**

The purpose of this note is to illustrate when the financial liabilities for the Group fall due for payment. The table shows actual future cash flows in each period, based on remaining contractual times to maturity. The amounts presented for each time to maturity refer to undiscounted cash flows. For derivatives, cash flows are reported on a gross basis, i.e., both outflows and inflows to create a better understanding of these flows. For variable interest rate derivatives, the last known interest rate has been applied to approximate future cash flows. For a description of liquidity risk, see Note 3 Risks and risk management.

NOTE 22 Valuation categories for financial instruments measured at fair value

Under the disclosure requirements in IFRS 13, financial assets and liabilities that are measured at fair value must be classified into three levels based on the valuation technique used. Assets and liabilities must be measured using the valuation technique that is appropriate in the circumstances, maximising the use of relevant observable inputs as long as this is possible. The objective is to identify the valuation technique that best estimates the price at which the financial assets or financial liabilities can be sold or transferred between market participants under current market conditions.

The three levels of valuation categories are:

Level 1: Measurement using prices quoted in an active market

Fair value measurement based on prices quoted in an active market is used if quoted prices are easily and regularly available and these prices represent actual and regularly occurring market transactions. Examples of financial assets that are classified to this level include listed equities, government bonds and Swedish mortgage bonds.

Prices for these financial assets are obtained daily through index price providers retrieved from each exchange, which where applicable are converted at exchange rates quoted on a daily basis from the price provider, WM Company.

Level 2: Measurement based on observable inputs

Financial assets and liabilities for which there are no quoted prices in an active market are measured at fair value based on as many available market inputs as possible. Examples of market inputs used in the measurement include:

- Quoted interest rates, credit spreads and exchange rates
- Market information on prices for similar financial instruments
- Market information on prices in recently completed transactions in the same or similar financial instruments

Examples of financial assets and liabilities classified to this level include debt securities instruments in the form of Swedish and foreign corporate bonds, structured bonds, cleared derivatives and all OTC derivatives in the form of interest rate swaps, currency derivatives and credit derivatives.

For debt securities instruments, daily prices from external price providers, Refinitiv and Bloomberg are used. Under the agreements, Alecta has the ability to inspect the price provider's valuation data to assure the quality of the provided price information.

For OTC derivatives, fair value is determined on a daily basis in Alecta's financial system in accordance with market practice by estimating the present value of the future cash flows of each derivative based on quoted market prices with respect to interest rates, credit spreads and exchange rates.

Level 3: Measurement based on unobservable inputs

Financial assets that are measured at fair value without access to observable market inputs are classified to Level 3. It also presents financial assets measured at fair value that may be based on certain observable inputs but not enough to meet the requirements for Level 2.

Examples of financial assets in this level mainly consist of financial instruments with real estate and infrastructure as underlying assets but also of debt securities and unlisted shares and participations. Fair values for these assets are obtained from external price providers, fund managers, counterparties or property-owning companies following an external valuation of the underlying properties. For these assets, the valuation technique of external suppliers and fund managers is verified by requesting random valuation documentation.

Principles for reclassification between levels

Financial assets and liabilities measured at fair value are classified to one of the three valuation categories at acquisition and then normally retain that classification until they are sold. However, under certain circumstances a financial asset may be reclassified to another level after the acquisition date. The following principles apply to such reclassification:

Principle for reclassification between Level 1 and Level 2

To be reclassified from Level 1 to Level 2, the financial instruments must no longer be traded in an active market but still be capable of being measured in accordance with the description for Level 2. Similarly, a reclassification from Level 2 to Level 1 may be done if the Level 2 financial instrument is quoted in an active market.

In 2023, there was no transfer from Level 1 to Level 2 or from Level 2 to Level 1. In 2022, one financial instrument was transferred from Level 1 to Level 2 but none from Level 2 to Level 1.

Principle for reclassification between Level 2 and Level 3

A reclassification from Level 2 to Level 3 may be done if it is no longer possible to measure a financial instrument at fair value based on observable market inputs. Similarly, Level 3 financial instruments may be transferred to Level 2 if observable market inputs become available and an external price provider is able to measure fair value based on these inputs.

In 2023, one debt security was transferred from Level 2 to Level 3 and another debt security was transferred from Level 3 to Level 2.

During the corresponding period in 2022, a debt security was transferred from Level 2 to Level 3.

Principle for reclassification between Level 1 and Level 3

A reclassification from Level 1 to Level 3 is done if a financial instrument is delisted from an active market and there is insufficient market input to allow for Level 2 measurement. Similarly, a reclassification from Level 3 to Level 1 may be done if the Level 3 financial instrument is quoted in an active market.

No transfers were made from Level 1 to Level 3 or from Level 3 to Level 1 in either 2023 or 2022.

Sensitivity analysis for Level 3 financial instruments

Under IFRS 13, a sensitivity analysis must be presented for those financial instruments that are measured at fair value in accordance with Level 3. The sensitivity analysis must include an explanatory description of the sensitivity of the fair value measurement to changes in unobservable inputs.

Level 3 assets consist mainly of financial instruments with real estate as the underlying asset, but also of a significant proportion of debt securities and unlisted shares and participations.

For financial instruments with real estate and infrastructure as the underlying asset, the most relevant value-influencing factor is changes in the required rates of return on real estate. The corresponding, largest value-influencing factor for financial instruments consisting mainly of debt securities as underlying assets consists of changes in interest rates and for unlisted shares of stock market risk.

The following table presents the estimated effects on fair value if the required rates of return on real estate rose 0.5 percentage points, an interest rate increase of 1 percentage point and a share price decrease of 10 per cent.

Sensitivity Analysis

Group (SEK million)	Fair value	Value-influencing factor	Effect on fair value
Real estate related holdings	126,128	Return requirement increase of 0.5 percentage points	–24,859
Interest related holdings	67,545	Interest-rate increase of 1 percentage point	–1,262
Share related holdings	58,665	Share price decrease of 10 per cent	–5,867
Total Level 3	**252,338**		**–31,988**

NOTE 22 Valuation categories for financial instruments measured at fair value, *cont.*

	Fair values of financial instruments, 31/12/2023			
Group	Measurement using prices quoted in an active market Level 1	Measurement based on observable inputs Level 2	Measurement based on unobservable inputs Level 3	Carrying amount 31/12/2023
Assets				
Shares and participations	488,536	–	107,625	596,161
Shares and participations in associated companies and joint ventures	–	–	65,531	65,531
Debt securities issued by, and loans to, associated companies and joint ventures	–	377	1	378
Bonds and other debt securities	272,134	190,733	60,928	523,795
Loans secured by real estate	–	–	6,934	6,934
Other loans	–	–	11,319	11,319
Derivatives	–	32,792	–	32,792
Total assets	**760,670**	**223,902**	**252,338**	**1,236,910**
Liabilities				
Derivatives	–	11,622	–	11,622
Total liabilities	**–**	**11,622**	**–**	**11,622**
Parent Company				
Assets				
Shares and participations	488,536	–	106,803	595,339
Shares and participations in associated companies and joint ventures	–	–	55,901	55,901
Debt securities issued by, and loans to, associated companies and joint ventures	–	377	1	378
Bonds and other debt securities	272,134	190,733	60,928	523,795
Loans secured by real estate	–	–	4,767	4,767
Other loans	–	–	11,319	11,319
Derivatives	–	32,792	–	32,792
Total assets	**760,670**	**223,902**	**239,719**	**1,224,291**
Liabilities				
Derivatives	–	11,622	–	11,622
Total liabilities	**–**	**11,622**	**–**	**11,622**

	Fair values of financial instruments, 31/12/2022			
Group	Measurement using prices quoted in an active market Level 1	Measurement based on observable inputs Level 2	Measurement based on unobservable inputs Level 3	Carrying amount 31/12/2022
Assets				
Shares and participations	496,892	–	101,815	598,706
Shares and participations in associated companies and joint ventures	–	–	80,066	80,066
Debt securities issued by, and loans to, associated companies and joint ventures	–	2,196	430	2,626
Bonds and other debt securities	186,313	158,984	54,165	399,462
Loans secured by real estate	–	–	5,999	5,999
Other loans	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305
Total assets	**683,205**	**175,485**	**265,591**	**1,124,280**
Liabilities				
Derivatives	–	20,488	–	20,488
Total liabilities	**–**	**20,488**	**–**	**20,488**
Parent Company				
Assets				
Shares and participations	496,892	–	100,959	597,851
Shares and participations in associated companies and joint ventures	–	–	69,584	69,584
Debt securities issued by, and loans to, associated companies and joint ventures	–	2,196	430	2,626
Bonds and other debt securities	186,313	158,984	54,165	399,462
Loans secured by real estate	–	–	5,128	5,128
Other loans	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305
Total assets	**683,205**	**175,485**	**253,382**	**1,112,072**
Liabilities				
Derivatives	–	20,488	–	20,488
Total liabilities	**–**	**20,488**	**–**	**20,488**

NOTE 23 Disclosures on financial instruments measured at fair value based on Level 3 1)

	Fair value at year-end 2023						
Group	Shares and participations	Shares and participations in associated companies and joint ventures	Debt securities issued by, and loans to, associated companies and joint ventures	Bonds and other debt securities	Loans secured by real estate	Other loans	Total
Opening balance 2023	101,815	80,066	430	54,165	5,999	23,116	265,591
Purchases	12,111	2,868	261	17,322	1,411	2,025	35,998
Sales	–2,429	–416	–690	–10,583	–849	–13,642	–28,609
Gains and losses	–3,872	–16,987	–	130	373	–180	–20,536
Realised gains/losses, sold entire holding	*–21*	*–226*	–	*521*	–	*–2*	*272*
Realised gains/losses, sold portion of holding	*–108*	–	–	*233*	–	*852*	*977*
Unrealised gains/losses	*–1,599*	*–16,379*	–	*879*	*372*	*–298*	*–17,025*
Unrealised foreign exchange gains/losses	*–2,144*	*–382*	–	*–1,503*	*1*	*–732*	*–4,760*
Transferred from Level 3	–	–	–	–605	–	–	–605
Transferred to Level 3	–	–	–	499	–	–	499
Closing balance 2023	**107,625**	**65,531**	**1**	**60,928**	**6,934**	**11,319**	**252,338**
Parent Company							
Opening balance 2023	100,959	69,584	430	54,165	5,128	23,116	253,382
Purchases	12,111	2,829	261	17,322	100	2,025	34,648
Sales	–2,429	–257	–690	–10,583	–834	–13,642	–28,435
Gains and losses	–3,838	–16,255	–	130	373	–180	–19,770
Realised gains/losses, sold entire holding	*–21*	*–226*	–	*521*	–	*–2*	*272*
Realised gains/losses, sold portion of holding	*–107*	–	–	*233*	–	*852*	*978*
Unrealised gains/losses	*–1,580*	*–15,952*	–	*879*	*372*	*–298*	*–16,580*
Unrealised foreign exchange gains/losses	*–2,130*	*–76*	–	*–1,503*	*1*	*–732*	*–4,440*
Transferred from Level 3	–	–	–	–605	–	–	–605
Transferred to Level 3	–	–	–	499	–	–	499
Closing balance 2023	**106,803**	**55,901**	**1**	**60,928**	**4,767**	**11,319**	**239,719**

1) The definition of Level 3 is in Note 22, Valuation categories.

	Fair value at year-end 2022						
Group	Shares and participations	Shares and participations in associated companies and joint ventures	Debt securities issued by, and loans to, associated companies and joint ventures	Bonds and other debt securities	Loans secured by real estate	Other loans	Total
Opening balance 2022 2)	68,772	69,006	402	32,711	4,627	17,921	193,439
Purchases	24,560	10,489	28	19,931	4,972	12,417	72,397
Sales	–7,323	–613	–	–3,428	–3,414	–8,609	–23,387
Gains and losses	15,806	1,184	–	783	–186	1,387	18,974
Realised gains/losses, sold entire holding	–	–	–	*1*	*6*	*13*	*20*
Realised gains/losses, sold portion of holding	*4,244*	*0*	–	*238*	*113*	*622*	*5,217*
Unrealised gains/losses	*4,450*	*–110*	–	*–2,481*	*–297*	*–174*	*1,388*
Unrealised foreign exchange gains/losses	*7,112*	*1,294*	–	*3,025*	*–8*	*926*	*12,349*
Transferred from Level 3	–	–	–	4,168	–	–	4,168
Closing balance 2022	**101,815**	**80,066**	**430**	**54,165**	**5,999**	**23,116**	**265,591**
Parent Company							
Opening balance 2022 2)	68,236	62,002	402	32,711	4,112	17,921	185,384
Purchases	24,560	8,182	28	19,931	4,614	12,417	69,732
Sales	–7,323	–1	–	–3,428	–3,411	–8,609	–22,772
Gains and losses	15,486	–599	–	783	–187	1,387	16,870
Realised gains/losses, sold entire holding	–	–	–	*1*	*6*	*13*	*20*
Realised gains/losses, sold portion of holding	*4 243*	*0*	–	*238*	*114*	*622*	*5,217*
Unrealised gains/losses	*4,189*	*–776*	–	*–2,481*	*–299*	*–174*	*459*
Unrealised foreign exchange gains/losses	*7,054*	*177*	–	*3,025*	*–8*	*926*	*11,174*
Transferred from Level 3	–	–	–	4,168	–	–	4,168
Closing balance 2022	**100,959**	**69,584**	**430**	**54,165**	**5,128**	**23,116**	**253,382**

1) The definition of Level 3 is in Note 22, Valuation categories.
2) With the transition to IFRS 9, assets amounting to SEK 1,897 million in the opening balance 2022 have been reclassified from measurement at amortised cost to fair value. However, the value remains unchanged at fair value.

NOTE 24 Shares and participations

	2023		2022	
Group	Fair value	Cost	Fair value	Cost
Swedish listed shares	204,356	95,112	203,776	101,368
Swedish unlisted shares	1,823	2,230	2,245	2,030
Foreign listed shares	284,180	180,485	293,125	197,863
Foreign unlisted shares	105,802	96,356	99,560	89,149
Total	**596,161**	**374,183**	**598,706**	**390,410**
Parent Company				
Swedish listed shares	204,356	95,112	203,776	101,368
Swedish unlisted shares	1,823	2,230	2,245	2,030
Foreign listed shares	284,180	180,485	293,125	197,863
Foreign unlisted shares	104,980	95,931	98,705	88,710
Total	**595,339**	**373,758**	**597,851**	**389,971**

A list of all shares is available at alecta.se.

Accounting principle

Shares and participations are mandatorily measured at fair value through the income statement as they are held for trading. In the event of acquisitions at below cost price, the so-called day-1 gain is recognised only at the time of sale or when a market price exists. Valuation techniques for shares and participations are described in Note 22. Accumulated changes in value for shares consist of the difference between cost and fair value. Dividends are reported as dividends received in the item Capital return, income Note 5.

NOTE 25 Bonds and other debt securities

	2023		2022	
Group and Parent Company	Fair value	Amortised cost	Fair value	Amortised cost
The Swedish Government	55,149	55,421	33,506	35,161
Swedish mortgage bonds	38,827	38,732	48,913	49,165
Other Swedish issuers	162,661	162,863	86,133	89,847
Foreign governments	129,266	144,681	103,076	125,310
Other foreign issuers	137,891	141,999	127,834	136,976
Total	**523,795**	**543,696**	**399,462**	**436,459**

The items, Swedish government and foreign governments also include state guaranteed holdings.

Group and Parent Company	2023	2022
Fixed-rate term		
0–1 year	238,428	138,504
> 1–5 years	162,021	129,242
> 5–10 years	69,865	91,337
> 10 years	53,481	40,378
Total	**523,795**	**399,462**

Accounting principle

Bonds and other debt securities are measured at fair value through the income statement on initial recognition based on Alecta's business model. Valuation techniques for bonds and other debt securities are described in Note 22. Accumulated changes in value for fixed income instruments consist of the difference between amortised cost and fair value. Amortised cost refers to future payments discounted to present value at the effective interest rate. The acquisition interest is the interest that is accrued over the term of the financial instrument. The calculation takes into account any premiums or discounts at acquisition that have been allocated over the remaining term of the instrument. Accruals of premiums and discounts, accrued interest income and coupon payments received are recognised as interest income in the item Capital return, income Note 5.

NOTE 26 Loans secured by real estate

	2023		2022	
Group	**Fair value**	**Cost**	**Fair value**	**Cost**
Swedish loans secured by real estate	5,737	5,749	4,893	5,186
Foreign loans secured by real estate	1,197	1,095	1,106	1,093
Total	**6,934**	**6,844**	**5,999**	**6,280**
Parent Company				
Swedish loans secured by real estate	3,570	3,581	4,022	4,316
Foreign loans secured by real estate	1,197	1,095	1,106	1,093
Total	**4,767**	**4,676**	**5,128**	**5,409**

Accounting principle

Loans secured by real property are measured at fair value through the income statement at initial recognition based on Alecta's business model. Changes in value are recognised in the income statement as unrealised gains or losses.

Valuation techniques are described in Note 22. Interest income is reported as interest income in the item Capital return, income Note 5.

NOTE 27 Other loans

	2023		2022	
Group and Parent Company	**Fair value**	**Cost**	**Fair value**	**Cost**
Other loans, Swedish	1,503	1,500	5,474	5,498
Other loans, foreign	9,816	9,806	17,642	17,300
Total	**11,319**	**11,306**	**23,116**	**22,798**

Accounting principle

Loans with collateral received other than real estate, such as profit share loans are reported here. Other loans are measured at fair value through the income statement at initial recognition based on Alecta's business model.

Changes in value are recognised in the income statement as unrealised gains or losses. Valuation techniques are described in Note 22. Interest income is reported as interest income in the item Capital return, income Note 5.

NOTE 28 Derivatives

	2023			2022		
		Fair value			Fair value	
Group and Parent Company	**Nominal value**	**Assets**	**Liabilities**	**Nominal value**	**Assets**	**Liabilities**
Equity-related instruments	**–24,633**	**–**	**–**	**–43,515**	–	–
Futures	*–24,633*	*–*	*–*	*–43,515*	*–*	*–*
Interest-related instruments	**259,829**	**4,354**	**9,566**	**291,354**	**3,480**	**15,116**
Swaps	*148,584*	*4,350*	*9,563*	*220,923*	*3,478*	*15,116*
Futures	*111,189*	*–*	*–*	*70,217*	*–*	*–*
CDS	*56*	*4*	*3*	*214*	*2*	*–*
Currency-related instruments	**477,815**	**28,438**	**2,056**	**449,695**	**10,825**	**5,372**
Futures/swaps	*477,815*	*28,438*	*2,056*	*449,695*	*10,825*	*5,372*
Total	**713,011**	**32,792**	**11,622**	**697,534**	**14,305**	**20,488**

Management of collateral for derivatives is described in Note 29 Financial instruments subject to master netting agreements. For a description of the use of derivatives, refer to the Market risk section in Note 3 Risks and risk management.

Accounting principle

A derivative is a financial instrument the value of which is based on the performance of an underlying instrument. Alecta uses derivatives to improve the efficiency of the management of its assets and to reduce financial risks. Derivatives are mandatorily measured at fair value through the income statement. Derivatives with positive fair values are recognised as financial investment assets while derivatives with negative fair values are recognised as liabilities on the balance sheet. Derivatives are reported in the income statement along with the underlying instrument and the net gain or loss is presented in Note 20. Alecta does not apply hedge accounting.

NOTE 29 Financial instruments subject to master netting agreements

Group and Parent Company 31/12/2023	Financial assets recognised on the balance sheet	*of which amounts are not offset but which are subject to master netting agreements or similar agreements in the event of insolvency*	Financial collateral received	Cash collateral received	Net amount [4]
Assets					
Derivatives [1]	33,808	–9,784	–217	–28,293	0
Securities lending [2]	31,591	–	–32,541	–	0

	Financial assets recognised on the balance sheet	*of which amounts are not offset but which are subject to master netting agreements or similar agreements in the event of insolvency*	Financial collateral pledged [3]	Cash collateral pledged	Net amount [4]
Liabilities					
Derivatives [1]	12,523	–9,784	–7,613	–429	0

Group and Parent Company 31/12/2022	Financial assets recognised on the balance sheet	*of which amounts are not offset but which are subject to master netting agreements or similar agreements in the event of insolvency*	Financial collateral received	Cash collateral received	Net amount [4]
Assets					
Derivatives [1]	15,720	–10,124	–	–3,324	2,272
Securities lending [2]	19,738	–	–20,471	–	0

	Financial assets recognised on the balance sheet	*of which amounts are not offset but which are subject to master netting agreements or similar agreements in the event of insolvency*	Financial collateral pledged [3]	Cash collateral pledged	Net amount [4]
Liabilities					
Derivatives [1]	21,971	–10,124	–8,578	–7,361	0

1) The amounts include accrued interest income of SEK 1,015 million (1,415) and accrued interest expenses of SEK 901 million (1,483).
2) Lending of debt securities is described in Note 43 Transfer of financial assets.
3) Collateral pledged is also reported in Note 42 Other pledged assets and comparable collateral.
4) In accordance with IFRS 7, the net amount can never be less than 0.

Disclosures on financial instruments subject to master netting agreements

The purpose of this Note is to provide information on Alecta's ability to settle assets and liabilities on a net basis (offset) in the event of the insolvency of either party and on the collateral that has been exchanged for the net asset/liability that remains between the parties after netting.

Derivatives and loaned debt securities are reported as gross on the balance sheet. These financial instruments are subject to master netting agreements in the event of the insolvency of either party. All values in the table above are stated at fair value.

Derivatives

As of 31 December, there were derivatives with a positive value of SEK 33,808 million and derivatives with a negative value of SEK 12,523 million. All of Alecta's derivatives are subject to ISDA Agreements, under which the parties have a legally enforceable right to offset the recognised amounts in the event of insolvency. If there is no insolvency situation, the amounts are not netted. No insolvency situation has arisen in either 2023 or the corresponding period in 2022.

In addition to having the right to settle on a net basis, Alecta has concluded CSA agreements that regulate the daily exchange of collateral during the term of the derivative contracts. For those counterparties for which the sum of all derivatives is positive, Alecta obtains corresponding collateral and in cases in which the sum of all derivatives is negative, Alecta provides corresponding collateral. In accordance with these CSA agreements, Alecta has received SEK 217 million in debt securities and 28,293 in cash where the sum of all derivative contracts is positive. Similarly, Alecta has pledged SEK 7,613 million in debt securities as well as SEK 429 million in cash in cases where the sum of all derivatives is negative.

NOTE 30 Receivables related to direct insurance operations

Group and Parent Company	2023	2022
Receivables from policyholders	1,853	1,724
Total	**1,853**	**1,724**

Refers primarily to a receivable from Collectum, which handles Alecta's receivables from insurance customers in the defined benefit plan.

Accounting principle

Receivables related to direct insurance operations are recognised at amortised cost.

NOTE 31 Other receivables

Group	2023	2022
Payment receivables from sale of investment assets	888	677
Tax in Sweden	70	85
Foreign tax	2,006	1,468
Deferred tax [1]	2,823	3,619
Approved dividend	119	67
Value added tax	20	18
Receivable, PRI Pensionsgaranti	0	204
Collateral pledged for derivatives [2]	429	7,361
Other	263	241
Total	**6,617**	**13,738**
Parent Company		
Payment receivables from sale of investment assets	888	677
Tax in Sweden	11	42
Foreign tax	2,006	1,468
Deferred tax [1]	2,667	3,483
Approved dividend	119	67
Receivable from subsidiary	7	935
Receivable, PRI Pensionsgaranti	0	204
Collateral pledged for derivatives [2]	429	7,361
Other	36	75
Total	**6,163**	**14,311**

1) See also Note 12.
2) See also Note 29.

Accounting principle

Other receivables are recognised at amortised cost. For rent and receivables, the simplified model is used for credit reservations. Continual assessments are done for credit reservations based on historic and current and forward-looking factors.

NOTE 32 Accrued interest and rental income

	Group		Parent Company	
	2023	2022	2023	2022
Accrued interest income subsidiaries	–	–	13	2
Accrued interest income	4,525	3,948	4,525	3,948
Total	**4,525**	**3,948**	**4,538**	**3,950**

Accounting principle

Prepaid expenses and accrued income

Prepaid expenses and accrued income refer to expenditure for future financial years and income earned during the financial year that has not been received or invoiced on the balance sheet date. Alecta's prepaid expenses and accrued income consist primarily of interest income not yet due for investment assets.

NOTE 33 Equity

For specification of the Group's changes in equity, refer to page 65, and for parent company changes in equity, refer to page 66.

Accounting principle

Surplus fund

Life insurance companies and occupational pension companies that do not have the right to distribute profits are required to maintain a surplus fund to which funds are allocated and used to cover losses. If permitted under the Articles of Association, the fund may also be used for other purposes. The surplus fund consists of collective funding, discretionary elements and special indexation funds.

Collective funding

Collective funding includes other risk capital, which is not allocated.

Discretionary participation reserve

The discretionary participation reserve in equity consists of refunds to policyholders and insured parties that have been allocated on a preliminary basis. Allocated refunds to the insured parties include pension supplements and adjustments of paid-up policy values for defined benefit pension products, as well as refunds for defined contribution insurance that have been allocated on a preliminary basis. Allocated refunds to policyholders consist of a premium reduction for risk insurance. Allocated refunds to policyholders and the insured parties also include funds intended to cover the cost of measures forming part of the ITP plan, under which the parties to the collective agreement have been given the right to indicate how the funds should be used. The decision on the final use of the funds is made by Alecta's Board of Directors, provided that the Board unanimously agrees that the designated use is consistent with Alecta's interests as an insurance company. The allocation of surpluses is regulated in the Company funding policy in the actuarial guidelines. As the surplus is preliminary and not guaranteed, it is regarded as risk capital and is included in the surplus fund. The surplus is allocated in conjunction with payment under the applicable internal regulations and is recognised directly in equity.

Special indexation funds

Special indexation funds are funds contributed to Alecta for indexation of pensions in payment and for other pension-promoting purposes or alternatively, to be transferred to a foundation designed for indexation of pensions. Decisions on the use of the funds for these purposes are made by the administrative board. Special indexation funds are therefore not included in the capital base or the collective funding capital. Change items are recognised directly in equity. In 2023, Alecta investigated whether special indexation funds should be separately reported outside the surplus fund and intends to reconcile the issue with the Swedish Financial Supervisory Authority in 2024.

Translation reserve (Group)

Balance sheets of foreign subsidiaries are converted at the closing rates on the balance sheet date and income statements of foreign subsidiaries are converted at the average exchange rate for the year. Foreign exchange differences arising on translation are recognised in Other comprehensive income and transferred to the Group's translation reserve. Currencies that have been converted are US dollars.

NOTE 34 Proposed appropriation of profits

The Board of Directors and Chief Executive Officer propose to the Council of Administration that the parent company profit for 2023 of SEK 61,899,553,754 be transferred to the surplus fund. The Board and CEO propose that the Council of Administration approve the resolution of the Board regarding refunds as set out in the section, Distribution of surplus in the Administration Report, pages 49–50, and the section Index-linked pension and premium reductions, page 52.

See also Proposed appropriation of profits in the Administration Report on page 50.

NOTE 35 Provision for life insurance

Group and Parent Company	2023	2022
Opening balance	**516,503**	**599,542**
Change for the year	84,705	52,673
Premiums	*92,794*	*59,269*
Payments	*–21,077*	*–20,062*
Interest	*18,526*	*17,269*
Released operating expenses	*–766*	*–651*
Yield tax	*–2,306*	*–1,774*
Mortality result	*–77*	*–301*
Other changes	*–2,389*	*–1,077*
Change in interest rate assumption	43,565	–112,009
Difference between premium and TP assumptions	–36,922	–23,703
Closing balance	**607,851**	**516,503**

The calculation of technical provisions requires qualified judgements, as well as assumptions on mortality, morbidity, interest rates, expenses, tax and other variables. The valuation of life insurance provision is described in the Accounting principles and information on current assumptions and changes introduced during the year are described below. The sensitivity of the assumptions used as a basis for provisions is described in Note 3.

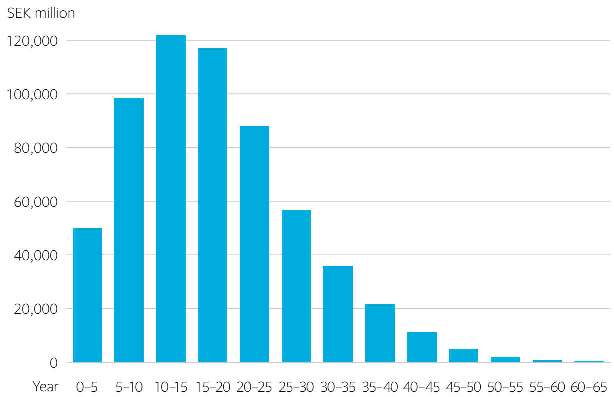
The following assumptions have been applied in calculating the provision for life insurance as at 31 December 2023:

- Interest rate assumption: The average interest rate was 2.74 per cent (3.25) as of 31 December 2023. The method of determining this rate is described in Note 3.
- Family pension assumption: Gender-dependent assumptions on family composition have been applied.
- Operating expense assumption: Future operating expenses are considered to consist of the present value of future expected expenses including cost increases due to inflation. Operating expenses are also recognised in connection with premium payments.
- Deduction for yield tax: Future yield tax is considered to consist of the present value of the yield tax that Alecta is expected to pay on assets representing the present value of guaranteed commitments. The loading for yield tax is 0.45 per cent, corresponding to 15 per cent of the discount rate with a maturity of 15 years.

Interest rate sensitivity

- For longer terms, a fixed forward rate has been applied, which means that the average interest rate does not fluctuate as much as long-term market rates. If market rates were to fall by one percentage point, the average interest rate would fall by 0.66 percentage points and the provision for life insurance would increase by SEK 66.9 billion (53.1).

EXPECTED DISCOUNTED NET CASH OUTFLOW FOR RETIREMENT PENSION, FAMILY PENSION AND ORIGINAL ITPK



Accounting principle

Provision for life insurance

The provision for life insurance is calculated as the capital value of expected guaranteed future pension payments, operating expenses, yield tax and contracted future premiums.

Change in provision for life insurance

The change in the provision for life insurance reflects actual events during the period, such as premium payments received or outgoing payments made in conjunction with an insured event. The provision for life insurance is also adjusted by the interest for the period, assumed operating expenses, mortality results and the exercising of the right to switch pension providers, as well and by the amount of paid-up policies. In addition, the provision for life insurance is affected by any changes to the method of calculation and the assumptions applied. Examples of assumptions used in calculating the provision for life insurance are the discount rate, mortality and operating expenses. Changes in the provisions are recognised as an income and expense item in the income statement.

NOTE 36 Provision for claims outstanding

Group and Parent Company	2023	2022
Opening balance	**13,028**	**14,267**
Change for the year	193	487
Provision for new claims	*4,748*	*5,161*
Discontinuation profit/loss	*–1,759*	*–1,645*
Payments	*–3,386*	*–3,359*
Interest	*321*	*238*
Released operating expenses	*–50*	*–52*
Other changes	*319*	*144*
Change in interest rate assumption	435	–1,411
Changed assumption for morbidity	–	–315
Closing balance	**13,656**	**13,028**

The calculation of technical provisions requires qualified judgements, as well as assumptions on mortality, morbidity, interest rates, expenses, tax and other variables. The valuation of provisions for claims outstanding is described in the Accounting principles and information on current assumptions and changes introduced during the year are described below. The sensitivity of the assumptions used as a basis for provisions is described in Note 3.

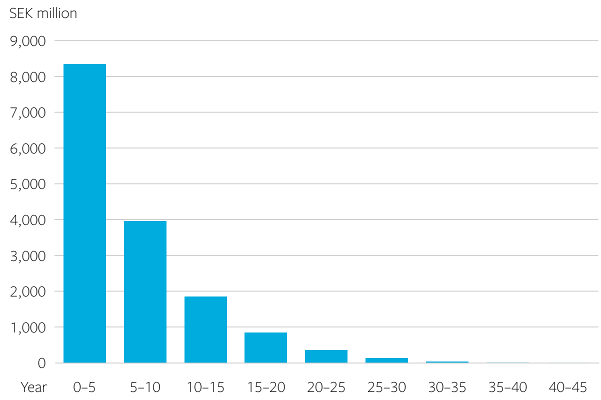
The following assumptions have been used in the calculation of the provision for claims outstanding with respect to disability pension and waiver of premium as of 31 December 2023 and which comprise the dominant portion of the provision:

- Interest rate assumption: The interest rate was 2.35 per cent (3.06) on 31 December 2023. The method of determining this rate is described in Note 3.
- Operating expense assumption: Future operating expenses are considered in the form of a supplement for expected pension payments. Operating expenses are also recorded in conjunction with premium payments.
- Indexation: It is assumed that benefits linked to changes in the price base amount and income base amount (guaranteed indexation) will increase annually by 2 per cent and 3 per cent.

Interest rate sensitivity

- If market rates fall by one percentage point, the provision increases by SEK 682 million (549).

EXPECTED DISCOUNTED NET CASH OUTFLOW FOR DISABILITY INSURANCE AND WAIVER OF PREMIUM INSURANCE



Accounting principle

Provision for claims outstanding

The provision for claims outstanding is intended to cover future costs for insurance claims arising due to incapacity to work. The technical provision is determined when the right to compensation arises. A portion of the provision for claims outstanding relates to claims incurred but not reported and is based exclusively on the company's experience of the backlog of reported cases of illness. The backlog of reported cases of illness is usually limited to one year.

Change in provision for claims outstanding

The calculation of the provision for claims outstanding is based on Alecta's insurance portfolio and on actuarial assumptions made on the basis of Alecta's actuarial calculation data. Changes in the portfolio or in the assumptions lead to a change in the provision for claims outstanding. Such changes are recognised as an income or expense item in the income statement.

NOTE 37 Other provisions

	Group		Parent Company	
	2023	2022	2023	2022
Indexation of pensions for former employees	2	2	1	2
Provision for real estate	4	4	1	–
Total	**6**	**6**	**2**	**2**

Accounting principle

A provision is a liability that is uncertain in terms of its due date and/or amount. A provision is recognised on the balance sheet when an existing obligation arises as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. An obligation can be legal or constructive. If these criteria are not met, no provision is recognised on the balance sheet. Instead, a contingent liability will arise if the criteria for such are met. Provisions are reviewed on each closing date. Provisions are used only for the expenditure for which the provision was originally intended.

NOTE 38 Liabilities related to direct insurance operations

Group and Parent Company	2023	2022
Liabilities to policyholders	10	13
Preliminary tax, pensions	688	826
Other	10	9
Total	**708**	**847**

Accounting principle

Liabilities related to direct insurance operations are recognised at amortised cost.

NOTE 39 Other liabilities

Group	2023	2022
Payment liability on purchase of investment assets	2,079	5,848
Collateral received for derivatives [1]	28,293	3,324
Accounts payable	315	257
Property tax	56	59
Value added tax	20	20
Other	79	65
Total	**30,842**	**9,573**

All liabilities mature earlier than one year after the balance sheet date.

Parent Company	2023	2022
Liabilities to subsidiaries	1,716	2,338
Payment liability on purchase of investment assets	2,079	5,848
Collateral received for derivatives [1]	28,293	3,324
Accounts payable	248	217
Property tax	52	55
Value added tax	4	6
Other	28	22
Total	**32,421**	**11,810**

[1] See also Note 28.

NOTE 40 Other accrued expenses and prepaid income

	Group		Parent Company	
	2023	2022	2023	2022
Accrued interest expense	634	1,214	634	1,214
Accrued property costs	125	145	77	52
Accrued staff costs	91	61	89	59
Prepaid rental income	443	410	117	122
Other	11	33	3	17
Total	**1,303**	**1,864**	**919**	**1,466**

Accounting principle

Accrued expenses and prepaid income consist of expenses for the financial year incurred by the business but are unpaid or not invoiced on the balance sheet date, and income that has been paid or invoiced but has not been earned on the balance sheet date.

NOTE 41 Assets and comparable collateral pledged for own liabilities and for liabilities reported as provisions

Group and Parent Company	2023	2022
Assets registered on behalf of policy holders	1,221,677	1,121,914
in addition to required pledge	*600,481*	*593,041*
	1,221,677	**1,121,914**
Land and buildings	39,984	42,890
Shares and participations in associated companies and joint ventures	55,901	69,584
Debt securities issued by, and loans to, associated companies and joint ventures	398	2,653
Shares and participations	595,339	597,851
Bonds and other debt securities	488,972	383,362
Loans secured by real estate	4,819	5,163
Other loans	11,373	23,194
Derivatives	21,284	–6,251
Cash and bank balances	3,606	3,468
Total	**1,221,677**	**1,121,914**

The table above shows assets that have been registered for debt coverage under the regulations of the Swedish Financial Supervisory Authority. As of 12 February 2024, Heimstaden Bostad is not included in the debt coverage register.

NOTE 42 Other pledged assets and comparable collateral

Group and Parent Company	2023	2022
Collateral pledged to clearing houses for derivatives trading		
Bonds and other debt securities	8,062	13,762
Cash and bank balances	210	4,296
Collateral pledged for derivatives trading in accordance with CSA agreements		
Bonds and other debt securities	1,476	3,861
Cash and bank balances	262	3,550
Total	**10,010**	**25,469**

Collateral pledged for derivatives trading in accordance with CSA agreements is described in Note 29 Financial instruments subject to netting agreements.

NOTE 43 Transfers of financial assets

Group and Parent Company	2023	2022
Loaned debt securities	31,591	19,738
Collateral received for loaned securities	32,541	20,471

Accounting principle

Loaned debt securities consist of Swedish and French government bonds, which are recognised at fair value on the balance sheet in accordance with the applicable accounting principles. Collateral received for loaned debt securities consists of Swedish and Danish covered bonds and is not recognised on the balance sheet. Compensation received for loaned debt securities has been recognised as interest income in the item Capital return, income, see Note 5.

NOTE 44 Contingent liabilities

Group	2023	2022
Remaining balance to be invested in investment assets	45,706	37,110
Total	**45,706**	**37,110**

Parent Company	2023	2022
Remaining balance to be invested in investment assets	45,929	36,865
Liabilities in limited partnerships	121	94
Total	**46,050**	**36,959**

Contingent liabilities is a generic term for guarantees, financial commitments and obligations that are not included on the balance sheet.

Remaining balance to be invested in investment assets refers to an obligation to inject capital into certain unlisted investments. Alecta has a contractual commitment to reinvest dividends from Heimstaden Bostad under certain conditions.

In the course of its normal business operations Alecta is party to several disputes, most of which concern minor amounts. Alecta does not expect these disputes to have a material adverse impact on the Group's financial position.

NOTE 45 Average number of employees, salaries, and remuneration

Average number of employees [1]	2023 Number of employees	2023 Of whom women	2023 Of whom men	2022 Number of employees	2022 Of whom women	2022 Of whom men
Parent Company						
Sweden	333	190	143	320	185	135
Total, Parent Company	**333**	**190**	**143**	**320**	**185**	**135**
Subsidiaries						
Sweden	90	49	41	58	30	28
Total, subsidiaries	**90**	**49**	**41**	**58**	**30**	**28**
Total, Group	**423**	**239**	**184**	**378**	**215**	**163**

Gender distribution in senior positions	2023 Women	2023 Men	2022 Women	2022 Men
Parent Company				
Board of Directors	2	7	4	7
CEO	–	1	–	1
Other senior executives	5	4	3	5
Total, Parent Company	**7**	**12**	**7**	**13**
Subsidiaries				
Board of Directors	6	3	4	7
Total, subsidiaries	**6**	**3**	**4**	**7**
Total, Group	**13**	**15**	**11**	**20**

Salaries, remuneration and fees paid to CEO, senior executives, Directors and other employees [2]

SEK (thousands)	2023 Salaries, fees and other remuneration	2023 Social costs	2023 Pension costs	2023 Total	2022 Salaries, fees and other remuneration	2022 Social costs	2022 Pension costs	2022 Total
Parent Company								
CEO and senior executives [3]	49,408	16,139	8,620	74,167	26,070	10,197	8,269	44,536
Board of Directors [4]	3,046	957	–	4,003	2,990	939	–	3,929
Other employees [5]	289,619	92,963	49,383	431,965	248,373	78,463	45,220	372,057
Total, Parent Company	**342,073**	**110,059**	**58,003**	**510,135**	**277,433**	**89,600**	**53,489**	**420,522**
Subsidiaries								
Other employees [6]	85,231	29,609	14,785	129,625	74,030	23,725	12,457	110,212
Total, subsidiaries [6]	**85,231**	**29,609**	**14,785**	**129,625**	**74,030**	**23,725**	**12,457**	**110,212**
Total, Group [6]	**427,304**	**139,668**	**72,788**	**639,760**	**351,463**	**113,325**	**65,946**	**530,734**

1) Refers to the average number of employees, both full-time and part-time.

2) The note reflects expensed salaries, remuneration and fees in each financial year.

3) Consists of senior management for 2023. For the current composition of senior management, see page 44. Salaries, fees and other remuneration include severance pay, excluding social costs, of SEK 13.9 million.

4) Members of the board receive directors' fees and fees for work on board committees, which are determined by the Council of Administration and in addition, one member receives remuneration for the work on the nominations committee.

5) Salaries, fees and other remuneration include severance pay, excluding social costs, of SEK 9.8 million.

6) The comparative figures for subsidiaries have been adjusted by a total of SEK 19.8 million as a result of the costs that were too low in the 2022 table regarding Alecta Fastigheter AB. Salaries, fees and other remuneration have been adjusted upward by SEK 15.0 million, social costs by SEK 3.8 million and pensions by SEK 1.0 million with corresponding adjustments for total subsidiaries and total Group, respectively.

NOTE 45 Average number of employees, salaries and remuneration, *cont.*

Salaries, remuneration, fees and benefits paid to senior executives and members of the board

	2023				
SEK (thousands)	Salaries, fees and other remuneration [1]	Benefits [6]	Total remuneration [7]	Social costs	Pension costs
Parent Company					
CEO					
Magnus Billing through 10/04/2023 [2]	12,816	113	12,929	4,707	2,660
Katarina Thorslund (current) from 10/04/2023 through 31/08/2023	1,662	1	1,663	568	189
Peder Hasslev from 01/09/2023	2,218	19	2,237	891	775
Deputy CEO					
Katarina Thorslund up to and including 9/04/2023 and from 01/09/2023	2,582	2	2,583	883	294
Henrik Gade Jepsen through 14/06/2023 [3]	8,859	3	8,861	3,079	1,216
William McKechnie (acting) from 20/04/2023 to 31/08/2023	883	1	884	329	209
Other senior executives					
Senior executives [4]	20,229	21	20,249	5,682	3,279
Total, CEO and senior executives	**49,249**	**159**	**49,408**	**16,139**	**8,620**
Chair of the Board					
Ingrid Bonde through 02/10/2023	813	–	813	255	–
Jan-Olof Jacke from 02/10/2023	63	–	63	20	–
Other members of the board					
Marcus Dahlsten	213	–	213	67	–
Martin Fridolf	213	–	213	67	–
Markus Granlund	229	–	229	72	–
Petra Hedengran	213	–	213	67	–
Jan-Olof Jacke through 01/10/2023	188	–	188	59	–
Magnus von Koch	213	–	213	67	–
Richard Malmborg	213	–	213	67	–
Björn Oxhammar	108	–	108	34	–
Elisabeth Sasse	108	–	108	34	–
Other members of the board who resigned					
Hanna Bisell	120	–	120	38	–
Ann Grevelius [5]	104	–	104	33	–
Martin Linder through 11/12/2023	250	–	250	79	–
Total, Board	**3,046**	–	**3,046**	**957**	**–**
Total, Parent Company	**52,295**	**159**	**52,453**	**17,096**	**8,620**

1) Salaries, fees and other remuneration refer to remuneration expensed in relation to the financial year 2023.

2) The salaries and fees for Magnus Billing include severance pay of a total of SEK 6.4 million corresponding to 12 months' salary. Benefits in the event of any other employment shall be deducted from the severance pay.

3) Salaries and fees for Henrik Gade Jepsen include severance pay totalling SEK 5.1 million corresponding to 12 months' salary. Benefits in the event of any other employment shall be deducted from the severance pay.

4) Other senior exectutives refers to eight positions (six), which along with the CEO and the Deputy CEO represented the Alecta senior management. For the composition of senior management, see page 44. The expense refers to those individuals who held a senior executive position at some point during the year. Salaries and fees for other senior executives include severance pay of a total of SEK 2.4 million corresponding to 12 months' salary. Benefits in the event of any other employment shall be deducted from the severance pay.

5) Ann Grevelius resigned from her position on the Board in April 2023 took up the position of acting Head of Equity.

6) Typical benefits include household services, healthcare insurance and parking place in garage.

7) Presentation of remuneration paid by Alecta, including variable remuneration in accordance with the Swedish Financial Supervisory Authority regulations and general guidelines on annual reports for insurance undertakings (FFFS 2019:23) will be published on alecta.se in April 2024.

NOTE 45 Average number of employees, salaries and remuneration, *cont.*

Salaries, remuneration, fees and benefits paid to senior executives and members of the board

	2022				
SEK (thousands)	Salaries, fees and other remuneration [1]	Benefits [3]	Total remuneration [4]	Social costs	Pension costs
Parent Company					
CEO					
Magnus Billing	6,708	120	6,828	2,753	2,504
Deputy CEO					
Katarina Thorslund	2,610	3	2,613	1,003	750
Hans Sterte through 30/11/2022	4,658	3	4,661	1,886	1,738
Henrik Gade Jepsen from 01/12/2022	428	–	428	134	–
Other senior executives					
Senior executives [2]	11,522	18	11,540	4,421	3,277
Total, CEO and senior executives	**25,926**	**144**	**26,070**	**10,197**	**8,269**
Chair of the Board					
Ingrid Bonde	828	–	828	260	–
Other members of the board					
Hanna Bisell	236	–	236	74	–
Marcus Dahlsten	206	–	206	65	–
Martin Fridolf	206	–	206	65	–
Markus Granlund	206	–	206	65	–
Ann Grevelius	206	–	206	65	–
Petra Hedengran	206	–	206	65	–
Jan-Olof Jacke	242	–	242	76	–
Magnus von Koch	206	–	206	65	–
Martin Linder	242	–	242	76	–
Richard Malmborg	206	–	206	65	–
Total, Board	**2,990**	–	**2,990**	**939**	–
Total, Parent Company	**28,916**	**144**	**29,060**	**11,137**	**8,269**

1) Salaries, fees and other remuneration refer to remuneration expensed in relation to the financial year 2022.

2) Other senior executives refer to six positions, which along with the CEO and the Deputy CEO's, represented the Alecta senior management. The expense refers to those individuals who held a senior executive position at some point during the year.

3) Typical benefits include household services and healthcare insurance.

4) Presentation of remuneration paid by Alecta, including variable remuneration in accordance with the Swedish Financial Supervisory Authority regulations and general guidelines on annual reports for insurance undertakings (FFFS 2019:23) was published on alecta.se in April 2023.

NOTE 45 Average number of employees, salaries and remuneration, *cont.*

Remuneration to directors, CEO and other senior executives

The Chair and other members of the Board of Directors receive directors' fees in accordance with resolutions adopted by the Council of Administration. Remuneration determined by the Council of Administration relates to the period until the next ordinary Council of Administration meeting. Remuneration paid to the CEO and senior executives in 2023 consisted of basic salary, other benefits, such as healthcare insurance, household services, pension costs and social costs.

Remuneration to the CEO is determined by the Board and is reviewed annually. Remuneration for senior executives is determined by the CEO and approved by the Board.

Other senior executives refer to nine individuals who along with the CEO represent Alecta's senior management. For the current composition of senior management, see page 44.

In accordance with the Swedish Financial Supervisory Authority regulations and general guidelines on annual accounts for insurance undertakings (FFFS 2019:23), supplementary disclosures on remuneration will be presented on alecta.se in April 2024.

Pensions, severance pay and other benefits to the CEO, Deputy CEO positions and other senior executives

The CEO has a pension agreement under which 35 per cent of the monthly salary is set aside each month for pensions, including provisions for the FTP plan. Any portion of the provision that exceeds the contribution required for the FTP plan may be used for retirement pension, survivor's pension and/or disability pension as decided by the CEO. The pensionable age for the CEO is 65. The CEO employment contract is terminable with six months' notice by the company, in which case the CEO is entitled to severance pay of an amount of twelve months' salary. Full settlement of benefits in the event of any other employment takes place during a period corresponding to the severance pay. The contract can be terminated by the CEO with six months' notice. The terms for former CEO Magnus Billing were the same as for current CEO Peder Hasslev.

At the end of the year, Alecta had only one Deputy CEO, Katarina Thorslund. The other Deputy CEO, Henrik Gade Jepsen, resigned in mid-June. Furthermore, then General Counsel William McKechnie has been acting Deputy CEO during the period that Katarina Thorslund joined as acting CEO.

The Deputy CEO Katarina Thorslund is also covered by the FTP plan, FTP 2. According to a previous contract, Katarina Thorslund is covered by a notice period of 18 months by the company, with any benefits received from other employment being fully deductible. The contract can be terminated by the Deputy CEO with six months' notice. During the period that Katarina Thorslund was acting CEO, a salary supplement was paid.

Former Deputy CEO Henrik Gade Jepsen is covered by the FTP Plan, FTP 1. Deputy CEO Henrik Gade Jepsen was covered by a mutual notice period of six months. In the event of termination by the company, severance pay of twelve months' salary was added with any benefits received from other employment being fully deductible during the period corresponding to the severance pay.

For the period William McKechnie joined as acting Deputy CEO, his usual terms of employment as General Counsel applied.

The table on page 97 shows the periods for which the above-mentioned executives have been the CEO and Deputy CEO respectively.

Other senior executives are covered by the FTP plan, all of which have FTP 1. Their contracts are terminable with six months' notice in case of termination by the Company and provide for severance pay for an amount of twelve months' salary. Full settlement of benefits in the event of any other employment takes place during a period corresponding to the severance pay. Since early 2013, employees of Alecta have had the option of exchanging a part of their salary for occupational pension premiums. Salary exchange is cost neutral for Alecta. This option is available to all employees of Alecta Tjänstepension Ömsesidigt.

Incentive schemes

Within Alecta, in 2023 there was a general incentive program for variable compensation that refers to all employees in Alecta Tjänstepension Ömsesidigt and Alecta Fastigheter AB, except for the company management and heads of the central functions Internal Audit, Risk, Compliance and the Actuarial function. The outcome in the general incentive program was governed by goal fulfilment linked to the three long-term goals in the business plan for 2023, and the maximum outcome amounted to fifteen thousand kroner (12) per employee in the form of an enhanced occupational pension premium. For 2023, all three goals were fully met, given the goal formulations, which means a provision of approximately SEK 6.8 million including social costs in 2023. However, decisions on variable remuneration for 2023 have been postponed. The outcome for 2022 was SEK 4.5 million including social costs. The Group also has a subsidiary, with conference and catering activities, which has an incentive scheme for variable remuneration. The scheme yielded an outcome in 2023 that entails a cost for Alecta of approximately SEK 0.5 million including social costs (–).

Pension plans

All employees of Alecta Tjänstepension Ömsesidigt in Sweden are covered by an occupational pension plan, FTP 17. The plan consists of two parts, FTP 1 and FTP 2. Employees born in 1972 or later are covered by FTP 1, while employees born in 1971 or earlier are covered by FTP 2. FTP 1 covers defined contribution retirement pensions with or without repayment cover, family cover, disability pension and waiver of premium insurance. The premium for retirement pension is 4.9 per cent of the gross salary on portions of salary up to 7.5 times the income base amount and 30.5 per cent on portions of salary in excess of 7.5 times the income base amount. Employees born in 1971 or earlier with a salary in excess of ten times the income base amount can choose to be covered by FTP 1. FTP 2 is a defined benefit pension plan, which means that the employee is guaranteed a pension defined as a specific percentage of their final salary. FTP 2 includes retirement pension, family pension, FTPK, disability pension, family cover, waiver of premium insurance and a separate children's pension.

Pension commitments are secured through payments of fixed insurance premiums during the period of service. Under IAS 19, as a rule, multi-employer defined benefit pension plans should be recognised as defined benefit pension plans. If insufficient information is available to determine the employer's share of the obligations and assets under management, the pension plan should instead be reported as if it were a defined contribution pension plan. Alecta reports the whole FTP plan as a defined contribution plan, as the criteria for recognising the defined benefit components of the plan in accordance with the main rule in IAS 19 are not met. This means that the expense is recognised when the benefits are earned. The total insurance premium for defined benefit retirement and family pensions in FTP 2 amounted to SEK 10.2million in 2023 and is expected to reach SEK 9.3 million in 2024. The premium represents approximately 0.06 per cent of the total premiums for defined benefit retirement and family pensions paid to Alecta by the client companies. Premiums are calculated on a per insured party basis and for each type of benefit by applying Alecta's assumptions on interest rates, operating expenses and yield tax.

Alecta's collective funding ratio for defined benefit plans at the end of the year was 158 per cent (172). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders, calculated using Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. According to Alecta's funding policy for defined benefit insurance products, the specific normal range for the funding ratio is 125–175 per cent.

The subsidiaries have mainly defined contribution plans. These plans are secured mainly through payments of insurance premiums by each Group company and in some cases also by the employees. Some Group companies also provide different forms of healthcare insurance.

Provision for pensions

In the parent company, the calculation of the provision for pensions for Alecta employees is done in compliance with the Swedish Pension Obligations Vesting Act and based on assumptions provided for in Regulation FFFS 2007:31 of the Swedish Financial Supervisory Authority.

NOTE 46 Disclosure of auditor fees

	Group		Parent Company	
	2023	2022	2023	2022
Statutory audit	8.2	–	6.8	–
Audit activities not included in statutory audit	–	–	–	–
Tax advisory services	0.1	–	0.1	–
Other services	0.4	–	0.4	–
PwC	**8.7**	–	**7.3**	–
Statutory audit	0.4	3.2	0.4	3.2
Audit activities not included in statutory audit	–	0.4	–	0.4
Tax advisory services [1]	1.3	2.1	–	–
Other services	–	–	–	–
EY	**1.6**	**5.6**	**0.4**	**3.5**
Statutory audit	1.1	1.0	–	–
Audit activities not included in statutory audit	–	–	–	–
Tax advisory services	–	–	–	–
Other services	0.4	0.6	0.4	0.6
KPMG	**1.5**	**1.6**	**0.4**	**0.6**

[1] Of which SEK 1.3 million (2.1) relates to tax advice by EY in the US.

NOTE 47 Leases

Alecta has entered into leases for site and land leaseholds, premises and office equipment. The due dates for the total amount of future minimum lease payments under non-cancellable leases as at 31 December are indicated below.

	Group		Parent Company	
	2023	2022	2023	2022
Due date				
Within one year	12.0	9.2	7.7	5.7
Later than one year but within five years	31.2	25.6	15.7	11.5
Later than five years	–	–	–	–
Total	**43.1**	**34.8**	**23.4**	**17.2**
Total lease payments during period	**12.0**	**9.2**	**7.7**	**5.7**
of which minimum lease payments	*12.0*	*9.2*	*7.7*	*5.7*

Accounting principle

Alecta as a lessee reports leasing fees as costs linearly over the lease period in both the parent company and the Group.

NOTE 48 Related party disclosures

This Note contains descriptions of transactions between Alecta and related parties, as defined in IAS 24 Related Party Disclosures. Alecta considers the following legal entities and physical persons to be related parties according to this definition:

- all companies in the Alecta Group
- members of the Board, senior management and managers of central function units
- close family members of members of the Board, senior management and managers of central functions
- The Confederation of Swedish Enterprise, PTK and their member organisations/unions
- associated companies and joint ventures.

Like other transactions, transactions with related parties must be undertaken on commercial terms. When such transactions are undertaken, particular attention must be paid to the internal rule on handling of conflicts of interest and Alecta's ethics policy, both of which have been adopted by Alecta's Board of Directors.

The operations of Alecta are conducted in accordance with principles of mutuality. The profit or loss arising in the company must be returned to or borne by the policyholders and the insured parties. The operations are conducted on a non-profit basis and no profits are distributed. Subsidiaries are regarded primarily as capital investments for the purpose of generating the best return for the owners.

Transactions between Alecta and Group companies

The transactions that take place from Alecta to subsidiaries refer to loans or shareholder contributions provided in connection with investments made by the subsidiaries. Transactions from subsidiaries to Alecta refer mainly to loan repayments and interest payments, as well as dividends. Shares and participations in Group companies are presented in Note 16.

Alecta Tjänstepension Ömsesidigt provides premises and internal services for functions including finance, IT and HR for the subsidiaries, Alecta Fastigheter AB.

Alecta Tjänstepension Ömsesidigt in turn receives management services for directly owned properties and indirect investments from Alecta Fastigheter AB. In addition, Alecta Tjänstepension Ömsesidigt receives property management services from Alecta Fastigheter AB, as Alecta Fastigheter AB takes care of the management and development of the Group's Swedish properties.

The remuneration for the internal transactions belongs to property management and is shown in the table.

Transactions with members of the Board, senior management and their immediate families

Related party agreements refer to transactions that involve the transfer of resources, services or obligations between Alecta and related parties even if compensation is not paid. Transactions resulting from participation in collectively agreed pension schemes managed by Alecta are not to be included as related party transactions. No remuneration was paid to family members of related parties in 2023.

Information on remuneration of senior executives and members of the Board is presented in Note 45.

Transactions with the Confederation of Swedish Enterprise and PTK

The Confederation of Swedish Enterprise and the Council for Negotiation and Cooperation (PTK) are central labour market organisations in the Swedish private sector. Organisations and unions that are members of each central organisation are included on the nomination committees that appoint members of Alecta's council of administration and thus indirectly also of Alecta's board on behalf of shareholders. No transactions took place between Alecta and the Confederation of Swedish Enterprise and PTK in 2023.

In 2023 there were no portfolio transfers made.

Transactions with associated companies and joint ventures

Joint ventures are defined as entities in which Alecta exercises joint control together with the other co-owners. Associated companies are defined as entities where Alecta has a significant influence over operational and financial governance without having a controlling or joint controlling influence.

NOTE 48 Related party disclosures, *cont.*

Directly or via a subsidiary, Alecta Tjänstepension Ömsesidigt is a co-owner of a number of joint ventures and associated companies in Sweden and the United States.

Transactions between Alecta and these joint ventures and associated companies concern lending, shareholder contributions, dividends and interest payments, and are shown in the table below.

In 2023, the Group invested SEK 908 million (10,498) in associated companies and joint ventures.

The list of associated companies and joint ventures can be found in Note 18.

Information on transactions between the Parent Company, Alecta Tjänstepension Ömsesidigt and related parties

	Payments received		Payments made	
Related parties	2023	2022	2023	2022
Group companies				
Interest income	970	531	–	–
Interest expenses, etc.	–	–	85	17
Share of profit	93	115	–	–
Property management	36	32	73	63
Dividends	640	1,184	–	–
Shareholder contributions provided	–	–	1,457	1,108
Associated companies and joint ventures				
Interest income	48	47	–	–
Dividends	2,644	8,813	–	–
Total	**4,431**	**10,722**	**1,614**	**1,188**

Information on the outstanding claims and liabilities to related parties of the parent company, Alecta Tjänstepension Ömsesidigt as at 31 December

	Receivables		Liabilities	
Related parties	2023	2022	2023	2022
Group companies				
Non-current receivables	18,630	18,635	–	–
Receivables from/liabilities to Group companies	–	–	1,708	1,404
Accrued interest income	13	2	–	–
Associated companies and joint ventures				
Debt securities issued by and loans to	378	2,626	–	–
Total	**19,021**	**21,262**	**1,708**	**1,404**

NOTE 49 Significant events after the balance sheet date

At an extra meeting of the Board of Directors on 22 February, Carina Åkerström was elected as the new Chair of the Board of Directors of Alecta. However, shortly thereafter, at the beginning of March, she chose to resign after changing her assessment of her ability to fulfil her dudities without conflicts of interest, linked to her employment at Handelsbanken. First Vice Chair Jan-Olof Jacke rejoined as Chair.

Signatures of Board and CEO

We hereby declare that to the best of our knowledge, the annual accounts and consolidated financial statements have been prepared in accordance with generally accepted accounting principles, the information provided gives a true and fair view of the circumstances of the Company and Group and nothing of material significance has been omitted that could affect the view of the Company and Group created by the annual accounts and consolidated financial statements. Our assurance also applies to the statutory sustainability report.

Stockholm, date indicated by our electronic signature.

Jan-Olof Jacke
Chair

Elisabeth Sasse
Second Vice Chair

Marcus Dahlsten
Member of the Board

Martin Fridolf
Member of the Board

Markus Granlund
Member of the Board

Petra Hedengran
Member of the Board

Magnus von Koch
Member of the Board

Richard Malmborg
Member of the Board

Björn Oxhammar
Member of the Board

Birgitta Pernkrans
Employee representative

Mikael Persson
Employee representative

Peder Hasslev
CEO

Our audit report has been submitted on the day shown by our electronic signature.

Öhrlings PricewaterhouseCoopers AB

Morgan Sandström
Authorised Public Accountant

Auditor's report

This is the translation of the auditor's report in Swedish. If there are differences, the Swedish original has precedence.
To council of administration in Alecta Tjänstepension Ömsesidigt, corporate identity number 502014-6865

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Alecta Tjänstepension Ömsesidigt for the year 2023. The annual accounts and the consolidated accounts of the company are included on pages 45–102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act in Insurance Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2023 and its financial performance for the year then ended in accordance with the Annual Accounts Act in Insurance Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act in Insurance Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and its financial performance for the year then ended in accordance with the Annual Accounts Act in Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on our best knowledge and belief, no prohibited services referred to in Article 5.1 of the Auditor Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Auditor’s report, *cont.*

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matters

Valuation of provisions for life insurance

As of 31st December 2023 provisions for life insurance in the parent company amounted to SEK 607,851 million, equivalent to 91% of the parent company’s total liabilities. Provisions for life insurance in the group amounted to SEK 607,851 million, equivalent to 91% of the group’s total liabilities.

Provision for life insurance depends on assumptions about the future and involves complex calculations.

The significant assumptions include assumptions about life expectancy, interest rates, family pension, operating expenses, and deductions for investment tax.

Incorrect applications of models and judgements of assumptions can have a significant impact on the valuation of provision for life insurance, which is why this area is considered particularly important in the audit.

See note 1 Group and Parent Company accounting principles, note 2 Significant estimates and judgements, note 3 Risks and risk management and note 35 Provision for life insurance.

How our audit addressed the key audit matter

Our audit measures have included, but are not limited to:

- Assessment of the design and testing of the effectiveness of a sample of controls over the process for calculating provision for life insurance.
- Assessment of the methods, models, and assumptions used against industry practices.
- Sampling testing of input data in actuarial calculations and control calculations for a portion of the life insurance portfolio.
- We have used an actuarial specialist in the audit.
- We have reviewed the information presented in the annual report.

Valuation of unlisted investments (level 3) including Land and Buildings to fair value.

The parent company’s level 3 investment assets amount to SEK 250,768 million as of December 31, 2023, which represents 20% of total assets. The group’s level 3 investment assets amount to SEK 292,322 million, which represents 23% of the group’s total balance sheet.

Given the size of the balance sheet item in relation to total assets and the fact that the valuation of properties and unlisted financial instruments at level 3 requires management’s estimates and judgments, the valuation of level 3 investment assets has been considered a particularly significant area in our audit.

See note 1 Group and Parent Company accounting principles, note 15 Land and buildings, note 22 Valuation categories for financial instruments measured at fair value and note 23 Disclosures on financial instruments measured at fair value based on level 3.

Our audit measures have included, but are not limited to:

- Assessment of the design and testing of the effectiveness of a sample of controls over the process for calculating fair value.
- We have assessed the models and methods used by the company in the valuation process.
- For a sample of valuations, we have evaluated the reasonableness of management’s estimates and judgments in calculating fair values.
- Assessment of the use of valuation methods in accordance with applicable accounting principles and industry practices.
- We have reviewed a selection of management’s judgments by comparing previous year’s valuations to actual outcomes upon sale.
- We have utilized valuation specialists in the audit.
- We have reviewed the information presented in the annual report.

Auditor's report, *cont.*

Other matter

The audit of the annual accounts and consolidated accounts for the fiscal year 2022 has been performed by another auditor who issued an audit report dated April 4, 2023, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and can be found on pages 1–44 and 107–125. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated 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 and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated 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 Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about 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 opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group'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 and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that I identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the

Auditor's report, *cont.*

most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Alecta Tjänstepension Ömsesidigt for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the council of administration that the profit be appropriated in accordance with the proposal in the Administration Report and that the members of the Board of Director's and the Managing Directors be discharged from liability for the financial year.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a secure manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Occupational Pension Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Occupational Pension Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Occupational Pension Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Occupational Pension Companies Act.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, was appointed auditor of Alecta Tjänstepension Ömsesidigt at the council of administration on the 20th of April 2023 and has been the company's auditor since 20th of April 2023.

Stockholm the day stated in our electronic signature
Öhrlings PricewaterhouseCoopers AB

Morgan Sandström
Authorised Public Accountant

Glossary

Adjustment of paid-up policy values
Assigned refunds through an increase of the pension entitlement earned before retirement age. This adjustment is made primarily to compensate for inflation.

Agency agreement with Collectum
Agreement according to which Collectum is to perform administrative services regarding the ITP plan for Alecta.

Allocated refunds
Surplus that is allocated to
- the policyholders in the form of future reduction of the premium
- the insured parties in the form of a future increase in the insurance benefit
- to cover the cost under the ITP plan. The parties to the collective agreement have been granted the right to indicate how the funds are to be used.

Allocated refunds are not formally guaranteed.

Asset management expense ratio
Operating expenses for asset management relative to average assets under management.

Assets under management
Calculated as equity, life insurance provision and outstanding claims, according to the balance sheet.

Capital base
The insurance company must have sufficient capital, calculated as capital base to be able to cover any future unforeseen losses. The capital base consists of the difference between the company assets less intangible assets and financial liabilities, special indexation funds and the technical provisions.

Capital value
The estimated present value of future payment flows.

Collective funding capital
The difference between the distributable assets, valued at market value and the insurance commitments (both guaranteed commitments and allocated refunds) to policyholders and insured parties.

Collective funding ratio
Distributable assets divided by insurance commitments to policyholders and the insured parties (both guaranteed commitments and allocated refunds).

Company-linked funds
Funds that were deposited in 1998 for policyholders of the surplus at Alecta generated between 1994–1998. The funds were used during the years 2000–2007 and have mainly been used for pension premiums within Alecta and other life insurance companies.

Default option
In a defined contribution plan where the employee has not made an active choice of insurance company, the employee automatically becomes a customer of the insurance company that was appointed as a default option in the procurement of the management of the plan.

Defined benefit insurance (ITP 2)
Defined benefit pension means that the amount of the pension is determined in advance for example, that it must be a certain amount or a certain percentage of the final salary.

Defined contribution insurance
Defined contribution pension means that the size of the premium is determined in advance. For example, it may be a certain percentage of the salary or a certain amount. The size of the pension depends on the amount of pension capital at retirement.

Discount rate
The interest rate used to calculate the present value of future deposits and payments.

Distributable assets
The total market value of the assets after deductions for financial liabilities and special indexation funds.

Financial position
The relationship between assets and liabilities where the key performance indicators for Alecta are a collective funding ratio and solvency ratio.

Guaranteed refunds
Surplus allocated
- policyholders in the form of a reduction in the premium
- the insured parties in the form of a guaranteed insurance benefit or additional paid amount/pension supplement
- to cover the cost under the ITP plan. The decision on the final use of the funds is made by Alecta's Board of Directors, provided that the Board unanimously agrees that the designated use is consistent with Alecta's interests as an insurance company.

Allocated refunds are formally guaranteed.

Insurance contract
A contract between the insurer and the policyholder that contains a significant insurance risk.

Insured party
The person covered by the insurance.

Investments
The investment assets, cash and bank balances and other assets and liabilities related to investment assets (for example, accrued interest income) at market value on the balance sheet.

Investment assets
Assets with the character of a capital investment at market value on the balance sheet including debt securities, equities and real estate.

Management expense ratio
Operating expenses in the insurance business (acquisition and administrative costs) and claims settlement expenses relative to average assets under management. The key performance indicator is calculated in total and for defined contribution and defined benefit insurance.

Occupational group life insurance (TGL)
A life insurance that provides the survivors with a fixed amount in the event of the death of the insured party before retirement. Under the collective agreement, the employer is obliged to take out insurance for its employees.

Original ITPK
Defined premium ITPK was added in 1977 and was then automatically invested in Alecta. From 1990, the individual had to make their own choice. Those who made no choice until 2007 had their ITPK placed in the default option, original ITPK. No additional money has been invested in the original ITPK after 2007.

Pension supplement
Refunds allocated to the insured party in addition to the guaranteed defined benefit pension. Under the applicable actuarial guidelines, the pension supplement must not exceed the increase in the consumer price index for the year concerned, starting from the date on which the first pension payment was made to the insured party. The pension supplement is determined by the Board each year and is allocated in conjunction with the payment.

Policyholder
Anyone who has entered into an insurance contract with an insurance company.

Premium rate
For defined benefit insurance, the size of the premium depends partly on the premium rate applied. The premiums paid including the cumulative return based on the premium rate, must be sufficient to pay the guaranteed benefit during the payment period. This means that the premium will be higher the lower the applied premium rate.

Premium reduction
Reduction of the premium by allocating or assigning a refund.

Premium waiver insurance
Part of the collective risk insurance for the ITP plan, which means that the employer is exempt from premium payment if an insured party is affected by inability to work. In such cases, premiums for the insurance under the ITP plan are paid from the premium waiver insurance and are recognised as an insurance benefit.

PRI model
Rather than paying premiums to an insurance company, the employer reports its pension commitment as a liability on the balance sheet. The distribution of funds begins only on the retirement of an employee. A credit insurance arrangement with PRI Pensionsgaranti guarantees that the employees will receive their pensions even if their employer becomes insolvent.

Present value
The present value of cash flows that will occur in the future.

Risk insurance
Insurance for which the entire premium is used to cover the risk costs. There is no savings component in this type of insurance.

Solvency margin
The required solvency margin is a minimum requirement for the size of the capital base. The solvency margin represents just over 4 per cent of the technical provisions.

Solvency ratio
Total market-valued assets less intangible assets and financial liabilities relative to the guaranteed commitments.

Special indexation funds
Funds contributed to Alecta and allocated to guarantee the indexation of pensions or for other pension promotion purposes or allocation to a foundation with the purpose of securing pensions. Decisions on the use of the funds for these purposes are made by the Council of Administration. Special indexation funds are therefore not included in the capital base or the collective funding capital.

Supplementary amounts
Refunds allocated to the insured parties in addition to the guaranteed defined contribution pension.

Technical provisions
Technical provisions (TP) are the capital value of the insurance company's guaranteed commitments to the policyholder and the insured party. Technical provisions consist of life insurance provisions and provisions for outstanding claims.

Total return
The return on investments, adjusted for cash flows and expressed as a percentage. Calculated in accordance with the recommendations of Insurance Sweden.

Sustainability-related information

Template relating to periodic disclosures for the financial products referred to in Article 8 paragraphs 1, 2 and 2a of Regulation (EU) 2019/2088 and the first paragraph of Article 6 of Regulation (EU) 2020/852

Product name:
Alecta Optimal Pension

Legal entity identifyer:
5493003P9RHFT66VQS66

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contribute to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** The Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It made **sustainable investments with an environmental objective:**	☒ It promoted **Environmental/Social (E/S) characteristics** and while it did not have as its objective sustainable investment, it had a proportion of 5.2 per cent (%) of sustainable investments. Calculations indicate that the share of taxonomy-aligned investments in equity and corporate bonds sum up to 1.4 per cent, with reservation due to fragmented data and estimates. Taken together, the share of sustainable investments in total would sum up to 6.6 per cent.
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It made **sustainable investments with a social objective:**	☐ It promoted E/S characteristics, but did not **make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

See description of the promotional characteristics and how they are followed up on the next page. Derivatives are not considered to have contributed to the promotional characteristics.

Sustainability indicators
measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainability indicators perform?

Environmental characteristics – Climate

Alecta's overall climate objective is for the investment portfolio to be compatible with the 1.5 degree objective of the Paris Agreement and have a net zero climate footprint by 2050, which means that the underlying assets must also work actively on transition. Alecta considers climate aspects both before investment and under management for asset classes of equities, corporate bonds, lending to states and municipalities, direct and indirect real estate investments and infrastructure. Alecta refrains from investing in or financing companies that receive more than 5 per cent of their revenue from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenue from coal power.

For equities and corporate bonds, Alecta uses data and information from both external data providers in the analysis and directly from the portfolio companies in order to monitor developments in climate efforts. Dialogues with portfolio companies are a tool for increasing transparency and promoting climate efforts. In relevant cases, Alecta may vote for climate-related proposals at the general shareholders' meetings. The directly owned properties have energy efficiency targets and their climate footprint is monitored and reported along with energy use. Alecta environmentally certifies properties where possible. In externally managed funds, climate reporting is subject to negotiation and follow-up. When lending to states, supranational institutions and municipalities, green bonds are encouraged. Starting in 2023, Alecta does not directly finance countries that lack a climate objective.

Alecta does not use an index for comparison but follows a number of indicators for portfolio companies; including the climate footprint of the investments, reporting the climate footprint of the entire value chain (scopes 1-3), science-based climate targets, corporate engagement dialogues on climate, voting at meetings on climate matters and screening of carbon assets. When the underlying holdings report according to the taxonomy's climate indicators, Alecta will also monitor the development of that proportion of investments. Alecta is working to increase available climate data for all investments.

Outcome 2023

Result indicator	Page reference
Climate footprint, equities, corporate bonds, directly owned properties	26
Reporting of scopes 1-2, equities and corporate bonds by the portfolio companies	26
Percentage of companies with science-based climate targets, equities and corporate bonds	26
Number of corporate engagement dialogues on climate	20
Number of climate resolutions supported at AGMs in 2021–2022	24

Social characteristics – Gender equality

Alecta aims to promote equal management groups and boards, which is taken into account in investments in equities, corporate bonds and for external managers.

Alecta strives for equal boards and works for this through our participation in nomination committees in Swedish portfolio companies, usually around twenty per season. The objective involves each gender being represented by at least 40 per cent, which is taken into account in the recruitment process of new board members and in succession planning. The results are followed up after each AGM season based on information from the meeting and databases of board composition. No index has been chosen as a reference value but it is monitored as an indicator, as an average of the composition of the boards of the companies concerned against the objective in terms of the proportion of women elected by the AGM on the board in which Alecta participates in the nomination committee.

Alecta's expectation is to also reach the corresponding share in other shareholdings, as well as at management team level. Given changing market developments, the objective applies primarily to our Swedish holdings but over time, the boards of our international holdings will consist of at least 40 per cent of each gender. Over time, we want to see the corresponding development in these companies' management teams as well. Dialogue and voting are tools for promoting gender equality. The development of the proportion of women and men on boards and senior management will be reported and monitored. When investing in real estate and infrastructure via external managers, we request information about gender equality and from 2023 will follow up the proportion of women in different decision-making positions on an annual basis.

Outcome 2023

Result indicator	Page reference
Percentage of women on the board where Alecta is a member of nomination committee, average *	24
Percentage of women among the new members elected to the board of directors where Alecta participates in the nomination committee *	35%

* Refers to the 2022-2023 AGM season. Of 17 new directors elected by the AGMs, 6 were women.

Good governance characteristics – remuneration

Alecta believes that remuneration should be properly justified, transparent and in line with market conditions. The remuneration is to be designed in such a way as to promote the long-term interest of the company and its shareholders. It should be performance-based and clear. Alecta conducts ongoing dialogue with our listed shareholdings on remuneration programmes. At general meetings, Alecta votes against proposals for remuneration that do not meet our criteria. Alecta's voting decisions are disclosed annually.

Outcome 2023

Result indicator	Page reference
Number of dialogues on remuneration	25
Number of proposals on remuneration voted against by Alecta	24

Controversial Weapons, Tobacco and Gambling

Alecta also refrains from investing in or financing companies that develop, manufacture, maintain or distribute components or systems specifically developed for controversial weapons. Alecta does not invest in companies for which the core business involves the production of tobacco or the conduct of gambling activities. This refers to companies that engage in activities involving gambling at casinos, slot machines or poker online. Each new investment is screened for such activities and then followed up quarterly. The requirement is also communicated to external managers and included in agreements.

Outcome 2023

Result indicator	Page reference
All investments meet the requirements *	n/a

* For external assets under management, the criteria are applied as far as possible with zero tolerance for controversial weapons and as a minimum, the thresholds for other excluded sectors are applied at fund level.

- **... and compared to previous periods?**

For the indicators where there is a history, it is reported in the pages referred to above. In general the development with regard to climate targets and disclosure by equity and corporate bond holdings has been positive, with reduced footprint from equity. Total emissions from bond holdings have increased because Alecta has invested in bonds from companies with high footprint. We assess those companies to have clear transition targets. With regard to gender equality in boards, the results are on par with previous years. In 2023, we looked more closely into gender equality in all equity holdings in order to monitor and support the progress. With regard to remuneration, Alecta conducted slightly less dialogues focused primarily on remuneration, but voted against a larger share of the compensation items at the AGM compared with 2022.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

What Alecta has defined as sustainable investments can contribute to a number of different environmental or social objectives, these are not defined in advance to encourage a wide and growing range of such investments. Alecta makes investments that contribute to two of the EU taxonomy's environmental objectives – the mitigation of or adaptation to climate change. The investments can also contribute to other environmental objectives such as sustainable use and protection of water and marine resources, transition to a circular economy, prevention and mitigation of environmental pollution, protection and restoration of biodiversity and ecosystems. An example of an investment during the period helps fund conservation projects for biodiversity and marine environment in Galápagos.

The objectives can also be of a social nature, such as promoting health or strengthening equality. Typically, the investment contributes by funding improvements or optimising activities for reduced environmental impact or by funding expansion, for example of social infrastructure. Overall, the objectives of sustainable investments can be said to fit within the global sustainability objectives included in Agenda 2030.

Principal adverse impacts
are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights and anti-corruption and anti-bribery matters.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Examples of sustainable investments include bonds issued under green or social frameworks that clearly state what is to be funded. If these are issued by companies, the company's ESG efforts and any controversy is checked. For government or municipal green bonds, Alecta's country classification applies, which includes corruption, human rights and climate as a basis for selection. Sustainable investments can also be made in equities or bonds of companies for which the main products or services contribute to one or more global sustainability objectives and that are not linked to activities with significant social or environmental harm. Properties that meet high environmental criteria in a sustainability certification can also qualify as sustainable investments and then include more parameters than just the environment.

How were the indicators for adverse impacts on sustainability factors taken into account?

All investments are subject to an overall assessment of negative impacts on sustainability factors. The assessment differs between asset classes depending on the characteristics of the investment such as the maturity of the instrument, as well as on the available information and data.

When sustainable investments are made in instruments issued by companies such as equities or bonds, sustainability indicators linked to the business model are taken into account along with an assessment of ESG risks based on a balancing of different indicators and sustainability management systems.

Alecta's process is reviewed and certified by an independent party, which requires among other things, consideration to be given to a number of environmental, social and corporate governance indicators. Climate is taken into account and documented especially for investments. These investments are continuously reviewed for incidents of non-compliance with international sustainability conventions.

When making sustainable investments in instruments issued by countries or supranational issuers (such as the World Bank), which are mainly green or sustainable bonds the country's corruption and transparency ratings and respect for human rights are taken into account. From 2023, the country's climate objectives are also included in the assessment. Alecta does not directly fund countries that are included on the EU list of non-cooperative countries regarding tax nor does it invest in funds in such jurisdictions.

Sustainable investments in properties take into account key performance indicators linked to climate, waste and energy on an ongoing basis.

Alecta disclosed a report on the financial decisions' principal adverse impact on sustainability factors in June 2023, at alecta.se, in accordance with the regulation. Indicators that are considered during investments are primarily related to the characteristics Alecta has chosen to promote – climate and gender equality, with the purpose to identify improvement potential.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

In addition to what is stated under the heading above, ongoing reviews are conducted of these investments for incidents in violation of international conventions for sustainability, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights applicable to companies.

Similar principles are adapted and applied to the selection of other sustainable investments. For example, external managers are asked about their process for whistleblowing and the review of risks related to human rights.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investment must also not significantly harm any environmental or social objectives.

- **How did this financial product consider principal adverse impacts on sustainability factors?**

All investments are subject to an overall assessment of negative impacts on sustainability factors.

Today, Alecta reports among other things, the climate footprint of equities, corporate bonds and properties. Where there is a clear risk of severe negative impacts on sustainable development, such as incidents related to the environment, human rights, working conditions or corruption Alecta acts to influence responsible behaviour of its portfolio companies. If the dialogue is not considered to lead to the desired result, the holding is sold.

For reasons including negative impacts on sustainable development, Alecta refrains from investing in or financing activities in controversial weapons, companies that derive more than 5 per cent of their revenues from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenues from coal power or in companies whose core business is the production of tobacco or commercial gambling, such as casinos.

What were the top investments of the financial product?

For the Alecta Optimal Pension, the planned allocation is 30 per cent fixed income, 60 per cent equities and 10 per cent alternative assets – but with a tolerance for variation within predetermined ranges to cope with rapid changes in the market. From the age of 63, the investment focus changes in terms of the share of equities.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period, which is: 2023

Largest investments	Sector	% assets	Country
Heimstaden Bostad AB	Real estate	3.7	Sweden
Investor AB (publ)	Finance	2.5	Sweden
Novo Nordisk	Health care	2.4	Denmark
Atlas Copco AB (publ)	Industrials	2.3	Sweden
Skandinaviska Enskilda Banken AB	Finance	2.3	Sweden
Microsoft Corp	IT	2.1	USA
Alphabet Inc	Communication	1.9	USA
AB Volvo (publ)	Industrials	1.7	Sweden
Epiroc AB	Industrials	1.6	Sweden
AstraZeneca plc	Health care	1.5	United Kingdom
Amazon.com	Communication	1.5	USA
Nestlé	Consumer staples	1.5	Switzerland
Sandvik AB (publ)	Industrials	1.5	Sweden
TJX COS Inc	Consumer discretionary	1.4	USA
Stadshypotek AB	Finance	1.0	Sweden

What was the proportion of sustainability-related investments?

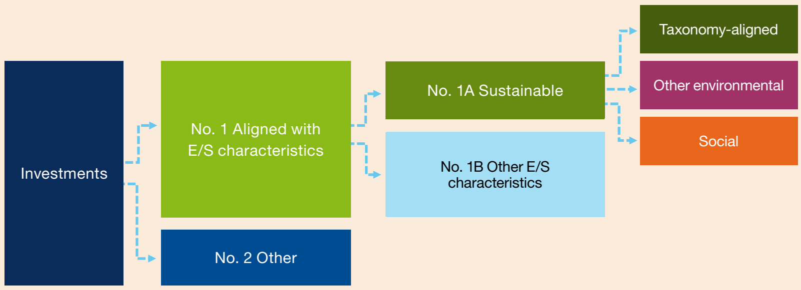
Asset allocation describes the share of investments in specific assets.

- **What was the asset allocation?**

No. 1 – Aligned with environmental and social characteristics: The promotional characteristics are to be applied to all asset classes and assets where possible, representing **98 per cent** of the market value of the assets. This includes the so-called exclusion criteria. Climate has been taken into account in all investments except derivatives, currencies and bonds from supranational institutions that are not green. Gender equality has been taken into account in equity holdings and corporate bonds, as well as in the externally managed alternative assets. Sound remuneration is promoted in the management of equities.

No. 1A – Sustainable Investments: Alecta has stated that the Alecta Optimal Pension is to contain more than zero per cent (>zero) sustainable investments. The share of sustainable investments within each asset class is partly governed by the range of investments that meet Alecta's investment criteria, such as volume and risk-adjusted returns. For 2023, the share was **5.2 per cent,** consisting of green and social bonds, as well as several investments classified as 'other sustainable', among them our most energy-efficient properties. Calculating the share of investments in equity and corporate bonds that are aligned with the EU Taxonomy, it adds another 1.4 per cent, hence a total of 6.6 per cent. The reason that we disclose these separately is the uncertainties related to those calculations. A significant share of the portfolio companies are located outside of EU and are not subject to the Taxonomy disclosure regulation, and additionally the calculations in part are based on estimates, and there may be double counting in respect to i.e. green bonds.

No. 2 – Other: The following assets are not covered by the promotional characteristics: derivatives (such as equity futures), currencies and cash. Derivative exposures lack market value. The purpose of these assets is diversification and risk reduction or to ensure liquidity needs.



No. 1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

No. 2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **No. 1 Aligned with E/S characteristics** covers:

- The sub-category **No. 1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **No. 1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- **In which economic sectors were the investments made?**

Of the investments belonging to category 'No. 1' in the illustration above, just over **14 per cent** are invested in government, municipal and supranational fixed income investment. Other assets such as equities, bonds to companies or lending institutions, real estate funds or directly owned properties and other real assets, amount to close to **84 per cent** and are distributed by the following different sectors based on the share of the market value of the investment product.

Sector	Share of product market value, %
Real estate	20
Financials	19
Industrials	18
IT	10
Consumer discretionary	9
Health care	9
Consumer staples	5
Materials*	5
Communication services	4
Energy**	1

* The materials sector includes two holdings in the mining industry. One of these extracts thermal coal corresponding to less than 5 per cent of its revenues. Together, the two holdings were equivalent to a share of 0.4 per cent in the product.

** The energy sector includes four bond holdings with energy production with certain elements of fossil sources. Alecta believes that these have credible and ambitious climate commitments and objectives for transition. Two of these have energy production to some extent from nuclear power. Together, the four holdings are equivalent to a share of 0.3 per cent in the product.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy,** the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-compliant activities are expressed as a proportion of the following:

– **turnover** reflecting the share of revenue from green activities of investee companies.

– **capital expenditure (CapEx)** showing the green investments made by the investmentee companies, e.g. for a transition to a green economy

– **operational expenditure (OpEx)** reflecting green operational activities of the investee companies.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Companies subject to the EU Taxonomy has begun disclosing the extend to which their economic activities are aligned with the EU Taxonomy. It is Alecta's assessment that the product's minimum share of taxonomy-aligned investments exceeds 0 per cent (>0%), and calculations indicate that the share is 2.2 per cent including directly held properties and equity and bond holdings, with reservations for fragmented information and estimates for the latters.

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?** [1)]

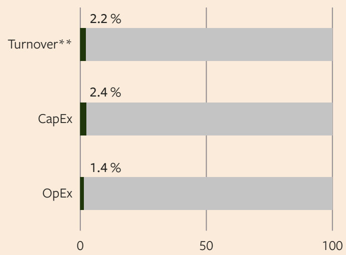
☒ Yes:

☐ In fossil gas ☒ In nuclear energy

☐ No

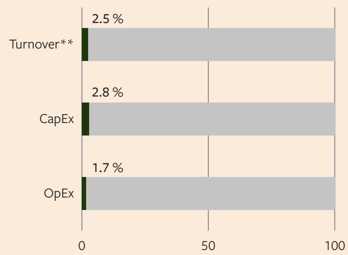
The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignement in relation to all the investments of the financial product, including sovereign bonds, while the second graph shows the Taxonomy alignement only in relation to the investments of the financial product other than sovereign bonds.

1). Taxonomy-aligned investments
including sovereign bonds*



Taxonomy-aligned fossil gas
Taxonomy-aligned nuclear energy***
Taxonomy-aligned investments (excl. fossil gas and nuclear energyi)
Non taxonomy-aligned investments

1). Taxonomy-aligned of investments
excluding sovereign bonds



Taxonomy-aligned fossil gas
Taxonomy-aligned nuclear energy***
Taxonomy-aligned investments (excl. fossil gas and nuclear energy)
Non taxonomy-aligned investments

This graph includes 84% of total assets.

* For the purposes of these graphs, "sovereign bonds" consist of all sovereign exposures.

** For Turnover the share of taxonomy-aligned investments include equity and corporate bonds, and directly held properties. For CapEx and OpEx the calculations are only based on taxonomy-aligned investments in equity and corporate bonds.

*** One holding discloses that it has revenues from taxonomy-aligned nuclear energy but it is not detectable on product-level.

[1)] Fossil gas and/or nuclear-related activities will only comply with the EU taxonomy if it contributes to limiting climate change ("climate change mitigation") and does not cause significant harm to any of the objectives of the EU taxonomy – see explanatory note in the left margin. The full criteria for economic activities for fossil gas and nuclear energy complying with the EU taxonomy are set out in the EU Commission Delegated Regulation (EU) 2022/1214.

- **What was the share of investments made in transitional and enabling activities?**

Calculations indicate that 0.03 per cent of investments are in transitional activities, and 0.9 of investments are in enabling activities. Calculations include equity and corporate bonds, and are characterised by uncertainties in underlying data and estimates.

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Alecta has not had access to data to calculate the share of taxonomy-aligned investments for previous periods.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Alecta invests in green bonds and properties with high environmental performance that are not necessarily included in the economic activities that the EU Taxonomy covers or are compliant with the EU Taxonomy criteria. When investing in green bonds, Alecta requires the issuer to have a green bond framework that has been reviewed by a third party. The proportion of green bonds in the product was **2.6 per cent.**

What was the share of socially sustainable investments?

For example, Alecta invests in social bonds and other instruments such as equities from companies that contribute to social objectives through their products and services, such as health. When investing in social bonds, Alecta requires the issuer to have a social bond framework that has been reviewed by a third party.

The proportion of social bonds in the product was **0.4 per cent.** In addition, the product has a proportion of investments that are classified as "other sustainable", which constitute **2.2 per cent.** These include a number of investments with the stated aim of creating a positive sustainability effect, such as green financing in developing markets, wind power, microfinance funds and similar.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

This category "other" includes cash, i.e. the cash used for current payments, such as those to be withdrawn for issued financial commitments or pension payments. In addition, Alecta has a number of hedging instruments to manage financial risks linked to equities, interest rates and currencies. Examples include currency futures or interest rate swaps. For hedging instruments and cash, ESG reviews are not carried out and Alecta does not consider it feasible.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

These measures are described in connection with the results referred to by the sustainability indicators. In brief, they include advanced investment analysis, dialogues with holdings and managers and voting at general meetings.

Sustainability-related information

Template relating to periodic disclosures for the financial products referred to in Article 8 paragraphs 1, 2 and 2a of Regulation (EU) 2019/2088 and the first paragraph of Article 6 of Regulation (EU) 2020/852

Product name:
Defined occupational pension

Legal entity identifyer:
5493003P9RHFT66VQS66

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow with good governance practices.

The EU taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ **Yes**

☐ It made **sustainable investments with an environmental objective:**

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made **sustainable investments with a social objective:**

☒ **No**

☒ It promoted **Evironmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 8.7 per cent (%) of sustainable investment. Calculations indicate that the share of taxonomy-aligned investments in equity and corporate bonds sum up to 1.1 per cent, with reservation due to fragmented data and estimates. Taken together, the share of sustainable investments in total would sum up to 9.8 per cent.

☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that that qualify as environmentally sustainable under the EU Taxonomy

☒ with a social objective

☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics of this financial product met?

See description of the promotional characteristics and how they are followed up on the next page. Derivatives are not considered to have contributed to the promotional characteristics.

Sustainability indicators measure the achievement of the environmental or social characteristics promoted by the financial product are attained.

- **How did the sustainability indicators perform?**

Environmental characteristics – Climate

Alecta's overall climate objective is for the investment portfolio to be compatible with the 1.5 degree objective of the Paris Agreement and have a net zero climate footprint by 2050, which means that the underlying assets must also work actively on transition. Alecta considers climate aspects both before investment and under management for asset classes of equities, corporate bonds, lending to states and municipalities, direct and indirect real estate investments and infrastructure. Alecta refrains from investing in or financing companies that receive more than 5 per cent of their revenue from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenue from coal power.

For equities and corporate bonds, Alecta uses data and information from both external data providers in the analysis and directly from the portfolio companies in order to monitor developments in climate efforts. Dialogues with portfolio companies are a tool for increasing transparency and promoting climate efforts. In relevant cases, Alecta may vote for climate-related proposals at the general shareholders' meetings. The directly owned properties have energy efficiency objectives and their climate footprint is monitored and reported together with energy use. Alecta environmentally certifies properties where possible. In externally managed funds, climate reporting is subject to negotiation and follow-up. When lending to states, supranational institutions and municipalities, green bonds are encouraged. Starting in 2023, Alecta does not directly finance countries that lack a climate objective.

Alecta does not use an index for comparison but follows a number of indicators for portfolio companies; including the climate footprint of the investments, reporting the climate footprint of the entire value chain (scopes 1–3), science-based climate targets, corporate engagement dialogues on climate, voting at meetings on climate matters and screening of carbon assets. When the underlying holdings report according to the taxonomy's climate indicators, Alecta will also monitor the development of that proportion of investments. Alecta is working to increase available climate data for all investments.

Outcome 2023

Result indicator	Page reference
Climate footprint, equities, corporate bonds, directly owned properties	26
Reporting of scopes 1–2, equities and corporate bonds by the portfolio companies	26
Percentage of companies with science-based climate targets, equities and corporate bonds	26
Number of corporate engagement dialogues on climate	20
Number of climate cases supported at AGMs in 2021–2022	24

Social characteristics – Gender equality

Alecta aims to promote equal management teams and boards, which is taken into account in the investments in equities, corporate bonds and for external managers.

Alecta strives for equal boards and works for this through our participation in nomination committees in Swedish portfolio companies, usually around twenty per season. The objective involves each gender being represented by at least 40 per cent, which is taken into account in the recruitment process of new board members and in succession planning. The results are followed up after each AGM season based on information from the meeting and databases of board composition. No index has been selected as a reference value but it is followed up as an indicator, as an average of the board composition of the companies concerned against the objective in terms of the proportion of women elected by the AGM on the board where Alecta participates in the nomination committee.

Alecta's expectation is to also reach the corresponding share in other shareholdings, as well as at management team level. Given changing market developments, the objective applies primarily to our Swedish holdings but over time, the boards of our international holdings will consist of at least 40 per cent of each gender. Over time, we want to see the corresponding development in these companies' management teams as well. Dialogue and voting are tools for promoting gender equality. The development of the proportion of women and men on boards and senior management will be reported and monitored. When investing in real estate and infrastructure via external managers, we request information about gender equality and from 2023, will follow up the proportion of women in different decision-making positions on an annual basis.

Outcome 2023

Result indicator	Page reference
Percentage of women on the board where Alecta is a member of nomination committee, average*	24
Percentage of women among the new members elected to the board of directors where Alecta participates in the nomination committee*	35%

* Refers to the 2022–2023 AGM season. Of 17 new directors elected by the AGMs, 6 were women.

Good governance characteristics – remuneration

Alecta believes that remuneration should be properly justified, transparent and in line with market conditions. The remuneration is to be designed in such a way as to promote the long-term interest of the company and its shareholders. It should be performance-based and clear. Alecta conducts ongoing dialogue with our listed shareholdings on remuneration programmes. At general meetings, Alecta votes against proposals for remuneration that do not meet our criteria. Alecta's voting decisions are reported annually.

Outcome 2023

Result indicator	Page reference
Number of dialogues on remuneration	25
Number of proposals on remuneration voted against by Alecta	24

Controversial weapons, tobacco and gambling

In addition, Alecta fully refrains from investing in or financing companies that develop, manufacture, maintain or distribute components or systems specifically developed for controversial weapons. Alecta does not invest in companies for which the core business involves the production of tobacco or the conduct of gambling activities. This refers to companies that engage in activities involving gambling at casinos, slot machines or poker online. Each new investment is screened for such activities and then followed up quarterly. The requirement is also communicated to external managers and included in agreements.

Outcome 2023

Result indicator	Page reference
All investments meet the requirements *	n/a

* For external assets under management, the criteria are applied as far as possible with zero tolerance for controversial weapons and at a minimum, the thresholds for other excluded sectors are applied at fund level.

... and compared to the previous periods?

For the indicators where there is a history, it is reported in the pages referred to above. In general the development with regard to climate targets and disclosure by equity and corporate bond holdings has been positive, with reduced footprint from equity. Total emissions from bond holdings have increased because Alecta has invested in bonds from companies with high footprint. We assess those companies to have clear transition targets. With regard to gender equality in boards, the results are on par with previous years. In 2023, we looked more closely into gender equality in all equity holdings in order to monitor and support the progress. With regard to remuneration, Alecta conducted slightly less dialogues focused primarily on remuneration, but voted against a larger share of the compensation items at the AGMs compared with 2022.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

What Alecta has defined as sustainable investments can contribute to a number of different environmental or social objectives, these are not defined in advance to encourage a wide and growing range of such investments. Alecta makes investments that contribute to two of the EU taxonomy's environmental objectives – the mitigation of or adaptation to climate change. Investments can also contribute to other environmental objectives such as sustainable use and protection of water and marine resources, transition to a circular economy, prevention and mitigation of environmental pollution, protection and restoration of biodiversity and ecosystems. An example of an investment during the period helps fund conservation projects for biodiversity and marine environment in Galápagos.

The objectives can also be of a social nature, such as promoting health or strengthening equality. Typically, the investment contributes by funding improvements or optimising activities for reduced environmental impact or by funding expansion, for example of social infrastructure. Overall, the objectives of sustainable investments can be said to fit within the global sustainability objectives included in Agenda 2030.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Examples of sustainable investments include bonds issued under green or social frameworks that clearly state what is to be funded. If these are issued by companies, the company's ESG efforts and any controversy is checked. For government or municipal green bonds, Alecta's country classification applies, which includes corruption, human rights and climate as a basis for selection. Sustainable investments can also be made in equities or bonds of companies for which the main products or services contribute to one or more global sustainability objectives and that are not linked to activities with significant social or environmental harm. Properties that meet high environmental criteria in a sustainability certification can also qualify as sustainable investments and then include more parameters than just the environment.

How were the indicators for adverse impacts on sustainability factors taken into account?

All investments are subject to an overall assessment of negative impacts on sustainability factors. The assessment differs between asset classes depending on the characteristics of the investment such as the maturity of the instrument, as well as on the available information and data.

When sustainable investments are made in instruments issued by companies such as equities or bonds, sustainability indicators linked to the business model are taken into account along with an assessment of ESG risks based on a balancing of different indicators and sustainability management systems.

Alecta's process is reviewed and certified by an independent party, which requires among other things, consideration to be given to a number of environmental, social and corporate governance indicators. Climate is taken into account and documented especially for investments. These investments are continuously reviewed for incidents of non-compliance with international sustainability conventions.

When making sustainable investments in instruments issued by countries or supranational issuers (such as the World Bank), which are mainly green or sustainable bonds, the country's corruption and transparency ratings and respect for human rights are taken into account. From 2023, the country's climate objectives are also included in the assessment. Alecta does not directly fund countries that are included on the EU list of non-cooperative countries regarding tax nor does it invest in funds in such jurisdictions.

Sustainable investments in properties take into account key performance indicators linked to climate, waste and energy on an ongoing basis.

Alecta disclosed a report on the financial decisions' principal adverse impact on sustainability factors in June 2023, at alecta.se, in accordance with the regulation. Indicators that are considered during investments are primarily related to the characteristics Alecta has chosen to promote – climate and gender equality, with the purpose to identify improvement potential.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

In addition to what is stated under the heading above, ongoing screenings are conducted of these investments for incidents in violation of international conventions for sustainability, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights applicable to companies.

Similar principles are adapted and applied to the selection of other sustainable investments. For example, external managers are asked about their process for whistleblowing and the review of risks related to human rights.

> The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.
>
> The "do no signficant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.
>
> *Any other sustainable investment must also not significantly harm any environmental or social objectives.*

- **How did this financial product consider principal adverse impacts on sustainability factors?**

All investments are subject to an overall assessment of negative impacts on sustainability factors.

Today, among other things Alecta reports the climate footprint of equities, corporate bonds and properties. Where there is a clear risk of severe negative impacts on sustainable development, such as incidents related to the environment, human rights, working conditions or corruption, Alecta acts to influence the responsible behaviour of its portfolio companies. If the dialogue is not considered to lead to the desired result, the holding is sold.

For reasons including negative impacts on sustainable development, Alecta refrains from investing in or financing activities in controversial weapons, companies that derive more than 5 per cent of their revenues from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenues from coal power or in companies for which the core business is the production of tobacco or commercial gambling, such as casinos.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period, which is: 2023

What were the top investments of this financial product?

For the defined benefit occupational pension, the long-term objective for allocation is 45 per cent fixed income, 35 per cent equities and 20 per cent alternative assets – but with tolerance for variation within predetermined intervals to cope with rapid changes in the market.

Largest investments	Sector	% assets	Country
Heimstaden Bostad AB	Real estate	2.9	Sweden
Investor AB (publ)	Financials	1.2	Sweden
Novo Nordisk	Health care	1.1	Denmark
Atlas Copco AB (publ)	Industrials	1.1	Sweden
Skandinaviska Enskilda Banken AB	Financials	1.1	Sweden
Stadshypotek AB	Financials	1.0	Sweden
Microsoft Corp	IT	0.9	USA
Alphabet Inc	Communication services	0.9	USA
AB Volvo	Industrials	0.8	Sweden
Epiroc AB	Industrials	0.8	Sweden
Prologis Targeted US Logistics Fund, LP	Real estate	0.7	USA
AstraZeneca plc	Health care	0.7	United Kingdom
Amazon.com	Communication services	0.7	USA
Nestlé	Consumer staples	0.7	Switzerland
Sandvik	Industrials	0.7	Sweden

What was the proportion of sustainability-related investments?

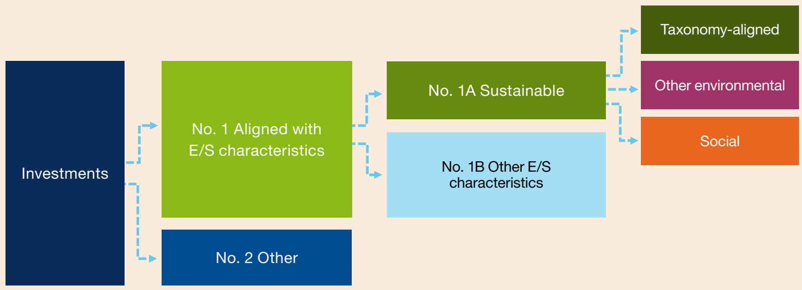
Asset allocation describes the share of investments in specific assets.

- **What was the asset allocation?**

No. 1 – Aligned with E/S characteristics: The promotional characteristics are to be applied to all asset classes and assets where possible, representing **99 per cent** of the market value of the assets. This includes the so-called exclusion criteria. Climate has been taken into account in all investments except derivatives, currencies and bonds from supranational institutions that are not green. Gender equality has been taken into account in shareholdings and corporate bonds, as well as in the externally managed alternative assets. Sound remuneration is promoted in the management of equities.

No. 1A – Sustainable investments: Alecta has stated that defined benefit occupational pension is to contain more than zero per cent (> zero) sustainable investments. The share of sustainable investments within each asset class is partly governed by the range of investments that meet Alecta's investment criteria, such as volume and risk-adjusted returns. For 2023, the share was **8.7 per cent** consisting of green and social bonds, as well as investments classified as 'other sustainable', among them our most energy-efficient properties. Calculating the share of investments in equity and corporate bonds that are aligned with the EU Taxonomy, it adds another 1.4 per cent, hence a total of 6.6 per cent. The reason that we disclose these separately is the uncertainties related to those calculations. A significant share of the portfolio companies are located outside of EU and are not subject to the Taxonomy disclosure regulation, and additionally the calculations in part are based on estimates, and there may be double counting in respect to i.e. green bonds.

No. 2 – Other: The following assets are not covered by the promotional characteristics: derivatives (such as equity futures), currencies and cash. Derivative exposures lack market value. The purpose of these assets is diversification and risk reduction or to ensure liquidity needs.



No. 1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

No. 2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as a sustainable investments.

Category **No. 1 Aligned with E/S characteristics** covers:

- The sub-category **No. 1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **No. 1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Of the investments belonging to category 'No. 1' in the illustration above, just over **28 per cent** are invested in sovereign, municipal and supranational fixed income investment. Other assets, such as equities, bonds to companies or lending institutions, real estate funds or directly owned properties and other real assets, amount to **70 per cent** and are distributed by the following different sectors based on the share of the market value of the investment product.

Sector	Share of product market value, %
Real estate	27
Financials	24
Industrials	14
IT	8
Consumer discretionaries	7
Health care	7
Consumer staples	4
Materials*	4
Communication services	3
Energy**	2

* The materials sector includes two holdings in the mining industry. One of these extracts thermal coal corresponding to less than 5 per cent of its revenues. Together, the two holdings are equivalent to a share of 0.3 per cent in the product.

** The energy sector includes four bond holdings with energy production with certain elements of fossil sources. Alecta believes that these have credible and ambitious climate commitments and objectives for transition. Two of these have energy production to some extent from nuclear power. Together, the four holdings are equivalent to a share of 0.5 per cent in the product.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy,** the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

– **turnover** reflecting the share of revenue from green activities of investee companies.

– **capital expenditure (CapEx)** showing the green investments made by the investmentee companies, e.g. for a transition to a green economy

– **operational expenditure (OpEx)** reflecting green operational activities of the investee companies.

To what extent were the sustainable investments with an environmental objective aligned with the EU taxonomy?

Companies subject to the EU Taxonomy has begun disclosing the extend to which their economic activities are aligned with the EU Taxonomy. It is Alecta's assessment that the product's minimum share of taxonomy-aligned investments exceeds 0 per cent (>0%), and calculations indicate that the share is 2.2 per cent including directly held properties and equity and bond holdings, with reservations for fragmented information and estimates for the latter.

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU taxonomy?** [1)]

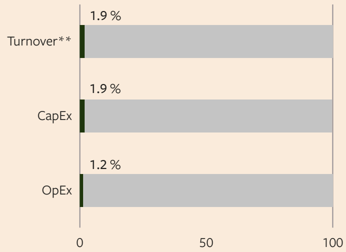
☒ Yes:

☐ In fossil gas ☒ In nuclear energy

☐ No

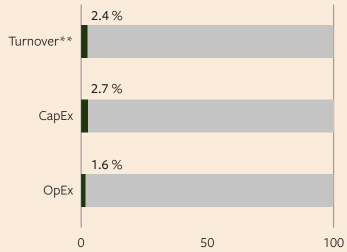
The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product, including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments **including sovereign bonds***



Taxonomy-aligned fossil gas
Taxonomy-aligned nuclear energy***
Taxonomy-aligned investments (excl. fossil gas and nuclear energy)
Non taxonomy-aligned investments

1. Taxonomy-alignment of investments **excluding sovereign bonds***



Taxonomy-aligned fossil gas
Taxonomy-aligned nuclear energy***
Taxonomy-aligned investments (excl. fossil gas and nuclear energy)
Non taxonomy-aligned investments

This graph includes 70 % of total assets.

* For the purposes of these graphs, "sovereign bonds" consist of all sovereign exposures.

** For Turnover the share of taxonomy-aligned investments include equity and corporate bonds, and directly held properties. For CapEx and OpEx the calculations are only based on taxonomy-aligned investments in equity and corporate bonds.

*** One holding discloses that it has revenues from taxonomy-aligned nuclear energy but it is not detectable on product-level.

[1)] Fossil gas and/or nuclear-related activities will only comply with the EU taxonomy if it contributes to limiting climate change ("climate change mitigation") and does not cause significant harm to any of the objectives of the EU taxonomy – see explanatory note in the left margin. The full criteria for economic activities for fossil gas and nuclear energy complying with the EU taxonomy are set out in the EU Commission Delegated Regulation (EU) 2022/1214.

- **What was the share of investments made in transitional and enabling activities?**

Calculations indicate that 0.02 per cent of investments are in transitional activities, and 0.7 of investments are in enabling activities. Calculations include equity and corporate bonds, and are characterised by uncertainties in underlying data and estimates.

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

  Alecta has not had access to data to calculate the share of taxonomy-aligned investments for previous periods.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Alecta invests in green bonds and properties with high environmental performance that are not necessarily included in the economic activities that the EU taxonomy covers or are aligned with the EU taxonomy criteria. When investing in green bonds, Alecta requires the issuer to have a green bond framework that has been reviewed by a third party. The proportion of green bonds in the product was **5.1 per cent.**

What was the share of socially sustainable investments?

For example, Alecta invests in social bonds and other instruments such as equities from companies that contribute to social objectives through their products and services, such as health. When investing in social bonds, Alecta requires the issuer to have a social bond framework that has been reviewed by a third party.

The proportion of social bonds in the product was **0.8 per cent.** In addition, the product has a proportion of investments that are classified as "other sustainable", which constitute **2.8 per cent.** These include a number of investments with the stated aim of creating a positive sustainability effect, such as green financing in developing markets, wind power, microfinance funds and similar.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

This category "other" includes cash, i.e. the cash used for current payments, such as those to be withdrawn for issued financial commitments or pension payments. In addition, Alecta has a number of hedging instruments to manage financial risks linked to equities, interest rates and currencies. Examples include currency futures or interest rate swaps. For hedging instruments and cash, ESG reviews are not carried out nor does Alecta consider it feasible.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

These measures are described in connection with the results referred to by the sustainability indicators. In brief, they include advanced investment analysis, dialogues with holdings and managers and voting at general meetings.

Alecta Tjänstepension Ömsesidigt
Telephone +46 20 78 22 80
SE-103 73 Stockholm | alecta.se

8068 | 2024.05 | Photo: Evelina Carborn, unless otherwise indicated. | Illustrations: Emily Ryan
Production: Alecta | Final art: Griller graphic design