Alecta's Annual and Sustainability Report 2021

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About Alecta's Annual and Sustainability Report 2021

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, Core option, and describes Alecta's organisation and governance of sustainability, detailed data and boundaries. Alecta's external auditors Ernst & Young AB carry out a review of the sustainability report. The Sustainability Report section also contains information in accordance with EU Sustainable Finance regulations. At alecta.se there is a digital annual report with further details about the business and the pension market.

We are here for you!

Alecta has a strong driving force – we have an important mission. We shall maximise the value of the occupational pension for you as our customer. This gives you, and your children and grandchildren, security now and in the future, regardless of whether you are 25 or 65 years old, at the same time as it is an efficient solution for those of you who are employers. Accordingly, we also make an important contribution to society – a sustainable pension system. These are some of the factors that make us particularly suitable for living up to our mission and our role in society:

- We are owned by the customers – any surplus is returned to them.
- We offer a collective insurance solution. All customers jointly share risks and responsibilities. This provides greater security and flexibility.
- We are procured collectively, which yields savings in the form of lower sales and marketing costs.

We know that trust grows when it is shared

To create as much value as possible of the pension capital, we have assigned the highest priority to low costs. We know that low fees are important for creating a good pension and we offer among the lowest fees in the sector. Our job is to create security for the future. That is why we are long term. We want and we need to contribute to the society of the future being a good one to live in and one that creates sustainable growth and new jobs. That is also how we create a healthy return. Our model for managing your pension savings gives us an opportunity to influence the companies in which we invest. That's why we can promise that every day we will work for you and your future security regardless of whether you are a private or a corporate customer.

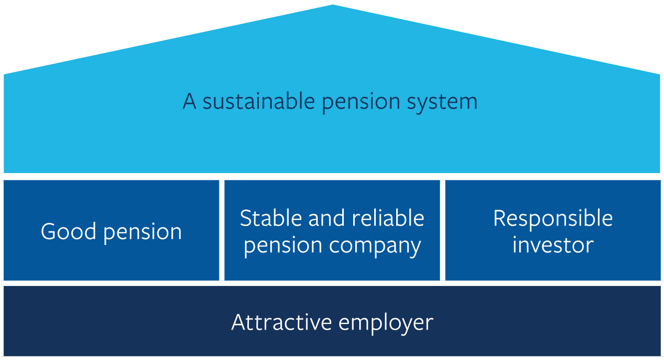
Together we are Alecta. Welcome to read more about us and our work in this report!

Alecta in brief

Alecta's mission and goals

Alecta has taken responsibility for the future since 1917 by managing occupational pensions. Our mission is to maximise the value of collectively agreed occupational pensions for our corporate and private customers. To guide our activities in that direction, Alecta has defined three general operational goals:

- Secure and satisfied customers.
- Low costs and high efficiency.
- Good return and strong financial position.



When trust is shared it grows

Trust grows when it is shared – this insight characterises both the foundation for our mission, which is to maximise the value of collectively agreed occupational pensions, and our entire business. Alecta's ability to contribute to the mission is based on a number of fundamental decisions made by our founders and principals:

- **Mutual ownership** – which means that we are owned by our 2.6 million private and 35,000 corporate customers, and that any surplus that is generated is returned to them.
- **A collective insurance solution** – a solution in which private and corporate customers share the responsibility for benefits and the risks. This creates greater security and flexibility. It makes it possible to offer all customers a lifelong pension, a survivor's pension and disability insurance without complex exemptions.
- **Collective procurement** – creates economies of scale that contribute to an already efficient management of pension assets becoming even more efficient, which ultimately also leads to low fees.

Through our mission, and with our objectives as our guiding principle, Alecta contributes to a sustainable pension system. That is Alecta's role in society. A sustainable pension system means good and secure pensions in both the short and the long term. By acting sustainably and responsibly, we create stable conditions for our investments to grow and predictability for both the employer and the beneficiary.

A sustainable pension system

Age is not something to worry about when we are young. For this reason, having pensions that can sustain a livelihood is an important part of the social contract. Alecta's business enables this by helping to build what we call a sustainable pension system. This is a system that rests on three pillars: pensions that people can live on now and in the future, stable, reliable pension companies and responsible investments which contribute to a sustainable society. Together, this results in a focus on good returns, low fees, high efficiency and well-integrated sustainability work.

As an active long-term owner, we need to have a broad perspective of risks and opportunities. We are convinced that responsible investments yield good returns that lead to good pensions both now and in the future.

A stable pension provider is better positioned to take the long-term decisions that the business needs. In addition, the right competencies are required in order to operate in a changing world and live up to our high goals and ambitions. That is how we can maintain a sustainable pension system.

1,230 SEK billion in assets under management

35,000 corporate customers

2.6 million insured private customers

Highlights of 2021

Record year for Alecta

In 2021, the return for the defined contribution insurance Alecta Optimal Pension was 24.1 percent, and for the defined benefit insurance, 15.2 percent. This is one of Alecta's best years ever, in terms of returns. The basis is rising stock markets both in Sweden and the rest of the world, a strong real estate market and focused work on finding returns on fixed income investments in a low interest rate environment.

SEK 1,231 billion in assets under management

During the year, Alecta's assets under management have grown by around 18 per cent. In the last five years, assets under management have increased by nearly SEK 500 billion. Today, we are the 27th largest pension company in the world with extremely high cost efficiency. The management expense ratio for Alecta Optimal Pension has fallen from 0.11 to 0.05 over the past five-year period, and for all Alecta's products, the management expense ratio has decreased from 0.09 to 0.07 corresponding period.

Alecta becomes an occupational pension company

During the year, the application was approved to convert Alecta into an occupational pension company as of 1 January 2022 in accordance with the new occupational pension legislation. It gives Alecta the best conditions to also be able to create good returns in the future, at very low fees. In connection with the conversion, Alecta pensionsförsäkring, ömsesidigt changed its name to Alecta Tjänstepension Ömsesidigt.

Bond for social sustainability

As a main investor, Alecta has invested approximately USD 100 million in a bond for social sustainability, where capital is earmarked to support improved access to health and sanitation, reduced pollution through renewable energy and sustainably produced food.

Low climate footprint in Alecta's equity portfolio

Alecta's climate footprint from the equity portfolio has decreased by 40 per cent since 2016. Today, we have the lowest footprint among comparable companies with a good margin, measured in emissions per turnover krona in portfolio companies.

In the spring, we published our climate report in accordance with the TCFD standard. The climate report describes the interim goals for climate impact in 2025 that we have adopted together with the alliance of major investors that we are part of, Net-Zero Asset Owner Alliance, NZAOA.

Changing the stereotyping of retired persons

During the year, Alecta worked to nuance the stereotyping of retired persons. Among other things, we presented a high-profile report on the financial situation of retired persons, showing that their income is clearly better than previously known. We also launched the "Take Retirement" campaign, which aims to make retirement something active and worth celebrating. We also created a photo exhibit "Elderly but not Old" with 23 portraits of Swedes who are elderly but not old. Read more at alecta.se.

ESG4Real

During the year, we updated our certification in accordance with ESG4Real, which involves an independent review of our sustainability processes for shares and corporate bonds.

High level of customer service

Alecta has continued to maintain a level of customer service as high as before the pandemic, despite the fact that the work has been done remotely. Customer satisfaction has also increased during the period. Our employees have worked hard and shown great flexibility and ingenuity to continue running and developing the business.

Several major investments for increased sustainability

Alecta has made several major investments that have the potential to contribute to a more sustainable future in various ways. Among other things, in Stena Renawable, active in renewable energy, and the district heating company Stockholm Exergi.

Our investments in green bonds amount to SEK 60 billion. Green bonds finance a variety of companies, projects and activities that together are part of the transition to a greener future, and Alecta's portfolio is one of the world's largest.

Alecta Fastigheter up and running

Alecta Fastigheter AB started its operations in January 2021. The company is to own, manage and develop properties in Sweden and the Nordic region. Read more at alectafastigheter.se.

Employees continue to deliver great value remotely

Like the rest of the world, Alecta's operations were affected by the current situation resulting from COVID-19 also in 2021. Despite the uncertainty caused by the pandemic, our work to improve efficiency has continued unabated. The transformation towards an agile approach has started to have an effect on lead times and the cross-functional cooperation has taken a big step forward. The 14 agile development teams in total have delivered great value during the year and have made good progress in the agile way of working.

Contributed with facts to the pension debate

During the year, the issue of pensions has been central in the political debate. This contributed to an increased interest in Alecta's study of the income of retired persons, and as part of this, Alecta's pension economist Staffan Ström conducted some fifty interviews for the study. Alecta's report on salary exchange also attracted great interest. Read more about the pension economist's work in Alecta's digital annual report at alecta.se.

Message from the CEO

Strengthened for the future

Marked by the pandemic and followed by a period of returning to a more normal work, private and business environment, 2021 became yet another unusual year. Nor can the capital market be described as ordinary.

Broadened portfolio

Under the strategic plan Alecta 2023, we have been working on adjusting our investment strategy and broadening our portfolio with new asset classes, to ensure that we also deliver the best returns in the industry in the future. We will increase the share of alternative assets, which mainly consist of real assets.

In October 2021, we began taking over the management and development of our Swedish properties in our subsidiary Alecta Fastigheter, which was established in 2020. This was possible thanks to the tremendous dedication of many newly hired employees. At year-end, approximately 70 per cent of property management was taken over. The aim is to gain better control over the entire value chain so that we can develop the properties and create greater value for both Alecta's properties' customers and Alecta's pension savers.

Automation and digitisation

As we know that low fees are a basic prerequisite for good pensions, reduced costs were a central part of Alecta 2023. The goal was to reduce the cost level by 5 per cent by 2023. We have now succeeded with this one year earlier than the original plan, especially by digitising and automating customer meetings as well as various internal functions and processes.

A prerequisite for our success in such a short time has been introducing cross-functional development teams that have worked according to an agile business development methodology, as well as more self-directed teamwork and delegated decision-making throughout the company. I am very impressed that our employees managed to implement this fundamental change in our way of working remotely in the middle of the pandemic.

Indexation and premium reduction

The positive development of our investments enabled Alecta's Board of Directors to decide in November to index-link the value of defined benefit pensions by 2.51 per cent, to introduce a premium reduction for defined benefit retirement and family pensions of 30 per cent in relation to the then applicable premium level and to provide premium reductions for risk insurance of SEK 7.7 billion.

Occupational pension company

During the year, the application was approved to convert Alecta into an occupational pension company as of 1 January 2022 in accordance with the new occupational pension legislation. It gives Alecta the best conditions to also be able to create good returns in the future, at very low fees. In connection with the conversion, Alecta pensionsförsäkring, ömsesidigt changed its name to Alecta Tjänstepension Ömsesidigt.

Sustainability

During the year, we presented our targets for carbon emissions in our investments, within the framework of the Net Zero Asset Owner Alliance that Alecta is co-founder of. Among the interim goals are reductions in carbon emissions by 25 per cent to 2025 for our equity holdings and corporate bonds, on the way to a carbon-neutral asset portfolio by 2050.

Over the last 4–5 years, Alecta's total climate footprint from the equity portfolio has decreased by 40 per cent. Today, by a good margin, we have the lowest footprint among comparable companies, measured in emissions per turnover krona in portfolio companies.

In addition, Alecta has made several major investments that have the potential to contribute to a more sustainable future in various ways. Among other things, in Stena Renawable, active in renewable energy, the district heating company Stockholm Exergi and SEK 1 billion in a bond for social sustainability.

Our portfolio of green bond investments, financing a variety of companies, projects and activities which together are part of the transition to a greener future, amounts to SEK 60 billion, making it one of the world's largest.

Sustainable pension system

From a broader perspective, our responsibility aims to contribute to a sustainable pension system. In addition to responsible investment, this includes good pensions and stable companies, including confidence in the whole system. At Alecta, we want to contribute our knowledge to a debate about the pension system based on facts, so that the decisions made are well founded.

During the year, we published a high-profile report on the real financial situation of retired persons, which shows that Swedish retirees are in good financial health overall. There are groups with problems, but it is not a general problem due to a subcontracting system. Later during the year, both the Swedish Pensions Agency and SNS (Centre for Business and Policy Studies) carried out studies that produced similar results.

Strong in turbulent times and positioned for the upcoming procurement

After a shaky start to the stock market year, there was still a groundswell of optimism at the beginning of 2022 as the pandemic began to subside and restrictions were lifted in many countries. Unfortunately, this enthusiasm was abruptly replaced by anxiety when Russia invaded Ukraine. A new war in Europe feels both incomprehensible and frightening. Alecta, like many other companies, has chosen to contribute to the Red Cross and UNHCR in their work to support the unjustly victimised Ukrainian people.

Alecta has no previous investments in Russia or Russian companies. Nor do we have any exposure to Ukraine. Our strong financial position also means that there is no reason for concern over pensions at present. The financial markets will continue to be affected and there may be fluctuations both up and down. But it is important to remember that our horizon is very long term. Our mission is to secure the best possible value of pension capital up to 40–50 years ahead, and we have been laying a solid foundation for a long time to do this in the best possible way.

An important part of this is the strategic plan we adopted in 2018. This work means that we are still more stable in turbulent times. In addition, we are confident that we will be able to make a very competitive bid, bringing even more value to our customers, in the 2022 ITP1 pre-selection procurement for a further five-year period.

This is amazing work that all of us at Alecta can be proud of, both current and former employees. Thank you once again for your wisdom and commitment!

Magnus Billing
CEO

Alecta's long-term operational goals

LONG-TERM OPERATIONAL GOALS	FOLLOW-UP	OUTCOME 2021
Secure and satisfied customers Our customers should feel secure and satisfied and have confidence in Alecta. That's why it is particularly important to ensure that the customers who contact us receive good service, and that Alecta enjoys a good reputation as a responsible actor in society. Through a long-term approach, attention and expertise, we make customers feel secure with Alecta.	During 2021, we chose to evaluate target fulfilment by monitoring how satisfied the private and corporate customers are who call our customer service. The target for 2021 was that corporate customers should give an average score of at least 5.3 and private customers an average of 5.4 on a six-point scale.	Customer satisfaction for corporate customers and private customers averaged **5.3** and **5.5** respectively, which means we achieved both of our targets for secure and satisfied customers.
Low costs and high efficiency Alecta is to have the highest efficiency in the industry. Through our mission, we have every opportunity to achieve that goal.	Costs are monitored through key performance indicators such as management expense ratio and cost per insured. As the KPIs are strongly influenced by factors other than operating expenses, the ambition is annually translated into a cost target defined in millions of kronor. For 2021, the target was that Alecta's operating expenses would not exceed SEK 953 million, excluding variable pay.	Alecta's operating expenses were **SEK 934 million** excluding variable pay. We can thus see that we achieved the cost target for 2021.
Good return and strong financial position Alecta's return should be competitive, at the total level as well as at an asset class level. We will work to 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 average five-year return is to be the highest or second highest of existing and potential ITP 1 providers.	Alecta's Optimal Pension's average five-year return was **10.9 per cent** which was a first place among existing and potential ITP 1 providers. This means we achieved the target for Alecta Optimal Pension in 2021.
Target fulfilment was monitored using two metrics in 2021. For 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 with 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 **7.5 per cent** while the required rate of return was 4.6 per cent. This means we achieved the target for defined benefit insurance in 2021.

Alecta's sustainability objectives

LONG-TERM SUSTAINABILITY OBJECTIVES

FOLLOW-UP

OUTCOME 2021

Working for a sustainable pension system

Our most important sustainability responsibility is to contribute towards 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 taking part in discussions. Alecta has contributed to the pension debate through fact-based reports on the financial situation of retired persons and, for example, high earner selections. 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

38 (36) per cent

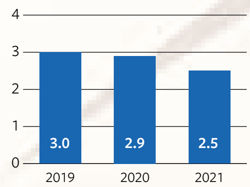
of salaried employees in Sweden view Alecta as a stable and secure company.

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.

During the year, Alecta has, as part of the Net-Zero Asset Owner Alliance initiative, adopted interim goals for 2025, on the road to 2050. They include both reduced footprints and dialogues to support the transition of holding companies. More and more of our holding companies have adopted ambitious climate goals, and we are supporting this development.

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

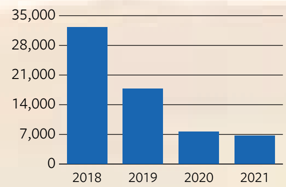


Optimise use of resources to reduce environmental impact

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 entails 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 encompasses energy, travel, paper consumption and customer letters. In 2021, the majority of Alecta's employees worked from home and most of the trips were replaced by digital meetings. The pandemic period has influenced behaviour, but it is too early to evaluate what lasting efficiencies we have achieved.

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 is to be an attractive employer that harnesses and fosters diversity. This is taken into account in recruitment, further development and through cross-functional collaboration.

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

33 and 54 per cent

More indicators linked to sustainability goals can be found on page 18 and onwards.

Sustainability Report

This is Alecta's statutory Sustainability Report which has been prepared in accordance with the Global Reporting Initiative (GRI) Guidelines. The overall description of Alecta's operations and work performed during the year is available in a digital presentation on alecta.se. This sustainability supplement presents the systematic sustainability work through organisation, processes, targets and indicators as well as scope and boundaries. It also contains reporting in accordance with the EU's new 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 EY, refer to page 33.

Highlights from work performed during the year

Like the rest of the world, Alecta's operations were affected by the current situation resulting from COVID-19 also in 2021. Although we welcomed employees back to the office in September, it's been a careful return where many put great value on flexibility. Towards the end of the year, as the spread of the infection increased, many employees chose to continue working from home and meetings and activities were carried out virtually or in hybrid form. Sustainability work during the year has continued to focus on the investment portfolio and investment processes, as well as on the health and well-being of employees. A few events and results from the year's sustainability work are highlighted briefly below.

Alecta's report on the financial situation of retired persons has been heavily debated during the year, and contributes to spreading fact-based information about the pension system. This and other knowledge input during the year contributes to increased awareness and confidence in the occupational pension. It is described more at alecta.se.

Interim goals in climate work and a clearer stance on fossil fuels were decided on during the year. As members of NZAOA (Net-Zero Asset Owner Alliance), Alecta has decided on interim goals on the way towards a climate neutral portfolio. The goals for 2025 include dialogues with holdings, reducing the carbon footprint and promoting green investments. At the end of 2021, Alecta's Board approved clearer limitations regarding fossil fuels, including tougher threshold values for thermal coal.

In March, Alecta published sustainability information for our pension product according to the new disclosure requirements for financial actors. Alecta explains that the product promotes environmental and social characteristics, more specific climate, equal boards and sound remuneration. The new regulations are implemented in stages and the detailed technical reporting criteria have been delayed. A section of this report summarises the follow-up of these aspects.

More investments with explicit environmental and social purposes – in addition to financial return – have been made during the year. Examples of this are the social obligations in which SIDA has been involved as a guarantor, among other things. This includes the bond financing investments in health and sanitation in developing countries. Alecta has also made its first direct investment in renewable energy through Stena Renewable.

Alecta has undergone re-certification according to ESG4Real, which involves an independent actor reviewing the processes to see that Alecta still meets the requirements. Certification covers the process of responsible investment in equities and corporate bonds, and Alecta was the first asset manager in the world to be certified in accordance with ESG4Real 2019. In addition, six investment management employees have successfully completed the first European certification for ESG analysts, Certified Social and Governance Analyst, carried out by the European Federation of Financial Analysts Societies EFFAS.

In December, Alecta's Board decided on a new policy for responsible investments. The policy replaces Alecta's ownership policy which primarily focused on equity holdings. The new policy covers all asset classes in the investment portfolio and describes how Alecta considers sustainability prior to investments and on an ongoing basis in management. The policy is primarily an internal governing document, but it is publicly available at alecta.se.

Throughout the year, Alecta has placed particular emphasis on the health and well-being of its employees, and initiated a range of health-promotion activities. After a long period of working from home in 2020, the risks of poor mental health and other issues were highlighted. Managers and employees have been encouraged to maintain good contact through social activities through Teams, walking meetings and meetings between co-workers living nearby. In 2021, Alecta offered seminars on healthy habits and exercise challenges in the form of daily exercises and work-out series, so-called bootcamps.

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. They were decided by the CEO in 2018 and an overview of these is provided in the table below and they are described in more detail later in the section on targets and indicators.

Organisation for sustainability

The Head of Investment Management has formal responsibility for sustainability issues in Alecta's management. Alecta's sustainability initiatives are led by a group called Governance and Sustainability in the asset management. The group is responsible for developing and coordinating work with corporate governance, ESG integration in asset management and sustainability work at Alecta. This is achieved through a number of groups, some of which are cross-functional.

The sustainability steering group is led by the Head of Governance and Sustainability and includes representatives from Asset Management, Communication, HR and service, Finance, Compliance, Client, IT, Product as well as Legal and purchasing. The group is responsible for overall targets and indicators in terms of both initiating activities and follow-up.

The Head of Investment 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 of the Governance and Sustainability group. 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 ESG-4Real certification.

The Governance and Sustainability group leads the work on corporate governance with a particular emphasis on nomination committees, shareholders' meetings and dialogues with boards of directors. Another focus area is to contribute to good corporate governance practices. Through two groups, Alecta

TARGETS AND INDICATORS 2019–2023 [1]

Focus areas	SUSTAINABLE PENSION SYSTEM	AMBITION	RESPONSIBLE INVESTMENTS	AMBITION	ENVIRONMENT AND ETHICS	AMBITION	EMPLOYEES AND DIVERSITY	AMBITION
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**		**Active ownership**		**Environmental impact**		**Employees**	
	Trust in Alecta	↗	Number of nomination committees	✓	Energy consumption	↘	Forms of employment	✓
	Perception of Alecta's sustainability work	↗	Diversity of boards of directors	↗	Carbon footprint of operations and travels	↘	**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 significance of the symbols in the column headed 'Ambition' in the above table is described below. '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

[1] The overall goals are long term, but as the sustainability work progresses, the goals may be broadened and further indicators may be added.

manages and develops its structural capital in corporate governance. An internal Governance group consists of the Head of Governance and Sustainability, Specialist Governance, the General Counsel, the Head of Investment Management and the CEO as Chair, as well as Governance Advisory council with which two external members are associated. The purpose of these groups is to coordinate and follow up work during the nomination committee season in a structured manner, support Alecta's representatives on nomination committees in their duties and to advance work with corporate governance.

In purchasing and in relations with suppliers, Alecta promotes good environmental standards, working conditions and the choice of suppliers with collective agreements are required whenever possible. In support of this, Alecta has designed a Code of Conduct based on the UN Global Compact and its ten principles for responsible business in the areas of environment, human rights, labour rights and corruption, which all suppliers and partners must be notified of.

A description of the development of sustainability work is included in the quarterly reports submitted to the Board of Directors and senior management. ESG and corporate governance issues are regularly presented to the Board's Finance Committee and the Board itself.

Governing documents for sustainability at Alecta

Alecta has an overall sustainability policy and at the end of 2021, the Board of Directors adopted a new policy for responsible investments, both of which are available on the website. Alecta's Board of Directors adopts the overall and strategic governance documents, and more detailed guidelines are decided by the CEO to provide clearer guidance to the employees in their day-to-day work. 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. In this policy, we express our support for the UN's Global Compact initiative and its ten principles on the environment, human rights, labour standards 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 includes four areas that are each regulated in a number of separate governing documents:

- **Ethics:** Describes how we should take an ethical approach to our work, business relations and investments. Also encompasses the whistleblower function and confidentiality.
- **Managing conflicts of interest:** Identifies the risk and the management of conflicts of interest or situations where it may be difficult to be objective.
- **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 governing documents for sustainability:

Corporate 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 section on Equity constitutes Alecta's principles for shareholder engagement and describes our corporate governance as well as our active shareholder engagement and influence in listed companies.

Investment guidelines

In connection with Alecta becoming an occupational pension company on 1 January 2022, new Investment Guidelines are published on alecta.se. They describe the focus and parameters for the risk-taking of asset management.

Risk management

The general governing document which describes Alecta's risk management with a focus on good risk control and appropriate risk management.

Information security

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

Describes 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

The diversity policy 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. Prior to the 2022 revision, the policy changed its name to the Policy on Diversity and Prevention of Discrimination.

Work environment and physical safety

Describes Alecta's general view on work environment and the division of responsibilities on work environment issues, and issues linked to the physical safety of employees.

Corruption

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

Stakeholders and ongoing 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. During recent years, Alecta has prioritised increased openness and dialogue with stakeholders to ensure better exchanges of experience and to create opportunities for influence.

Views on sustainability from customers and employees in 2021

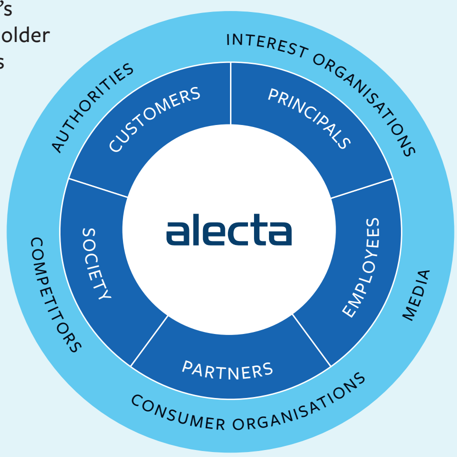
This year, Alecta's interaction with stakeholders has mainly been about pensions and the pension system, as well as how pension capital and investors can contribute to climate transition. The EU's work on sustainable finance has also been a continuing feature of the dialogue with industry stakeholders.

In late autumn, Alecta conducted a broader stakeholder survey that encompassed client companies, private-sector employees and Alecta employees. Previous surveys provided input for materiality analyses, the design of the report and for formulating sustainability targets and indicators. This year's questions were the same as last year, which has resulted in continuity. For 2022 it is planned to take a new approach to the survey in order to provide a basis for the work on identifying new sustainability goals for the period after 2023.

A majority of both corporate customers and private-sector employees have high expectations that their pension provider act sustainably, though awareness of Alecta's sustainability work remains generally low. In previous years, we were able to discern a positive strengthening among corporate customers, but this year we saw some falling figures among private-sector employees. In respect of the management of pension capital, labour standards 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. This year's survey also included some open-ended questions about sustainable pensions and the answers indicate increased awareness, but also a broad spread in perceptions among customers.

Among employees, awareness of Alecta's sustainability work is generally high and a vast majority of our colleagues believe that Alecta today is acting sustainably, and there is also a high level of confidence in the industry's work on sustainability issues. Alecta's employees give Alecta's working conditions and work environment, as well as work with business ethics particularly high grades. The areas of equality and inclusion had strengthened significantly compared to the results in 2020. The employees are proud of Alecta's work and they want it to be more visible externally.

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 carbon footprint

Dialogue channels: Customer service, surveys, e-mail contacts, business visits

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, investment performance, governance

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

Partners and suppliers

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

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 financial market, the role of owner

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

Alecta's work: Take 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

Alecta's stakeholder and materiality analysis has constituted the basis for the company's overall sustainability targets and indicators and influenced the content of the report. Given the circumstances during the year, there are issues that have been raised temporarily, but we have chosen to adopt a long-term perspective in the materiality analysis. The latest review was done at the end of 2020 by the steering group for sustainability which has confirmed the materiality analysis and the updates made in 2019, with even greater focus and expectations on responsible and sustainable investments. During the pandemic, the finance sector and pension capital played a key role in safeguarding many companies that suffered a short-term but dramatic loss of income. Other clarifications from the previous year – the importance of a clearer employer promise and more forward-thinking approach to regulatory compliance and an ethical internal culture – remain important. The analysis was also influenced by external monitoring, including reviews, and exchanges of experiences within the industry.

Environment and purchasing are still identified as areas outside the materiality analysis but with expectations of high transparency, which we took into account in the work with our targets.

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 within and outside the organisation, as the value that is created benefits the customers and employees as well as society at large.	By providing a good, stable occupational pension, Alecta adds value to the national social security system and to the economy. We have therefore sharpened the focus on our long-term operational 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 surveys	8, 20–21
Responsible investments	• Sustainability losses if our holdings contribute to negative consequences for the environment and people • Financial losses if our holdings 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 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 invests in well-managed companies and bases investment decisions on internal analysis, taking into account ESG factors [2]. Dialogue is an important tool to support companies and we work to promote greater diversity in boards of directors. The real estate company has a direct environmental impact which they are actively working 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 engaged (GRI FS10) • Percentage of screened assets (GRI FS11) • Investments with a measurable environmental or social impact	22, 24

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

MATERIAL TOPIC

	RISK	BOUNDARY [1]	ACTIVITIES	KEY PERFORMANCE INDICATORS	Page reference
Inclusive and developing workplace	• Alecta less attractive as an employer • Increased health problems among Alecta's staff • High employee turnover at Alecta • Reduced competitiveness for Alecta	Impact internally in the organisation through better utilisation of skills, increased knowledge and employee satisfaction as well as outside the organisation, primarily in the form of increased customer value.	Alecta is to be an inclusive employer where employees are offered an opportunity to develop. We promote a good work environment and good labour standards, and we wish to create conditions that will better leverage the different perspectives and experiences of our employees, where specialists and various roles work together to develop Alecta's business in the future.	• Hours of training (GRI 404-1) • Performance and development (GRI 404-3)	28–29
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 responsibility and is working with preventive action. 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.	• Fines or sanctions (GRI 419-1) • Training in ethics and regulatory compliance	26–27
High level of customer privacy	• Violations of personal integrity • Financial loss for Alecta • Damage to Alecta's brand/ reputation	Impact within the organisation in the processing of customer data and outside the organisation through the impact on customer privacy.	Alecta processes large amounts of sensitive personal information and other customer data. We do our utmost to protect our customers' information in all situations.	• Complaints about breaches of customer privacy (GRI 418-1)	26

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 within and outside the organisation 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 has started to be gradually communicated to suppliers in 2021, and the work will be further developed to become more systematic in 2022. We measure a number of environmental performance indicators and review actions to reduce the direct environmental impact of operations.	• Environmental impact from operations	25–26, 27

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

Risk analysis and preventive anti-corruption efforts

The insurance industry is characterised by integrity-sensitive activities, whereby integrity shortcomings could have major adverse effects on both the insured and their continued confidence in Alecta 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, which was revised in 2021.

Alecta conducts a yearly analysis of the risk of corruption in respect of various risk categories, such as Alecta's products, customers, distribution channels and geographic areas. The overall assessment in 2021 is that the risk of improper influencing within Alecta is medium, primarily due to our size as an investor and in connection with tendering. The risk analysis forms the basis for Board's anti-corruption policy, which provides tangible 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.

All employees have access to online training programmes addressing areas such as measures to combat bribery and corruption, ethics and whistleblowing, guidelines for business entertainment and on actions against money laundering and terrorist financing.

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 has brought together Swedish players that want to help Sweden become one of the first fossil-free welfare countries. As part of the initiative, Alecta has accepted 'The Solar challenge', for the production of solar energy, and before Alecta terminated company cars, we participated in 'The company car challenge' for eco-friendly cars.

Global Compact

International initiative to encourage the business sector to support the UN's central international conventions. Alecta is a signatory and endorses the Global Compact's ten principles in environment, human rights, labour standards and corruption. Alecta chairs the nomination committee for the Swedish network's Board.

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 is actively involved in the collaboration, which in 2021 was focused on human rights.

ICC

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

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 an active participant in the collaboration.

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.

PRI

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

Swedish Investors for Sustainable Development (SISD)

Sida has gathered 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. Alecta's CEO is one of SISD's representatives in the global equivalent Global Investors for Sustainable Development (GISD).

Stockholm Sustainable Finance Centre (SSFC)

The initiative is a collaboration between the Stockholm Environment Institute (SEI) and the Stockholm School of Economics. The purpose is to accelerate the development of a sustainable financial market through a focus on research, innovation and new technology. Alecta's CEO is Chair of SSFC's Advisory Board.

Insurance Sweden

Alecta participates in reference groups set up by Insurance Sweden, the organisation for the Swedish insurance industry, including one focusing on Sustainability. Alecta submits opinions on proposals for consultation and engages in dialogue with the Swedish Financial Supervisory Authority, the Ministry of Finance and other government agencies.

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 participates in the 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. Alecta participates in the nominating committee for the Board.

Other initiatives for investors

Alecta has signed a number of initiatives with various 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, and the Montreal Pledge, through which investors pledge to measure and report on the climate impact of their equity investments.

Research partnerships

Alecta is involved in and contributes to various academic research studies. One such project started in 2019 at Uppsala University with the aim of studying how social welfare policies influence a household's financial resources in an internationalised market economy. In 2020, Alecta granted financing to Karolinska Institutet for continued research into sick leave among private-sector employees. The research has continued throughout 2021 and will be presented in early 2022 in a research report and at a seminar organised by Alecta. Alecta also supports the research activities of the Stockholm School of Economics.

Gilla Din Ekonomi ("Like Your Personal Finances")

Gilla Din Ekonomi is a personal finance network among public authorities, organisations and businesses. The goal is to increase people's understanding of personal finance through various educational initiatives. Alecta's Pension Economist contributes actively to these initiatives.

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.

Signatory of:

PRI Principles for Responsible Investment

WE SUPPORT

UN GLOBAL COMPACT

Reporting of targets and indicators

This section provides more detailed information of the outcome of objectives and indicators, and comparisons over time. The information is structured according to Alecta's overall sustainability targets and indicators.

Sustainable pension system: Working for a sustainable pension system

What does it mean: When trust is shared it grows. Our most important sustainability responsibility is to contribute to a sustainable pension system. This is achieved 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. We strengthen this trust by disseminating knowledge and taking part in pension discussions.

Alecta's activities during the year:

- Published information and reports on retirees' finances, salary exchanges and illnesses within ITP, communicated both in the discussion and in knowledge seminars for employers and companies. The aim is to provide facts and increase knowledge.
- Activities to refine the image of older people and retirees based on the understanding that retirement is a process rather than a sudden transition and to counterbalance the image of older people as passive and in need of support often reflected in the media. Campaigns such as "Take Retirement" and the photo exhibit 'Elderly but not old' want to show active choices and numerous opportunities.
- Implemented another virtual version of the annual Alecta's conference (Ateljén) in the form of a series of digital round table meetings to discuss the future of social security systems. This year's focus covered inclusive transition and restart, the EU Green Deal and the role of pension capital in financing the recovery of society, with representatives from client companies, labour market parties, the business sector, investors and academia.
- Alecta's pension economist has reached thousands of people through participation in the discussion, in social and national media, for example, occupational pensions and private savings. One topic in the autumn was the importance of low fees.
- Alecta has undertaken a number of awareness-raising initiatives and communications to wider customer groups about climate and pensions, including the climate footprint from the pension, in order to convey that customers should feel comfortable knowing that Alecta takes climate into account in the investment process.
- Actively participated in and contributed to the development of legislation and regulation related to occupational pensions and sustainability in investments, including through industry associations, with a focus on the benefit to customers.

Outcome 2021:
Percentage of salaried employees who view Alecta as a stable and secure company in the brand survey:
38 % (36)

See more indicators linked to a Sustainable pension system on page 20.

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

What does it mean: We are facing a comprehensive transition to meet the climate targets set in the Paris Agreement and all players in society will be affected. A long-term perspective is needed that can help to reduce risk and provide new perspectives for investment opportunities with high returns for Alecta's customers. Alecta's ambition is an investment portfolio that develops in line with climate goals.

Alecta's activities during the year:

- As part of the Net-Zero Asset Owner Alliance (NZAOA) investor initiative, Alecta has adopted quantified interim targets for 2025 that include both active commitment and dialogue with holdings, reduced climate footprint from the investment portfolio, and the promotion of green investments. The NZAOA is an initiative for investors backed by the UN.
- During the year, Alecta made its first direct investment in renewable energy with the investment in Stena Renewable, which is developing wind power in Sweden. In addition, Alecta, together with a consortium of pension funds, invested in Stockholm Exergi, a district heating company that is phasing out fossil fuels and investing in scaling up CCS technology, i.e., technology for capturing and storing carbon dioxide emissions.
- Held a number of focused dialogues on climate reporting and climate targets with selected companies in the portfolio that together account for about 36 per cent of the equity portfolio's carbon footprint. This also includes dialogues with major Swedish banks about how they see their role in the transition, both through financing and investments. As part of Climate Action 100+, we have also collaborated with other investors in dialogue with companies. Volvo Group is one such example and the company's climate targets were validated during the year by the Science-Based Targets Initiative.
- At the end of 2021, the Board decided on a revised stance regarding fossil fuels, which means sharply reduced threshold values for investments related to thermal coal, unconventional oil and gas, as well as greenfield investments in oil and coal.
- Presented Alecta's Ownership Report for Swedish holdings and communicated our view on the climate as a strategic issue for long-term value creation and increasing expectations on disclosure and data from companies.
- Continued to develop the internal Risk analysis of climate impacts in the portfolio as part of work with ORSA, the report presented each year by the Board to the Swedish Financial Supervisory Authority on risk and solvency.
- Alecta published its second climate report according to the framework principles from TCFD. It describes the climate impact of the various asset classes in the investment portfolio, the risks and the financial impact of different prices for carbon emissions on the value of the portfolio based on different climate scenarios.

Outcome 2021:

Number of corporate dialogues on climate:
20 (26)

Percentage of companies in the equity portfolio with confirmed science-based climate targets:
28 % (17)

Percentage of companies in the equity portfolio that report climate footprint (Scope 1 and 2):
82 % (77)

Carbon footprint from equity portfolio (Scope 1 and 2), tCO_2e/SEK million in income:
2.5 (2.9)

See more indicators linked to Responsible investments on page 21.

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

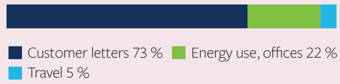
What does it mean:
Sustainability is strongly associated with the environment, also among Alecta's customers. By pursuing our own environmental agenda that is aligned with the resource focus that characterises Alecta's other work, we increase awareness within the company and reflect the demands we place on our holdings. More efficient use of resources also entails an emphasis on modern working methods using digital tools and opportunities.

Alecta's activities during the year:

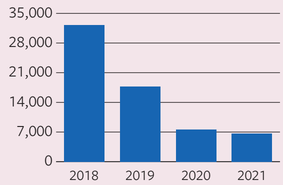
- For most of the year, virtually all of Alecta worked from home, which was facilitated by a rapid transition to digital tools and meetings already in 2020. The travel footprint has been well below average, and even if we expect to travel again when it is considered safe, we will probably make greater use of new ways of meeting in the future. In recent years, Alecta has financed climate benefits corresponding to emissions from employee business travel through Solvatten.
- During the year, we continued to digitalise the letters we send to Alecta's customers, and 75 (72) per cent of letters are now digital. This means significant reductions in paper consumption every year.
- Alecta' offices are a natural starting point for the work on resource efficiency and the environment, but the circumstances during the year with a low presence at the office have made it difficult to see the effects of recent installations of more energy-efficient solutions for fans, pumps and lighting. An acknowledgement for the work was the BREEAM In-use certification that Alecta's office property achieved during the autumn of 2020, rated Very Good.
- During the autumn, employees were offered the opportunity to participate in an inspirational lecture about sustainable food, focusing on what is beneficial to the planet and health. Alecta has previously had a few company cars which have now been phased out, and in line with the theme of environment and everyday exercise, all employees have instead been offered the opportunity to lease an electric bicycle or a regular bicycle.

Outcome 2021:

Carbon footprint distribution from operations: customer letters (incl. transport), office (energy) and travel



The increase in the proportion of digital customer letters has reduced paper consumption over time.



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 25.

Employees and diversity: Strengthen diversity throughout the organisation

What does it mean:
We must continue to challenge ourselves if we are to achieve our ambitious goals and further develop Alecta's work and offering to customers. By strengthening and increasing diversity, we gain a more innovative and effective business and enhance expertise at all levels of the organisation. Alecta is to be an attractive employer that harnesses and fosters diversity.

Alecta's activities during the year:

- The investment in a trainee programme in Alecta's IT department during 2020 led to almost all participants agreeing to permanent employment. There was a stated ambition to have a mixed group with different experiences, thereby bringing new knowledge and new perspectives into the development work. Through the agile development teams, trainees simultaneously received a direct exchange and benefit from the experience within Alecta's organisation. This reflects what we strive to do in our work with "collective intelligence", to strengthen the ability to solve complex challenges with a variety of perspectives.
- During the year, the theme for employee development has been 'self-leadership'. This contains important perspectives for both managers and employees, with a focus that included learning, creating the conditions for others to succeed, trust and security.
- Within the work on governance, we have strived for a more equal composition of the group that represents Alecta in various nominating committees. For the 2021/2022 season, the group consists of five women and six men from Investment Management and other parts of the business, as well as from Alecta's board.

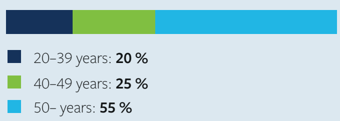
Outcome 2021:

Percentage of women in Alecta's senior management:
33 % (44)

Percentage of female managers:
54 % (61)

Skills development, hours per year and person:
19

Age distribution:



See more indicators linked to Employees and diversity on page 27.

Sustainability indicators 2019–2023

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

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

Certain indicators are used as key performance indicators for the overall goals, while other indicators have quantitative goals. 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

	2021	2020	2019	2018
Percentage of private-sector employees who view Alecta as a stable and secure company	38 %	36 %	–	–

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. Since 2020, Alecta monitors and measures the percentage who view Alecta as a stable and secure company in the brand survey. The study targets private-sector employees with collective agreements. Alecta is working to strengthen the results by spreading fact-based knowledge about pensions, including through pension economists and its own communication channels. The results for 2021 exceeded the goal of 37 per cent. For 2022, the goal is 40 percent. The survey showed that 57 percent of private-sector employees who are familiar with Alecta and know that they are customers, see Alecta as a stable and secure company.

Customers' perception of Alecta's sustainability work

Percentage that believe Alecta works in a sustainable way, %	2021	2020	2019	2018	TARGET 2023
Private-sector employees (good knowledge)	8 (30)	12 (43)	12 (37)	13 (38)	20
Client companies (good knowledge)	20 (43)	22 (45)	17 (37)	n/a [1)]	30

[1)] Between 2018 and 2019, the survey method was changed for client companies, which means the 2018 figure is not comparable.

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 the percentage of customers who view Alecta as a stable and secure company in the brand survey, the indicator contributes to work towards achieving the goal of secure and satisfied customers. Most people choose the response option "do not know" to the question of how they perceive Alecta's sustainability work. This reflects the generally low level of awareness about companies' sustainability work among customers, particularly in industries without daily contact. Customers who know Alecta well (good knowledge) are also much more aware of its work. There is a slightly positive indication that the awareness of client companies has generally strengthened over time, while the results of private-sector employees has declined in 2021 after an increase in 2020. The survey does not explain what has affected the results, but the number of employees who answer 'do not know' has increased significantly. For 2022, Alecta is planning to take a new approach to the survey in order to gain a deeper understanding of the customers' perspectives and expectations.

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

SOCIO-ECONOMIC VALUE

Group (SEK million)	2021	2020	2019	2018
Economic value, generated				
Return on capital, before operating expenses [2] [3]	173,691	50,342	125,314	–17,809
	173,691	**50,342**	**125,314**	**–17,809**
Economic value, distributed				
Claims incurred [4]	–23,650	–22,681	–21,810	–20,884
Waiver of premium, corporate customers	–2,755	–2,296	–2,654	–2,531
Refunds in the form of adjustments to earned pension entitlement and premium reductions [5]	–5,716	–8,926	–11,695	–10,511
Salaries and remuneration	–357	–358	–340	–325
Suppliers and partners	–708	–633	–583	–540
Yield tax and income tax in Sweden and abroad as well as social security fees for employees	–1,181	–557	–1,386	–1,039
	–34,367	**–35,451**	**–38,468**	**–35,829**

1) GRI requests a report of "retained value" but at Alecta the surplus goes to the policy holders.
2) Unrealised profits/losses are included in the amount of SEK 121,672 million (2020: 32,384 (corrected from previous year), 2019: 97,522, 2018: –46,291). The year's return is described in the Administration Report on page 43.
3) In the income statement, asset management and property management expenses totalling SEK 374 million (2020: 309, 2019: 283, 2018: 234) 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 Note 33 Equity.
5) Refunds are taken from the surplus fund, see Note 33 Equity.

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 each other.

Responsible investments

Most indicators related to active ownership and responsible investments reported here are also described in more detail in Alecta's Ownership Report 2021, published in October 2021 on alecta.se.

Nomination committees in Swedish listed companies

	2020/2021	2019/2020	2018/2019	2017/2018
Number of nomination committees	22	21	22	17

Its substantial holdings in Swedish limited liability 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 had eleven representatives from Investment Management and operations, as well as from Alecta's Board, who participated in the election committee work during the 2020/2021 AGM season. Four of Alecta's representatives were women. Five of Alecta's eleven representatives for the 2021/2022 season were women.

Gender equality on boards

	2021	2020	2019	2018	TARGET
Percentage of women on the board where Alecta is a member of nomination committee, average	43 %	40 %	44 %	41 %	At least 40 per cent of each gender represented

The figures refer to the board composition after the general shareholders' meetings during the first half of each year. Changes to the boards 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. Among the most sought-after skills for boards were digitalisation and transition experience. At the shareholders' meetings in spring 2021, changes were proposed in 13 of 22 companies where Alecta was part of the nomination committee. A total of 19 new members were elected at the meeting, of which just over half were women. 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 2021.

Voting at general shareholders' meetings

	2020/2021	2019/2020	2018/2019	2017/2018	TARGET
Percentage of holdings where Alecta voted at the general shareholders' meeting	97 %	99 %	99 %	99 %	100 %

Voting is an important tool for active ownership and our target is to always vote at all holdings. During the 2020/2021 AGM season, Alecta voted in 97 per cent of the holdings, which means that we voted in all except four general shareholders' meetings. In one case because we were leaving the company, in another because we became owners just before the meeting.

Alecta votes on the basis of the principles described in the ownership policy, which at the end of the year was replaced by a policy for responsible investments. The policy contains a comprehensive section describing Alecta's principles for shareholder engagement. Every year, information is published on the website detailing how Alecta voted at shareholders' meetings, with a cut-off point at 30 June. The latest voting report concerns the 2020/2021 AGM season, and the Ownership Report 2021 describes votes of particular relevance. Most cases concern recurring general meeting issues – election of board of directors, remuneration and dividends. Alecta wants to promote properly designed compensation programmes, and in the 14% of compensation proposals where we identified shortcomings, we voted against them. There are cases 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, including three AGM proposals related to the environment and climate during the season.

Screening of holdings (GRI FS11)

	2021	2020	2019	2018	TARGET
Percentage of listed shareholdings and corporate loans reviewed in norms-based screening	100 %	100 %	100 %	100 %	100 %
Percentage of assets of total investments reviewed in norms-based screening[1)]	60 %	59 %	60 %	70 %	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.

Screenings of all listed shareholdings and corporate loans are conducted four times per year based on the international conventions signed by Sweden. These include environment, labour standards, anti-corruption and human rights. In between, Alecta will regularly report on incidents or suspected violations of conventions linked to the holdings, which may lead to special dialogues with the companies in addition to the ongoing contact. As all quoted shareholdings and corporate loans are reviewed, the proportion of assets reviewed in relation to total investments varies according to the percentage of shares and corporate loans in the portfolio. The development in recent years shows that these assets have decreased somewhat as a percentage of the total portfolio, as Alecta has increased diversification.

ESG dialogues (GRI FS10)

	2021	2020	2019	2018
Number of corporate dialogues	48	44	41	18
– Of which E/S/G	20/15/13	26/15/3	20/9/12	6/3/9
– Of which proactive/reactive	40/8	30/14	28/13	10/8

With its substantial holdings in a hundred selected companies, Alecta is a committed owner with continuous dialogue with the company. The dialogues encompass both shareholdings and credit holdings. For transparency, we report on the dialogues held that concerned ESG and the main focus area for the questions. ESG stands for environmental, social and governance. Questions about the environment often have a social dimension, but we used the primary issue discussed when classifying the dialogues.

We classify a dialogue as reactive if it was initiated after an incident reported through the norm-based screening.

During the year, both proactive and reactive dialogues have been held on issues such as compensation, working conditions in the supply chain, health and safety and climate change. Figures from 2021 show that dialogues about sustainability are increasing and that Alecta is more proactive in highlighting sustainability issues. In 2021, we started a more focused approach to human rights, which included dialogues with a number of companies at the end of the year. We have chosen to engage in a dialogue with companies that are considered to have a slightly higher risk exposure with regards to human rights, with particular focus on safe work environments and decent working conditions. We have also continued with more in-depth climate dialogues with a focus on increased transparency and ambitious climate goals. Also in dialogues about compensation, sustainability and ESG are becoming increasingly common elements. The Alecta Ownership Report 2021 describes examples of company dialogues.

Climate reporting by portfolio companies

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

Over time, Alecta has analysed climate reporting by the holdings 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 the development is progressing in the right direction, but that there is still potential for improvement, the goal is for the proportion of companies that report their climate efforts to increase. We work for this through our own initiatives and company 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 holdings.

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

	2021	2020	2019	2018[2]
Weighted carbon intensity shareholdings, tCO2- equivalents/mSEK in revenue	2.5	2.9	3.0	n/a
Absolute footprint of shareholdings, tCO2e (based on EVIC) [3]	315,212	371,409	426,597	n/a
Weighted carbon dioxide intensity of corporate loans, tCO2- equivalents/mSEK in revenue	7.9	13.0	8.8	n/a
Absolute footprint of corporate loans, tCO2e (based on EVIC)	336,323	637,659	738,099	n/a
Climate footprint of directly owned properties, kgCO2 equivalents/sq.m.	2.1	n/a	n/a	n/a
Absolute footprint of directly owned properties, tCO2e	1,048	1,071	3,357	3,225

[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] As a result of changed methodology, the footprint has been recalculated retroactively from 2019 onwards. For 2018, there is no such measurement.
[3] EVIC stands for Enterprise Value Including Cash and is used to make comparisons in a portfolio with both share and credit assets

For a number of years, Alecta has measured and reported the climate footprint of companies in the equity portfolio according to current industry standards, which is based on emissions in Scope 1 and 2 according to Greenhouse Gas Protocol (GHG). Starting 2021, Alecta reports the climate footprint according to the new recommendations of Insurance Sweden for equities, corporate bonds and directly owned properties. This information is also available on alecta.se. As a result of the changed methodology, the footprint has been recalculated retroactively from 2019 onwards. Emission data is also published on alecta.se.

For 2021, the footprint has decreased both for the equity portfolio and the portfolio with corporate bonds.

In the equity portfolio, this is largely a result of the companies reducing their emissions or a reduction in intensity. For the corporate loans, the reduction is a combination of the companies reducing their emissions while bonds from some emission-heavy companies have matured and thus no longer exist in the portfolio. In terms of the properties, Alecta measures actual energy consumption, which means that the figures are not normal-year corrected. Considerable temperature fluctuations during the winter months of 2020 and 2021 are reflected in emissions from district heating use, which were below normal in 2020 and above normal in 2021.

Investments with a measurable environmental or social impact

	2021	2020	2019	2018
Green bonds, SEK billion	59	50	40	31
Other investments with a measurable environmental or social impact, SEK billion	13	14	11	6

Alecta only invests in green bonds that are issued in accordance with a clear framework which has been reviewed by a third party. In recent years, Alecta has steadily increased its investments in 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 impact" means other investments with a stated goal of contributing to and following up on an environmental or social impact. These include an entirely new social bond guaranteed by Sida, intended to finance increased health and sanitation as well as micro-financing. We endeavour to follow up the contribution made by investments in a green or social bond, and in 2021 explored various approaches to value or measure the impact of these. For example, Alecta is a member of the Nasdaq Sustainable Bond Network (NSBN) Advisory Board. NSBN is a platform where issuers can list green and social bonds and file their impact reporting. Our ambition is to continue to increase investments with a clear positive impact.

Real estate portfolio, directly-owned properties Sweden

	2021	2020	2019	2018
Environmentally labelled properties, number	31	23	19	12
Environmentally labelled properties, sq.m [1]	544,493	378,238	323,614	245,720
– percentage of lettable floor area, %	63	45	40	32
Energy use, kWh/sq.m [2]	**102**	**98**	**111**	**115**
– of which property electricity	36	39	44	45
– of which district heating	57	51	58	58
– of which district cooling	9	8	9	12
Total energy consumption, MWh [3]	**50,145**	**52,442**	**58,872**	**61,440**
– of which property electricity	17,785	21,090	23,473	24,077
– of which district heating	28,088	27,022	30,711	31,091
– of which district cooling	4,272	4,329	4,688	6,272
Carbon footprint from energy purchased, tCO_2	**1,048**	**1,071**	**3,357**	**3,225**
Water use, m^3/sq.m [2]	**0.32**	**0.33**	**0.46**	**0.53**

1) Square metre refers to total area for environmentally labelled properties in the portfolio
2) Square metre refers to the A-temperature area [area of the house that is heated to 10 plus degrees or more] for the properties in the Standing Portfolio (properties with a history of at least three years and apart from so-called project properties)
3) Heating consumption is normal-year corrected (other energy is actual consumption)

Since 2021, Alecta's Swedish property portfolio has been managed as a wholly owned property subsidiary. Alecta has continued initiatives for environmental certificates which has increased the share of certified properties in the total portfolio. The environmental classifications or certifications referred to are Breeam In Use, Miljöbyggnad, Green Building and LEED. In terms of environmental performance, Alecta presents the overall performance of properties with a history of at least three years and excluding project properties. This makes it possible to accurately follow developments, notwithstanding new properties in the portfolio with, for example, inferior performance at acquisition.

Each property has an environmental plan for continuous improvement. The restrictions during the pandemic have affected the use of offices and properties and thus the assessment of what the lasting effects of efficiency measures are. Changing occupancy patterns imposed even more exacting requirements on optimising properties for the right number of people at the right time, without sacrificing comfort. Compared to 2020, the restrictions were affected to a lesser extent in 2021, and therefore the comparison between 2019 and 2021 is more accurate and points to an energy efficiency of approximately eight per cent. The real estate company has a high level of ambition and is also covered by Alecta's overall climate target of net zero in 2050, with interim targets for 2025. The electricity used in Alecta's properties has been from renewable sources since 2015. Alecta's investment in photovoltaic installations on commercial properties with suitable roof areas produced a total of 890 MWh in six installations. The electricity is mainly used in 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 operations, 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 situation in 2021, as in the previous year, was very special as most employees worked from home for much of the year, and we have travelled less than normal due to the pandemic.

	2021	2020	2019	2018
Energy use, offices, MWh				
Total	1,978	2,129	2,521	2,788
– of which electricity	703	813	1,155	1,387
– of which district heating, normal year corrected	1,000	1,003	1,043	1,109
– of which district cooling	275	313	323	292
Use of paper, kg				
Office operations, indicative based on volume of purchased paper [1]	1,152	1,154	4,048	7,500
Customer letters, paper mailings [2]	6,666	7,642	17,752	32,299
Carbon footprint, kg CO_2				
Energy, property [3]	42,430	53,955	85,546	90,915
Customer letters, including transport [4]	140,040	164,890	332,360	639,880
Travel [5]	9,391	6,968	170,544	193,858
– of which air travel	9,274	6,761	169,432	192,932
– of which trains	117	207	1,112	926

1) Office paper based on volumes purchased during the period. For 2018, purchases made between Sep 2017–Aug 2018 were reported. 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.

2) In addition, a large number of digital letters were sent and if these had been postal letters, they would have corresponded to another 22,385 kg of paper. In 2018, a large non-recurring mailing was conducted in connection with the ITP procurement, which explains the substantial volume of paper used that year.

3) 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. The district heating supplier phased out coal during the year.

4) The carbon footprint of customer letters is calculated using a standard model that includes paper manufacturing and transport.

5) In 2020-21, travel has been very limited, primarily within Sweden and Europe. In previous years, travel has been at a much higher but constant level.

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 excellent results from the outset. This included the replacement of lighting, heat pumps and fans. During the autumn of 2020, Alecta's office property was certified in accordance with the BREEAM In-use standard, Very good. Particularly distinctive for the property were positive results in energy, health and transport. As most of Alecta's employees worked from home in 2021, as well as during much of 2020, the property has not been operated optimally. Data for energy consumption during these years probably largely reflect this rather than actual efficiency gains.

We measure the carbon footprint of our business travel to enable us to make more informed decisions on the choice of travel. In 2021, we continued to travel to a very limited extent, but we hold meetings all the more so digitally. Travel undertaken is normally related to customer visits or the operations of asset management. 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 innovation with a water container that uses UV light from the sun to clean and heat water, instead of burning coal or wood. Before the pandemic, the compensation for our trips was equivalent to about 25 Solvatten devices, which contributes to climate benefits, better hygiene and health in vulnerable areas of Kenya. In 2020 and 2021, significantly lower travel also means significantly lower financing of Solvatten.

We aim to decrease the use of resources and make greater use of digital tools and working methods. The past year of remote working has inevitably accelerated the trend with online meetings.

Alecta sends a considerable number of letters to our customers. Following changed procedures in 2019, with more digital mailing and less paper-based mail, the number of digital customer letters surpassed for the first time the number of paper mailings. In 2021, as many as 75 per cent of mailings were sent as digital letters.

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 early, or when 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)

	2021	2020	2019	2018
Customer complaints, total	542	447	550	360
Customer complaints about processing data and customer privacy	3	2	4	2

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. The majority of all complaints are handled and closed directly with the customer. 542 complaints received during the year can be seen in the context that Alecta manages occupational pensions for 2.6 million individuals and during particularly intensive periods handles 700-800 calls in one day.

In 2021, Alecta registered three customer complaints that concern the processing of personal data. None of these was 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. However, in another incident Alecta made the assessment that a report was justified. This case was closed by the Swedish Authority for Privacy Protection.

Fines or sanctions (GRI 419-1)

	2021	2020	2019	2018
Fines or sanctions following shortcomings in regulatory compliance, number and amount	0	0	0	0

No fines or sanctions were imposed on Alecta in 2021.

Whistleblower function

Reported cases	0	1–5	6–10	11–15	16–20
2021	X				
2020		X			

In order to uphold the integrity of the process and protect the whistleblower, Alecta has chosen to report the number of reported cases as an interval. All matters reported to the whistleblower function were investigated and managed in accordance with the Board's Whistleblower Policy. The function was established and has been in use since 2017.

Ethics and integrity – training initiatives

At the beginning of the year, the annual knowledge update regarding money laundering was conducted, which was offered to specifically identified employees and managers within the customer organisation. All completed the training and passed the test.

During the autumn, the annual knowledge update concerning employees and managers who directly participate in Alecta's insurance distribution was conducted. The training included certain parts that fall within ethics and integrity. Everyone completed the training and passed the subsequent test.

Alecta offers a number of training courses via the intranet to complement governance documents in each area: market surveys, General Data Protection Regulation, ethics and whistleblowing, conflicts of interest, information security, complaints handling, crisis and continuity, business entertainment, private transactions and trading with financial instruments by employees, bribery (basic training and advanced course), operational risks, and money laundering and terrorism.

During the year, several groups in asset management took part in additional in-depth training in ethical guidelines and other regulations relevant to asset management, such as conflicts of interest, partiality, inside information and market abuse. This has mainly been done as part of the annual review of governance documents. In 2022, all of Alecta will focus on the ethical guidelines in the annual training session for governance documents.

Suppliers' data

	2021	2020	2019	2018
Total number of suppliers	531	548	642	627
– of whom in Sweden	469	486	574	565
– of whom in other EU countries	23	41	50	41
– of whom outside the EU	39	21	18	21
Number of suppliers with contracts for sustainability/Code of Conduct [1)]	7	–	–	–

[1)] Alecta has developed a Code of Conduct, which began to be attached to agreements with suppliers in 2021. Over time, it will be more meaningful to report the percentage, but this year the number of suppliers involved is reported.

Alecta's suppliers mainly comprise external parties who operate the staff canteen, outsourced IT operations, parties engaged in training contexts, purchases of licences and software, maintenance of equipment, office supplies and research services for asset management. Five suppliers accounted for 76 (63) per cent of the total transaction volume. Swedish suppliers accounted for 97 (93) per cent of the transaction volume.

In 2021, a new Code of Conduct for suppliers was communicated internally, with the intention of being enclosed in agreements with suppliers. During the year, the Code of Conduct was included in the agreements with seven suppliers. Alecta is planning measures to more clearly incorporate the Code of Conduct into its purchasing procedures in 2022.

Employees and diversity

Employment information (GRI 102-8) forms of employment, Group

FORMS OF EMPLOYMENT	2021		2020		2019		2018	
Group	Women	Men	Women	Men	Women	Men	Women	Men
Number of employees at 31 December	220	146	213	142	223	147	217	148
Permanent employees	218	146	212	142	219	145	215	146
of whom full-time	*199*	*142*	*184*	*139*	*186*	*139*	*178*	*137*
of whom part-time	*19*	*4*	*28*	*3*	*33*	*6*	*37*	*9*
Temporary employees	2	–	1	–	4	2	2	2
Number of consultants (FTE)	3	21	9	25	11	24	10	22

There have been some changes within the Group as a result of the formation of the new subsidiary Alecta Fastigheter AB. The subsidiary's operations have grown as they took over the property management and operation of the Swedish properties, and they have recruited continuously during the year. Other changes have taken place as a result of the start of operations of the Agreement in 2021. The Agreement is jointly owned by the Confederation of Swedish Enterprise, LO and PTK and their mission is to be the first contact for employees and employers with collective agreements.

Almost everyone at Alecta has a full-time position, and most of those reported as part-time employees are in reality on temporary leave from work. The majority of those who have opted for it are women.

Employees, collective agreements, diversity

EMPLOYEE STATISTICS

Group	2021	2020	2019	2018
Number of employees at 31 December	366	355	370	365
Average age of all employees	48	49	48	48
Percentage of female employees	60 %	60 %	60 %	59 %
Percentage of female managers	57 %	61 %	58 %	52 %
Percentage of women in management [1]	33 %	44 %	44 %	33 %
Percentage of women on the Board [1]	36 %	45 %	42 %	38 %
Parent Company				
Employee turnover	11.1 %	3.9 %	7.9 %	7.9 %
Percentage covered by collective bargaining agreements [2]	100 %	100 %	100 %	100 %
Age distribution employees [3]				
– 20–39 years, (W/M)	34/28	34/28	36/28	–
– 40–49 years, (W/M)	49/29	48/36	49/36	–
– 50– years, (W/M)	101/71	111/73	115/76	–
Percentage of female employees	59 %	59 %	59 %	58 %
Percentage of female managers	54 %	61 %	57 %	53 %

1) A decision was taken not to include senior executives for the subsidiary WTC in the Group summary.
2) Does not include employees in executive management.
3) Does not include temporary employees.

For the Parent Company, employee turnover has increased during the year. 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. In parts of the business there has been a need for recruitment during the year, with more than 20 people joining the Parent Company between July and September alone, mainly in IT and Customer Relations but also some in Investment Management. All posts are advertised internally, and a number of employees have transferred between departments in the organisation, but the majority of recruitments have been made externally, partly due to new posts or functions requiring new skills. Alecta conducts annual salary surveys to identify and correct unwarranted differences in salary.

Alecta reports employees divided into gender and age. In the Parent Company as a whole, the organisation is gender equal, but varies at departmental level. In an effort to promote internal dynamics and to ensure a breadth of expertise and experience, we are working with a long-term approach to achieve greater diversity. This involves awareness in recruitment and working with leadership, which has produced results right down to team level. Alecta has also worked on its employer brand by having employees portrayed on the website and showing the range of stimulating tasks and a nurturing work environment.

Hours of training (GRI 404-1)

Parent Company	2021	2020	2019	2018	TARGET
Hours of training, average per employee [1]	19	32	42	22	–
– average, women	n/a	35	53	27	–
– average, men	n/a	29	26	14	–
Employees with skills development plan	89 %	81 %	–2 [2]	76 %	100 %

1) See description of changed approach for measuring and reporting hours of training. For 2021, the data is not divided into women and men. No target set for indicator.
2) Reporting for 2019 contained gaps and was not considered to meet the requirements of traceability.

Due to previous years' problems with self-registration of skills development, in 2021 we measured skills development in another way. Instead of self-registration, we have added up all the training we have conducted internally with external training conducted by our main partners. Our assessment is that the lower figure reflects the lower training activity that prevailed in 2021 due to the pandemic. The training is about Alecta and the customer offering, but during the year we have also equipped employees to hold effective hybrid meetings and use technology for virtual meetings. We provide information about training opportunities on the intranet and through Kompassen, our support tool for training and development.

Alecta's goal is that all employees will have a skills development plan that includes skills development needs and planned training programmes. We identified gaps in reporting and carried out targeted communication initiatives in 2021 to increase awareness internally and clarify the responsibility of each employee to register their plan, as well as the responsibility of managers to follow this up. At the same time, we note that skills development is a natural part of the performance reviews and are considering simplifying the reporting.

Performance and development (GRI 404-3)

Parent Company	2021	2020	2019	2018	TARGET
Employee performance reviews	78 %	81 %	–1 [1]	90 %	100 %

1) Reporting for 2019 contained gaps and was not considered to meet the requirements of traceability.

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. To be registered in the system, both employees and managers must go through and approve the performance review. The fact that several employees have left and started during the year also affects the results.

Sick leave

Parent Company	2021	2020	2019	2018
Sick leave [1]	3.2 %	3.3 %	4.5 %	3.4 %
– Women	3.6 %	3.9 %	4.8 %	–
– Men	2.7 %	2.6 %	4.0 %	–

1) Reported broken down into women and men from 2019 and onward.

As during 2020, in 2021, Alecta's employees stated that the shorter commute has resulted in less stress in everyday life, though working from home also has its strains. Alecta encouraged physical activity and also recognised the risk to both physical and mental health. We offered a number of opportunities in order to support employees through preventive measures. For example, employees were given an opportunity to take part in lectures given by a health strategist about behaviour change and how to start a healthy diet and lifestyle, medical yoga, health examinations and information about support in high-risk consumption of, for example, alcohol.

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.

Sustainability-related information

The EU has adopted a regulation on sustainability-related information for financial actors to which Alecta is subject. It requires increased transparency about how Alecta considers sustainability risks, about the negative impacts of investments on sustainability and what sustainability expectations Alecta's customers may have on our product.

Reporting in accordance with regulations

In the spring of 2021, we published information in accordance with the regulatory requirements about the selectable product Alecta Optimal Pension on alecta.se. We state that the product promotes a number of environmental and social characteristics – climate, gender equality and remuneration. The regulation is implemented in stages and the technical reporting standards are still under development.

In this section, we present the outcome in the areas we have defined. As Alecta only manages occupational pensions, both defined benefit and defined contribution, and since the management is done jointly, we have chosen to report these characteristics based on the entire investment portfolio.

The characteristics in which we have a particularly clear focus on targets or ambitions and monitoring are the following:

Environmental characteristics – Climate

Alecta's overall climate target is for the investment portfolio to be in line with the Paris Agreement's 1.5-degree target and have a net zero climate footprint by 2050, which means that the underlying assets must also work actively on transition. Dialogues with holdings are a tool for increasing transparency and promoting climate efforts. In relevant cases, Alecta may vote in climate-related proposals at the general shareholders' meetings.

For shares and corporate bonds, Alecta uses data and information from both external data providers in the analysis and directly from the holdings in order to monitor developments in climate efforts. The directly owned properties have energy efficiency targets and their climate footprint is monitored and reported together with energy consumption. Alecta environmentally certifies properties where possible. In externally managed funds, climate reporting is subject to negotiation and follow-up. Alecta does not use an index for comparison but follows a number of indicators including the climate footprint of investments (scopes 1-2), reporting the climate footprint of the entire value chain (scopes 1-3), science-based climate targets, corporate engagement dialogues on climate, voting at meetings in climate matters, and review of carbon assets.

Outcome 2021:

Indicator	Page reference
Climate footprint, equity , corporate bonds, directly owned properties	23
Reporting of scopes 1-2, equity and corporate bonds by the portfolio companies	23
Percentage of companies with science-based climate targets, equity and corporate bonds	23
Number of corporate engagement dialogues on climate	22–23
Number of climate proposals supported at meetings 2020–2021	22

Social characteristics– Equality

Alecta strives for equal boards and works for this through our participation in nomination committees in Swedish holdings, usually around twenty per season. The target involves each gender being represented by at least 40 percent, 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 the benchmark but it is monitored by the indicator of the average percentage of women on the board where Alecta participates in the nomination committee.

Outcome 2021 [1]

Indicator	Page reference
Percentage of women on the board where Alecta is a member of nomination committee, average	21–22
Percentage of women among the new members elected to the board of directors where Alecta participates in the nominating committee	21–22

1) Refers to the 2020/2021 AGM season.

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 is in dialogue with companies about remuneration programmes and uses its ownership votes at general meetings where the programmes do not meet the expectations and reports how Alecta voted.

Outcome 2021:

Indicator	Page reference
Number of dialogues on remuneration	22–23
Number of proposals on remuneration voted against by Alecta	22

Voluntary information

Alecta is not covered by the disclosure requirements introduced by the delegated regulation for taxonomy but chooses, for reasons of transparency, to provide information in accordance with the transitional rules for the total investment portfolio.

Percentage of assets according to the regulatory framework's categories	SEK billions	%
Total investment portfolio	1,230.6	100
– Assets in companies subject to the EU directive NFRD's requirements for non-financial information[1]	345.7	28
– Assets in companies not subject to the EU directive NFRD's requirements for non-financial information [2]	354.2	29
– Assets in instruments issued by governments, supranational institutions, central banks and municipalities, as well as derivatives [3]	245.5	20
– Other assets [4]	285.2	23

1) Refers to equity and corporate bonds in companies in the EU subject to the EU Sustainability Reporting Directive

2) Refers to equity and corporate bonds in companies outside the EU, as well as companies in the EU that do not meet the criteria for the EU Sustainability Reporting Directive.

3) Also includes government guaranteed bonds. Derivatives include currency, interest rate and equity futures and interest rate swaps.

4) Refers to directly owned Swedish properties of Alecta Fastigheter, joint ventures, externally managed funds for, e.g., properties or infrastructure, structured credit, bank liquidity.

GRI table

About the sustainability reporting

Alecta's sustainability report covers the 2021 financial year and has been prepared according to guidelines from the Global Reporting Initiative (GRI), GRI Standards and the Core option. The statutory sustainability report includes pages 10–30, the full scope of the sustainability report is described on pages 31–32. It forms part of Alecta's annual and sustainability report, which is published annually in March. The preceding annual and sustainability report was published on 25 March 2021.

The report has been reviewed by Alecta's auditors, Ernst & Young AB.

Scope and boundaries

The Sustainability Report mainly encompasses the Parent Company Alecta pensionsförsäkring, ömsesidigt, and Alecta's subsidiaries, apart from those specified below. The subsidiaries are engaged in the direct or indirect ownership of real estate. The real estate companies that are joint-owned by Alecta are defined as joint ventures and are handled as financial instruments. Employee data are partially reported for the Group. The description of Alecta's direct environmental impact and suppliers refers to the Parent Company. The reporting of information connected with corporate governance is reported in accordance with the split financial year to reflect the nomination committee's work cycle and AGM season. Other exceptions or boundaries are indicated in the report. Alecta manages collectively agreed occupational pension schemes in Sweden. Alecta's asset management activities comprise investments in equity, fixed income and real assets. Alecta's directly owned real estate portfolio is concentrated to Sweden. During the period, Alecta Fastigheter started operations. It is a wholly owned subsidiary that is responsible for the management of Alecta's Swedish properties. Otherwise, there have been no significant changes in the organisation's size, structure, ownership or suppliers during the accounting period.

Calculation methods and definitions

Carbon footprint: The calculations of the climate footprint for equity and corporate bonds have been made in accordance with the new standard from Insurance Sweden from 2020. The weighted average carbon dioxide intensity shows the portfolio's exposure to carbon dioxide-intensive companies, where the carbon dioxide intensity of the holding 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. Previously, carbon dioxide intensity was measured based on Alecta's ownership share.

The absolute footprint shows the portfolio's total carbon dioxide emissions. This metric is a total of Alecta's share of the holdings' footprint calculated as the value of the shareholding in relation to the holding's debt-free market value (enterprise value) multiplied by the holding's carbon dioxide 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.

GRI Disclosure 102-8: Consultants are recalculated to full-time equivalents (FTEs) for a more accurate picture of operations.

GRI Disclosure 404-1: Employees refer to permanent employees of the Parent Company with the exception of employees on long-term leave, (e.g., employees on parental leave, sick leave or unpaid leave).

Standing portfolio: In order to compare environmental performance for directly owned properties over time, we reported properties that have been part of the portfolio throughout the reporting period (three years). Project properties during the period were excluded.

Contact

The contact person for Alecta's sustainability report is Carina Silberg, Head of Governance and Sustainability. Email address: agarstyrningochhallbarhet@alecta.se

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102-2	Activities, brands, products and services	31, 42	
102-3	Location of headquarters	42	
102-4	Location of operations	31	
102-5	Ownership and legal form	42	
102-6	Markets served	31, 42	
102-7	Scale of the organisation	27–28, 42–45	
102-8	Information on employees and other workers	27–28	
102-9	Supply chain	12, 15, 27	
102-10	Significant changes to the organisation and its supply chain	27, 31	

GRI STANDARDS INDEX 2021, CORE		PAGE REFERENCE	COMMENT
102-11	Precautionary principle or approach	See comment	Alecta is not engaged in manufacturing activities, but environmental aspects are taken into account in the investment activities.
102-12	External initiatives	16–17	
102-13	Membership of associations	16–17	
STRATEGY			
102-14	Statement from senior decision-maker	7	
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102-16	Values, principles, standards and norms of behaviour	4, 12	
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102-18	Governance structure	12, 34–37	
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102-40	List of stakeholder groups	13	
102-41	Collective bargaining agreements	28	
102-42	Identifying and selecting stakeholders	13	
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REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	80–81	Note 16
102-46	Defining report content and topic boundaries	14–15, 31	
102-47	List of material topics	14–15	
102-48	Restatements of information	See comment	Occasional restatements have been made and are stated in connection with the information.
102-49	Changes in reporting	31	see Calculation methods and definitions
102-50	Reporting period	31	
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103-1	Explanation of the material topic and its boundaries	14–15	
103-2	Management approach and its components	11–12, 16	
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ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed	21	
SOCIAL TOPICS – EMPLOYMENT			
404-1	Average hours of training per employee by gender and employee category	28	See Calculation methods and definitions, for 2021 not per gender or employee category
–404-3	Percentage of employees receiving regular performance and career development reviews	28, 29	
SOCIAL TOPICS – CUSTOMER PRIVACY AND PRODUCT RESPONSIBILITY			
418-1	Total number of substantiated complaints concerning breaches of customer privacy and losses of customer data	26	
419-1	Fines and sanctions concerning breaches of financial or social laws or regulations	26	
FS10	Percentage and number of companies in the institution’s portfolio with which the reporting organisation has interacted on environmental or social issues	18, 22	Reported as number of interactions, but for those relating to climate as a percentage
FS11	Percentage of assets subject to environmental or social screening	22	

Auditor's Combined Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report for Alecta Tjänstepension Ömsesidigt

This is the translation of the auditor's report in Swedish.
To Alecta Tjänstepension Ömsesidigt, corp id 502014-6865

Introduction

We have been engaged by the Board of Alecta Tjänstepension Ömsesidigt to undertake a limited assurance engagement of the Sustainability Report for Alecta Tjänstepension Ömsesidigt for the year 2021. The scope of the Sustainability Report has been defined on pages 31–32. The Statutory Sustainability Report is defined on page 52.

Responsibilities of the Board and Executive Management

The Board of Directors and Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 31 in the Sustainability Report and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on our limited assurance procedures and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented in this document and does therefore not include future oriented information.

We have conducted our engagement in accordance with ISAE 3000 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. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the statutory sustainability report. A limited assurance engagement and an examination according to RevR 12 are different from and substantially less in scope than reasonable assurance conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) 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 of Alecta Tjänstepension Ömsesidigt in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a limited review and an examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. The conclusion based on limited assurance procedures and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on reasonable assurance.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria 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.

Conclusions

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 Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 30 March 2022
Ernst & Young AB

Mona Alfredsson
Authorised Public Accountant

Outi Alestalo
Expert member of FAR

Corporate Governance Report 2021

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

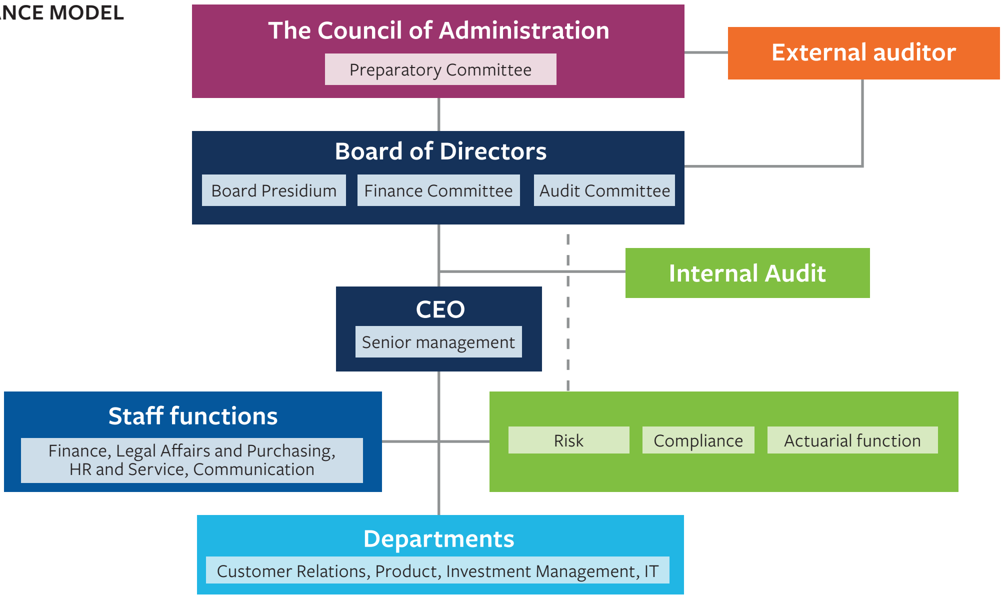
Alecta is a mutual occupational pension company (mutual life insurance company until the end of December 2021) that is owned by the employers who have entered into pension agreements with Alecta and by those insured at Alecta.

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. Rules in the Code which are not adapted to the fact that the company is a mutual insurance company, as of 1 January 2022 a mutual occupational pension company, are not applied, however. Another minor 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's duties include electing the members of 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 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 indicated 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 Chair of the Board. 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.

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 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.

The current external auditors, Ernst & Young AB were initially elected at the 2014 annual meeting of the Council of Administration for a term of one year and were subsequently re-elected for one year at a time, most recently at the 2021 annual meeting of the Council of Administration, from then on with the Authorised Public Accountant Mona Alfredsson 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 2021 financial year, Ernst & Young, in addition to its external audit assignment, performed other assignments for Alecta, such as tax consultations and inquiry assignments. For more information on fees for the external auditors, refer to Note 48 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 stra-

* On 1 January 2022, Alecta became subject to regulation under the Occupational Pension Companies Act (2019:742) from having previously been regulated under the Insurance Business Act (2010:2043).

tegies 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 Investment 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 evaluations are reported to the Council of Administration's Preparatory Committee.

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 meeting, prepare the business that is expected to be presented at the meeting. The Board Presidium also acts as a remuneration committee and convenes at the initiative of the Chair of the Board. In 2021, the Board Presidium held five meetings, 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, Investment Guidelines, Placement Guidelines and the Policy for Responsible Investment prior to Board decisions, to prepare the asset management matters to be address by Alecta's Board and to decide on certain investment matters which are not within the remit of the CEO. In 2021, the Finance Committee held six 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 2021, the Finance Committee held six meetings, five of which were scheduled.

The work of the Board of Directors in 2021

In 2021, the Board held seven meetings, all 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:

- acceleration and progress of the strategy work Alecta 2023,
- the start-up of Alecta Fastigheter AB,
- refunds and premium setting, and
- proposals to the Council of Administration on the conversion to a mutual occupational pension company.

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. In order to ensure adequate risk management and compliance with laws, regulations and internal governance documents, Alecta's risk management and internal control procedures are based on a model with three lines of defence.

The first line of defence – 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 support functions seek to ensure that clear processes and procedures have been established, which together with the internal governing documents govern Alecta's actions in various respects.

The second and third lines of defence – central functions

In support of the operations, the Board of Directors and the CEO, there are the central functions stipulated in the Occupational Pension Companies Act, namely the Risk, Compliance and the Actuarial function (second line of defence) and the Internal Audit (third line of defence) which are responsible for independent company-wide monitoring in their respective areas of responsibility. 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. 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 pages 51–52 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:

- provide advice to the CEO and the Board in order to avoid shortcomings in regulatory compliance,
- assess the consequences of changes in external and internal regulations,
- identify and assess regulatory compliance risks relating to external and internal regulations, and
- assess whether Alecta's measures to prevent regulatory compliance shortcomings 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. These tasks include:

- coordinating and assuring the quality of the actuarial calculations and inquiries,
- assisting the Board and the CEO and, on his 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 two of the Audit Committee's meetings in 2021, whereby various 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 takes part of interim reports before they are published and takes part 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 participated in a Board meeting to orally present a report on the 2021 audit and on the evaluation of the work of Senior management.

Guidelines for remuneration of Senior management

In March 2021, the Board adopted guidelines for remuneration and other employment conditions of Alecta's Senior management, and the Council of Administration adopted the guidelines below at its meeting on 22 April 2021:

Remuneration of the CEO and other senior executives in Senior management consists of a basic salary, pension provisions and other benefits. Other senior executives are defined as the currently eight individuals who together with the CEO comprise 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, either to the CEO or to any other senior executives.

Provision for pensions

All members of Senior management are covered by the FTP plan. The normal 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 corresponding 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 of Directors' Presidium, in its capacity as the Remuneration Committee, for adoption by the Board.

For information on remuneration and incentive programmes for 2021, refer to Note 47.

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 2021–2023.

Members

Björn Alvengrip, Mölle [2]

Ola Axelsson, Spånga

Kenneth Bengtsson, Stockholm, Chair [1]

Mattias Dahl, Stockholm

Eva Dunér, Gothenburg

Thomas Erséus, Gothenburg

Pär Fors, Saltsjöbaden

Margita Gunnarsson, Stockholm

Jonas Hagelqvist, Stockholm

Karin Johansson, Stockholm

Johan Lindström, Stockholm

Staffan Lindquist, Helsingborg

Carina Malmgren Heander, Stockholm

Anna Nordin, Saltsjö-Boo

Charlott Richardson, Sollentuna

Henrik van Rijswijk, Stockholm

Pontus Sjöstrand, Danderyd

Ulrik Wehtje, Malmö [1]

Klas Wåhlberg, Västerås [2]

Deputy Members

Anders Canemyr, Nacka

Stefan Koskinen, Stockholm

Jonas Siljhammar, Jönköping

Tomas Torstensson, Bromma

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 2021–2023.

Members

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

Christina Balder (Unionen), Trollhättan

Camilla Brown (PTK), Täby

Stefan Carlsson (Unionen), Norrköping

Per-Erik Djärf (Unionen), Vadstena

Thomas Eriksson (Ledarna), Örebro

Mikael Hansson (Unionen), Billdal

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

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

Martin Johansson (Unionen), Stockholm

Ulrika Johansson (Unionen), Luleå

Peter Larsson (Swedish Association of Graduate Engineers), Enskede

Hans Lindau (Unionen), Sandared

Andreas Miller (Ledarna), Uppsala [2]

Maria Nassikas (Unionen), Österskär

Leif Nicklagård (Unionen), Sundbyberg

Kristina Rådkvist (PTK), Enköping

Therese Sysimetsä (Unionen), Stockholm

Marina Åman (Unionen), Strängnäs [2]

Deputy Members

Nils-Harald Forssell (Unionen), Olofstorp, also for Alecta's retirees

Stefan Jansson (Swedish Association of Graduate Engineers), Stockholm

Sara Kullgren (Ledarna), Stockholm

Kenneth Lund (Union), Uddevalla

Auditors

Ernst & Young AB, auditor in charge Mona Alfredsson

[1] Member of the Preparatory Committee

[2] Deputy member of the Preparatory Committee

Board of Directors

Ingrid Bonde

Position: Chair

Born: 1959

Elected: 2019

Committee: Finance Committee (Chair), Board Presidium (Chair)

Other board assignments: Apoteket AB (Chair), Securitas AB, Telia Company AB (Vice Chair), Husqvarna AB, tbd 30 AB (Chair), Kungl. Academy of Engineering Sciences and Ersta Diakoni

Other assignments: –

Other: –

Attendance Board Meetings: 7/7

Committee attendance: 11/11

Jan-Olof Jacke

Position: First Vice Chair

Born: 1965

Elected: 2019

Committee: Board Presidium

Other board assignments: The Swedish Exhibition & Congress Centre Foundation (Vice Chair), the Research Institute of Industrial Economics, ICC Sweden and the Royal Swedish Academy of Engineering Sciences.

Other assignments: –

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

Attendance Board Meetings: 7/7

Committee attendance: 5/5

Martin Linder

Position: Second Vice Chair

Born: 1973

Elected: 2016

Committee: Board Presidium

Other board assignments: PTK (Chair) and TCO

Other assignments: –

Other: Unionen (President)

Attendance Board Meetings: 7/7

Committee attendance: 5/5

Hanna Bisell

Position: Member of the Board

Born: 1969

Elected: 2016

Committee: Audit Committee (Chair)

Other board assignments: Medlemsförsäkring AB (Chair)

Other assignments: –

Other: –

Attendance Board Meetings: 7/7

Committee attendance: 6/6

Marcus Dahlsten

Position: Member of the Board

Born: 1974

Elected: 2020

Committee: Audit Committee

Other board assignments: Board Member of Trygghetsfonden TSL

Other assignments: CEO of Transportföretagen TF AB and Transportföretagen Service AB as well as CEO and/or Board Member of the eight associations that are part of Transportföretagen

Other: –

Attendance Board Meetings: 6/7

Committee attendance: 6/6

Markus Granlund

Position: Member of the Board

Born: 1975

Elected: 2019

Committee: Audit Committee

Other board assignments: Several of Semcon's subsidiaries and Börssällskapet i Göteborg

Other assignments: The Swedish Exhibition & Congress Centre and the Royal Swedish Academy of Engineering Sciences.

Other: CEO Semcon AB

Attendance Board Meetings: 7/7

Committee attendance: 6/6

Ann Grevelius

Position: Member of the Board

Born: 1966

Elected: 2020

Committee: Finance Committee

Other board assignments: Optise AB (Chair), Carneo AB, Holberg Fondsforvaltning AS, Hallvarsson &Halvarsson Group AB, Slättö Förvaltning AB, Stenvalvet AB, OX2 AB and TR European Growth Trust

Other assignments: Chair of the Investment Committee of the Swedish Foundation for Strategic Research and member of Nasdaq Stockholm Listing Committee

Other: –

Attendance Board Meetings: 7/7

Committee attendance: 6/6

Petra Hedengran

Position: Member of the Board

Born: 1964

Elected: 2017

Committee: Finance Committee

Other board assignments: Electrolux AB

Other assignments: Association for Generally Accepted Practice in the Securities Market (Vice Chair) and the Swedish Association of Listed Companies (Vice Chair).

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

Attendance Board Meetings: 7/7

Committee attendance: 6/6

Martin Fridolf

Position: Member of the Board

Born: 1964

Elected: 2021

Committee: Audit Committee

Other board assignments: –

Other assignments: –

Other: CEO Ledarna

Attendance Board Meetings: 5/5*

Committee attendance: 4/4*

Magnus von Koch

Position: Member of the Board

Born: 1962

Elected: 2010

Committee: Finance Committee

Other board assignments: Klara Norra Fastigheter AB (Chair)

Other assignments: –

Other: Unionen (investment manager)

Attendance Board Meetings: 7/7

Committee attendance: 6/6

Richard Malmborg

Position: Member of the Board

Born: 1961

Elected: 2003

Committee: Audit Committee

Other board assignments: PTK (Vice Chair) and Akademikertjänst AB (Chair)

Other assignments: –

Other: Swedish Association of Graduate Engineers (Director of Association)

Attendance Board Meetings: 6/7

Committee attendance: 4/6

Birgitta Pernkrans

Position: Employee representative Forena

Born: 1969

Elected: 2015

Committee: –

Other board assignments: –

Other assignments: –

Other: –

Attendance Board Meetings: 7/7

Committee attendance: –

Mikael Persson

Position: Employee representative SACO

Born: 1962

Elected: 2008

Committee: –

Other board assignments: –

Other assignments: –

Other: –

Attendance Board Meetings: 7/7

Committee attendance: –

* Board and committee member as of 22 April

Senior management

Magnus Billing

Position: CEO

Born: 1968

Employed since: 2016

Education: LL.M.

Previous experience: CEO of Nasdaq Stockholm and CEO of Nasdaq Nordics.

Board assignments: Insurance Sweden, Employers' Organisation for the Swedish Insurance Industry, Stockholm Sustainable Finance Centre (Chair) and Stockholm Environment Institute

Other assignments: Board of Trustees of the Centre for Business and Policy Studies (SNS)

Hans Sterte

Position: Deputy CEO, Head of Investment Management

Born: 1961

Employed since: 2018

Education: M.Sc. in Business Administration and Economics, Stockholm University

Previous experience: Most recently Head of Investment Management at Skandia. Previously, Director of Finance at Länsförsäkringar AB.

Other board assignments: Fire Office

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 assignments: minPension, Fund Advisory Board at the Legal, Financial and Administrative Services Agency

Martin Hedensiö

Position: Head of Communication

Born: 1964

Employed since: 2016

Education: M.Sc. 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 and Financial Communications at Hallvarsson & Halvarsson, Deputy CEO of Springtime, Investor Relations Director at Electrolux.

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.

William McKechnie

Position: Head of Legal Affairs

Born: 1978

Employed since: 2021

Education: Law degree

Previous experience: General Counsel, Senior Vice President of If P&C Insurance Company Ltd, lawyer Mannheimer Swartling

Fredrik Palm

Position: Head of Products

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 2021, the one hundred and fifth year of operation for the company.

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

Ownership and structure

Alecta was a mutual life insurance company until the 2021 financial year. As of 1 January 2022, Alecta became a mutual occupational pension company. A mutual insurance company/occupational pension company means that the company is owned by the policyholders and the insured parties and that any surplus generated goes back to the policy holders and the insured parties.

Alecta Tjänstepension Ömsesidig (formerly Alecta pensionsförsäkring, 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 manages the ITP 2 defined benefit retirement pension plan and the ITP 1 defined contribution retirement pension plan. In addition to retirement pensions, the ITP 2 plan also includes defined benefit family pensions and ITPK defined contribution (supplementary retirement pensions). Defined contribution retirement pensions are offered through the Alecta Optimal Pension product, which for both ITP 1 and ITPK is the default option and a selectable option. Alecta has also been commissioned to manage the disability and life insurance products provided under the ITP plan. These include the risk insurance products disability pension, waiver of premium and family cover.

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 major collective bargaining areas: SAF-LO collective pension insurance for private sector employees, government employees in the PA 16 collective bargaining area, employees of municipally-owned enterprises covered by the PA-KFS occupational pension plan and municipal and local authority employees covered by KAP-KL/AKAP-KL plans. We are also the default option and a selectable option in the collective bargaining area for the insurance industry, FTP.

Alecta also offers occupational group life insurance (TGL).

Employees

In 2021, the average number of employees in the Alecta Group was 356 (358), which is 348 on a full-time equivalent basis (350).

At year-end 2021, the total number of employees in the Group was 366 (355), of whom 313 were in the parent company (331). The proportion of female employees was 60 per cent (60) and the average age of employees was 48 years of age (49).

Information on the average number of employees, salaries and benefits is provided in Note 47. 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 211.4 billion (37.7). Comments on financial outcome and financial position are presented in the following report.

Premiums written

Premiums written in 2021 totalled SEK 55.8 billion (62.7), see Note 4. Premiums written can be divided into invoiced premiums and guaranteed rebates.

Invoiced premiums totalled SEK 50.0 billion (53.8). The decrease compared to the preceding year was primarily due to reduced one-off premiums in the form of PRI redemption.

Guaranteed refunds totalled SEK 5.7 billion (8.9) and consist of premium reductions on employers' premiums for 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 decrease in guaranteed refunds is largely due to the 0.39 per cent adjustment of paid-up policy values and was based on the change in the consumer price index between September 2019 and September 2020 being lower than that implemented one year earlier (1.45).

Capital return

The financial markets

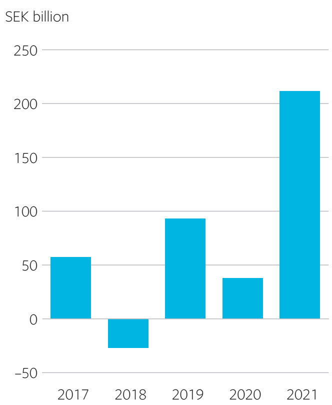
It has been an eventful year that was significantly affected by the rollout of the COVID-19 vaccine, which has meant that it has been possible to reopen economies. Combined with continued financial stimulus measures, this has led to a very strong global economic recovery. The high economic activity along with logistics problems, lack of input goods in the wake of the pandemic and energy crisis, has led to rising inflationary pressures, which have intensified during the year, especially in the western world where inflation has reached levels that have not been seen for several decades. in their communication, the central banks and in particular the US Federal Reserve, have pivoted away from the idea that the rise in inflation is transitory to the notion that inflation could become more persistent. In the US where the inflationary pressure is the highest and the economy is close to overheating, the Federal Reserve is expected to tighten its monetary policy through several interest rate increases in 2022, as well as reduce asset purchases via the balance sheet. However the economy in China has slowed during the year, which led to the Chinese Central Bank lowering the key interest rate at the end of the year in an attempt to stimulate growth.

The threat of inflation taking hold in the West and leading to a sharp rise in interest rates has periodically rattled the stock market, as has the spread of the latest virus variant, Omicron that has led to new lockdowns particularly in Europe. However, economic optimism, confidence in the ability of the central banks to handle the inflation threat and strong company reports have led to excellent stock market performance during the year, where the Stockholm Stock Exchange, which increased by 36 per cent was among the stock exchanges that had achieved the highest return. The Stockholm Stock Exchange has also benefitted from the redistribution that occurred during the year from typically highly valued growth shares to cyclical value shares. Strong market conditions have also driven the US and European stock markets, which increased by 33 per cent and 25 per cent respectively measured in local currency.

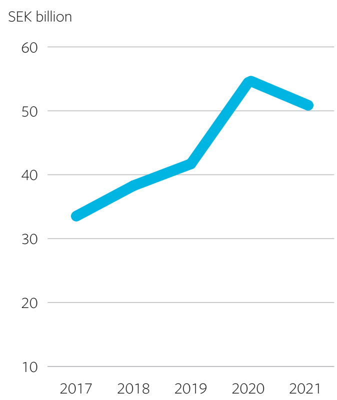
Interest rate developments have followed the inflationary trend with longer-term rates moving relatively widely during the year. However, overall the rise in interest rates at the end of the year was moderate. Long interest rates in the US rose by almost 60 basis points and in Sweden and Germany, the rise in interest rates stopped at 20 and 40 basis points respectively.

On the currency market the Swedish krona has weakened compared to other major currencies. The Swedish krona has weakened against the US dollar by 10 per cent, against the British pound by 3 per cent and against the Euro by just under 2 per cent.

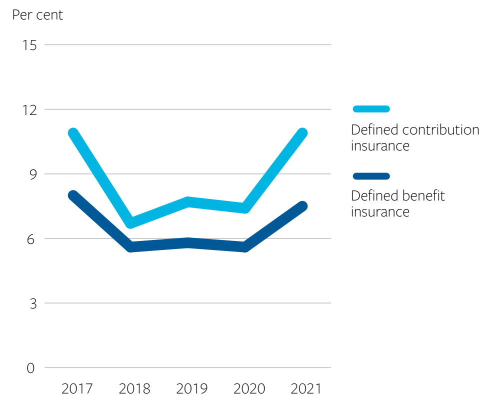
PROFIT/LOSS FOR THE YEAR



INVOICED PREMIUMS



TOTAL RETURN, FIVE-YEAR AVERAGE



Return

The total return on Alecta's investments in 2021 was 16.6 per cent (5.0). The return is largely attributable to the rise in the stock market but real assets such as real estate have also contributed positively to the return. Alecta's average annual return over the past five years is 8.0 per cent (5.8).

The return on shares for the year was 40.6 per cent (10.9), fixed-income investments had a return of −0.8 per cent (2.3) and the return on alternative investments was 13.2 per cent (0.2). At the end of the year, the alternative investments consisted of 77 per cent real estate and the remaining part consisted mainly of alternative credits, i.e. interest-bearing instruments with higher credit and market risk.

The return on the Alecta defined contribution savings product, Alecta Optimal Pension totalled 24.1 per cent (6.6). Over the past five years, Alecta Optimal Pension has generated an average annual return of 10.9 per cent (7.4).

The return on the Alecta defined benefit insurance product was 15.2 per cent (4.7). The average annual return over the past five years was 7.5 per cent (5.6). In the income statement, return on capital for the Group including unrealised value changes, was SEK 173.3 billion (50.0).

At year-end 2021, the market value of total investment assets amounted to SEK 1,230.6 billion (1,039.2), refer to the total return table. Of these, the Preferred Portfolio within the Alecta Optimal Pension accounted for SEK 211.0 billion (156.3).

Changes in the portfolio

At year-end, the proportion of shares of the portfolio was 40.4 per cent (40.5). The proportion of shares varied during the year as a result of market events but was also due to upward and downward weighting of the proportion of shares during the year. The country allocation remained largely unchanged compared to the previous year.

Total return table for investments, total	Market value 31/12/2021		Market value 31/12/2020		Total return, per cent		
	SEK million	%	SEK million	%	2021	2020	Average 2017–2021
Shares	497,502	40.4	420,446	40.5	40.6	10.9	16.8
Debt securities	556,758	45.2	494,255	47.6	−0.8	2.3	1.1
Alternative investments [1]	176,350	14.3	124,545	12.0	13.2	0.2	7.8
Total investments	**1,230,610**	**100.0**	**1,039,246**	**100.0**	**16.6**	**5.0**	**8.0**

Total returns for each year and asset class for the period 2017–2021, which are included in the average total return are presented in the five-year summary on page 53.

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. A reconciliation between the total return table and the financial statements is presented in Note 46.

Total return table for investments, defined contribution insurance (Alecta Optimal Pension)	Market value 31/12/2021		Market value 31/12/2020		Total return, per cent		
	SEK million	%	SEK million	%	2021	2020	Average 2017–2021
Shares	125,842	59.6	94,541	60.5	40.6	10.9	16.8
Debt securities	54,696	25.9	42,819	27.4	−1.8	2.4	0.9
Alternative investments [1]	30,487	14.4	18,910	12.1	13.2	0.2	7.8
Total investments	**211,025**	**100.0**	**156,271**	**100.0**	**24.1**	**6.6**	**10.9**

The proportion of shares in Alecta Optimal Pension is higher than in Alecta's other 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 227.4 billion (168.0).

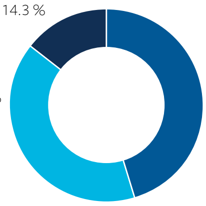
Total return table for investments, defined benefit insurance	Market value 31/12/2021		Market value 31/12/2020		Total return, per cent		
	SEK million	%	SEK million	%	2021	2020	Average 2017–2021
Shares	364,656	36.3	320,803	36.8	40.6	10.9	16.8
Debt securities	495,062	49.3	446,210	51.2	−0.7	2.2	1.1
Alternative investments [1]	143,498	14.3	104,213	12.0	13.2	0.2	7.8
Total investments	**1,003,215**	**100.0**	**871,227**	**100.0**	**15.2**	**4.7**	**7.5**

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.

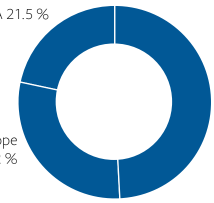
[1] Alternative investments include real estate, infrastructure investments, private equity and so-called alternative credits that are subject to higher market risk than traditional debt securities.

Alecta's portfolio composition as at 31/12/2021

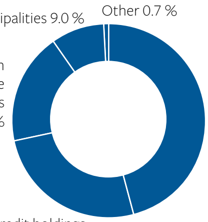
TOTAL INVESTMENT PORTFOLIO



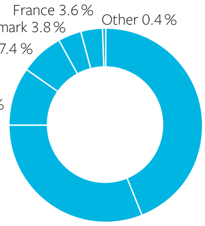
DEBT SECURITIES, geographic distribution



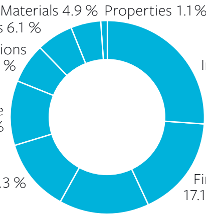
DEBT SECURITIES, type of issuer



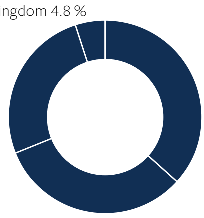
SHARES, geographic distribution



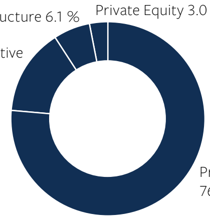
SHARES, sector distribution



ALTERNATIVE INVESTMENTS, geographic distribution



ALTERNATIVE INVESTMENTS, category



Alecta's five largest shareholdings as at 31/12/2021

Shares	Sector	Market value, SEK million
Microsoft	IT	29,473
Investor	Finance	28,346
Atlas Copco	Industry	26,935
Alphabet	Telecommunications	25,377
Novo Nordisk	Healthcare	17,836

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.

At year-end, the proportion of alternative investments was 14.3 per cent (12.0). The increase is primarily attributable to net investments in real estate, so-called alternative credits and infrastructure investments. The composition of the portfolio is presented on page 45.

Claims incurred

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

In 2021, insurance claims paid that consist primarily of benefits incurred in retirement pensions, disability and life insurance increased to SEK 23.5 billion (22.1). 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 2021 totalled SEK 177 million (153). See also Notes 7 and 8.

The change in the provision for claims outstanding was SEK 1.1 billion (–0.7).

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 613.8 billion on 31 December 2021. This is a decrease of SEK 8.2 billion (increase 51.3) for 2021, which was due to the following reasons:

- Premiums and payments resulted in an increase in technical provisions of SEK 32.4 billion (40.8), of which SEK 1.6 billion (4.7) refers to guaranteed refunds in the form of earned pension entitlements.
- The difference between underlying premiums and assumptions in the calculation of technical provisions reduced the provisions by SEK 24.1 billion (15.4) for savings insurance.
- The results from disability and waiver of premium reduced the provisions by SEK 1.2 billion (3.4).
- Higher market interest rates in 2021 meant that the yield curve used in the valuation increased, which reduced provisions by SEK 33.3 billion (increased 17.1). The average cash flow-weighted interest rate decreased from 1.60 to 1.92 per cent in 2021.
- Cumulative return after deduction for released tax and operating expenses meant that the techincal provisions increased by SEK 14.7 billion (14.1).
- Other changes and results led to an overall increase of SEK 3.3 billion in technical provisions.

For further information, see Notes 36 and 37.

Operating expenses

Operating expenses for the insurance business, which are referred to as operating expenses in the income statement were at the same level as the previous year at SEK 625 million (625). Staff-related costs decreased between the years, mainly due to a one-off cost of retirement pensions in the previous year. Depreciation increased between the years following a decision on accelerated depreciation of intangible assets.

Management expense ratio

The total management expense ratio for the Group has decreased to 0.07 (0.08) compared to the full year 2020. The key performance indicator for defined contribution insurance has decreased to 0.05 (0.06) while the key performance indicator for defined benefit insurance remains unchanged at 0.08 compared to the full year 2020.

Tax expense

In 2021, the yield tax net of foreign tax credits was SEK 379 million (383). Yield tax is payable on pension products and family cover.

The income tax expense, which comprises current and deferred tax was SEK 1,236 million (670). 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 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 54–55. 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 (2007–2021), Alecta has distributed SEK 119 billion in refunds. The refunds have been distributed to policyholders and insured parties in the form of pension supplements, increases in earned pension entitlements, premium reductions and business-linked funds.

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, which is why the collective funding ratio is normally always 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 2021, the Board approved an upward adjustment of defined benefit pensions of 0.39 per cent. The decision includes both pensions in payment, as well as earned pension entitlements – so-called paid-up policies and is based on the change in CPI between September 2019 and September 2020. The board of directors also decided to retain premium reductions of 65 per cent for disability and premium waiver insurance and to reduce premium reductions for family cover from 50 per cent to 40 per cent. For TGL, the premium reduction was SEK 7 per insured party and month.

For more information on surplus distribution, see Note 34.

Collective funding and solvency

The defined contribution insurance products had a collective funding ratio of 100 per cent (100), which is the normal level when surpluses or deficits are allocated on a monthly basis.

Alecta's consolidation 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:

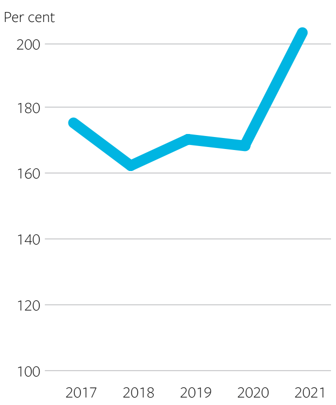
- 125 per cent – lower limit for indexation of pensions (pension supplement)
- 135 per cent – lower limit for increase in earned pension (adjustment of paid-up policy values)
- 150 per cent – lower limit for premium reduction
- 175 per cent – lower limit for other refunds to policyholders

At year-end 2021, the collective funding ratio for the Group's defined benefit insurance products was 172 per cent (148). The collective funding capital totalled SEK 418.3 billion (278.3).

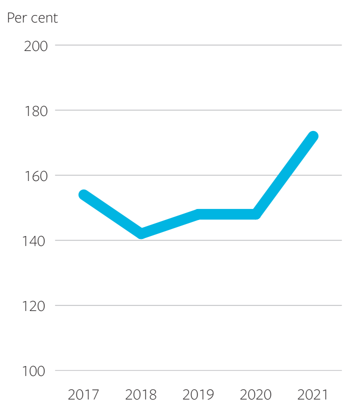
The solvency ratio at year-end 2021 was 201 per cent (167).

PERFORMANCE IN 2021	SOLVENCY RATIO	COLLECTIVE FUNDING RATIO, defined benefit insurance
Opening balance	**167.2 %**	**147.7 %**
Return	28.6 %	23.4 %
Cumulative return, TP	–4.7 %	–4.0 %
Changed discount rate	9.6 %	8.3 %
Premiums	0.4 %	1.0 %
Guaranteed pension paid	3.2 %	2.5 %
Pension supplement paid	–0.5 %	–1.5 %
Adjustment of paid-up policy values	–0.4 %	–4.0 %
Premium reductions	–1.2 %	–1.4 %
Changed TP assumptions	0.0 %	0.0 %
Disability result	0.4 %	0.4 %
Other	–1.7 %	–0.4 %
Closing balance	**200.9 %**	**172.5 %**

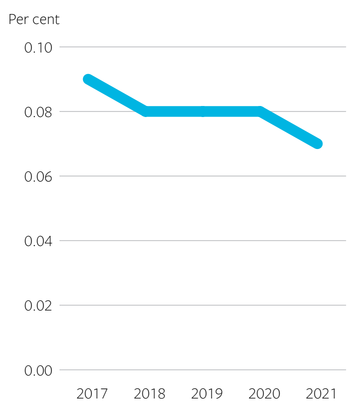
SOLVENCY RATIO



COLLECTIVE FUNDING RATIO, defined benefit insurance



MANAGEMENT EXPENSE RATIO, total



Proposed appropriation of profits

The Board of Directors and Chief Executive Officer propose to the Council of Administration that the parent company profit for 2021 of SEK 209,799,353,133 be transferred to the surplus fund.

The Board and CEO propose that 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 46–47.

Significant events

Index-linked pension and premium reductions

In autumn 2021, the Alecta board of directors resolved to index-link defined benefit pensions by 2.51 per cent for 2022, 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 resolution applies to pensions in payment and earned pension for which payment has not yet been started.

As a result of Alecta's strong financial position in accordance with Alecta's funding policy, the Board also resolved to introduce a premium reduction for the year in 2022 for a defined benefit retirement and family pension of 30 per cent in relation to the current premium level for 2021. The assessment is that the premium for an average customer company will be reduced by approximately 16 per cent as a result of the premium reduction.

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 2022. In autumn 2021, the Board decided on a premium reduction for disability insurance of 90 per cent, as well as 70 per cent for premium waiver in the event of illness and parental leave and of 40 per cent for family cover. The premium for occupational group life insurance TGL remains unchanged at SEK 26 per month and employee.

Alecta Fastigheter AB

In accordance with the 2019 resolution of the Alecta board of directors to corporatise the Swedish real estate business, Alecta Fastigheter started its operational business in January 2021. On 1 October 2021, the first step in taking over management of the Group's Swedish real estate portfolio was completed. The company will own, manage and develop real estate in Sweden and the Nordic region and the goal is to grow in the coming years and create a more sustainable and customer-oriented business.

Alecta is investing USD 100 million in a new social bond

In June, Alecta invested approximately USD 100 million as the main investor in a new social bond. The bond, Financing For Healthier Lives has been issued in collaboration with the manager, ResponsAbility, Danske Bank as the organiser and Sida as the guarantor. The intention is for the bond to finance investments that contribute to improved health and hygiene, reduced emissions through investments in renewable energy and sustainable food production in developing countries.

Alecta has acquired 50 per cent of Stockholm Exergi along with an investor group

As part of a group of European investors, Alecta has acquired 50 per cent of the ownership of Fortum in Stockholm Exergi. In addition to Alecta, the investor group includes APG (the Netherlands), PGGM (the Netherlands), Keva (Finland) and AXA (France). Alecta's share represents 15 per cent of ownership by the Group.

Stockholm Exergi is the leading district heating and cooling supplier in the Nordic region and provides district heating to both companies and private customers in Stockholm County, as well as electricity capacity to the Stockholm electricity grid. In recent years, Stockholm Exergi has successfully worked to adjust its production with a lower carbon footprint as a result. The company aims to be climate positive by 2025.

Alecta has ambitious goals to reduce the carbon footprint in our portfolio and comply with The Paris Agreement. This type of investment is important for us to succeed in achieving our climate goals.

Along with Brookfield, Alecta has jointly acquired 49 per cent of the Telia tower business in Finland and Norway

Along with Brookfield, Alecta has acquired 49 per cent of the Telia tower business in Finland and Norway. The value of the share acquired is EUR 722 million and Alecta has a 20 per cent shareholding, which is equivalent to 9.8 per cent of the entire joint venture company. The transaction relates to the 4,700 land-based telecom towers owned by Telia in Finland and Norway. Alecta has previously had a business relationship with Brookfield, which is one of the world's largest managers of telecom towers.

Alecta invests in reinsurance risk

At the end of the year, Alecta concluded two agreements on co-investing in reinsurance risk with two leading European reinsurance companies. Alecta's investments totalled USD 450 million. The underlying risks are exclusively natural disasters such as storms, earthquakes and floods where the geographical distribution reflects the locations of these risks in the world.

Alecta invests SEK 7 billion in Heimstaden Bostad AB

In November 2021, Alecta invested approximately SEK 7 billion in Heimstaden Bostad AB. This was in connection with the company's acquisition of Akelius' German, Swedish and Danish rental properties for approximately SEK 90 billion. Alecta has thus invested its entire agreed commitment in Heimstaden Bostad AB, which is one of Europe's largest and most highly diversified rental property companies. Alecta is the second largest owner with approximately 38 per cent of the capital in the company.

Impact of the COVID-19 pandemic

During the year, an increasing proportion of the population particularly in the West has received the COVID vaccine, which has allowed restrictions to be eased and economies to open up. However in the wake of the pandemic, component shortages and logistics problems remain, which combined with large global demand has contributed to rapidly rising inflation in the Western world. This has occasionally caused concern in the financial markets, as well as the emergence of new infections that have led to the reintroduction of restrictions and quarantine regulations. The spread of the Omicron variant of the virus led to extensive restrictions and quarantine regulations in several European countries with negative stock exchange movements as a result. The markets stabilised following reports that the risk of a severe disease was lower for those infected with Omicron than previous variants. This is because the risk of new, extensive lockdowns is expected to decrease.

In the real estate market, the retail and hotel sectors have noted some recovery but are still facing continued challenges. The logistics sector – the sector that has managed best during the pandemic – has maintained its strong growth in 2021 and is heading towards its strongest year ever.

As a whole market performance during the year, primarily in the form of rising stock markets, led to favourable performance for Alecta's total investments. At year-end, the market value of total investments was SEK 1,231 billion and total return was 16.6 per cent. Alecta's financial position has also continued to improve during the year.

As a result of COVID-19, mortality in the Alecta insurance portfolio was significantly higher than normal in January 2021 but for the rest of the year there was no clear effect from the pandemic in the insurance portfolio. In total, Alecta's technical provisions decreased by SEK 0.2 billion in 2021, as a result of the difference between the actual and the assumed mortality rates in the insurance portfolio.

Organisational changes

William McKechnie assumed the position of new General Counsel, Head of Legal Department in February 2021 and is a member of the Alecta management team. William, who was most recently General Counsel at If Sweden, succeeded Charlotte Rydin who had held the equivalent role at Alecta.

Conversion to a mutual occupational pensions company

On 1 January 2022, Alecta converted from a mutual insurance company under the Insurance Business Act to become a mutual occupational pensions company under the Occupational Pensions Companies Act, which came into effect on 15 December 2019. At the same time, the name changed from Alecta pensionsförsäkring, ömsesidigt to Alecta Tjänstepension Ömsesidigt. The transition involved Alecta utilising the option under the new Act to convert from an insurance company to an occupational pensions company. In April 2021, Alecta's Council of Administration approved Alecta's application for conversion, which was then submitted to the Financial Supervisory Authority for its review. The Financial Supervisory Authority in turn approved the application in October 2021 with effect from 1 January 2022. The final stage of the conversion consisted of the registration of a new name and company form with the Swedish Companies Registration Office, which took place on 3 January 2022.

The Occupational Pension Companies Act is based on the EU occupational pensions directive and is specifically designed for occupational pensions, which are the core business of Alecta. Alecta's assessment of the new Act led to the conclusion that in a number of crucial respects it is more appropriate for the occupational pensions business than the general insurance framework under which Alecta had operated until the end of the year. This is particularly applicable to the rules for risk-adjusted capital requirements, which provide a high level of consumer protection while also providing better opportunities to generate a high risk-adjusted return on the pension capital and thereby, also higher pensions. The conversion therefore puts Alecta in the best position to continue to serve the interests and needs of the occupational pensions customers.

However, Alecta will remain the same company with the same organisation number after the conversion. Nor has the conversion affected any occupational pensions products or agreements to which Alecta is party; these continue to apply in exactly the same way as before.

The regulatory change affects the applied discount rate curve and has an impact on Alecta's technical provisions of SEK –10.5 billion and net present value of the pension supplements of SEK –300 million. The impact will affect Alecta's balance sheet and income statement in 2022.

Significant events after the balance sheet date

As described in the section above, on 1 January 2022 Alecta converted to become an occupational pensions company in accordance with the Occupational Pensions Companies Act (2019:742) after having its application approved by the Financial Supervisory Authority in October 2021. This was registered with the Swedish Companies Registration Office and in connection with the conversion, Alecta pensionsförsäkring, ömsesidigt also changed its name to Alecta Tjänstepension Ömsesidigt.

Russia's aggressive invasion of Ukraine in February has caused global unrest in the financial markets and major stock market declines around the world. Alecta has no direct or indirect investments in Russia or Belarus but the market development has meant that the value of Alecta's total investments has fallen since the end of the year. At the end of February, the total value of investments amounted to SEK 1,178 billion, which means that the total return for the first two months of the year totalled –4.7 per cent.

Alecta's financial position has been negatively affected during the period but is still at a very good level. The funding ratio for defined benefit insurance has decreased during the period from the end of December to the end of February from 172 per cent to 168 per cent.

Expected future outlook

Financial markets

2021 is the second year of recovery after the pandemic outbreak. Although global production has some way to go to trend growth, stock markets have surged well past pre-COVID outbreak levels. This may indicate that there is still optimism and that the real economy and society are continuing to heal from the damage caused by the pandemic.

At the same time, any rise in asset prices implies that future expected returns must be assumed to be more modest. The fixed income market is a good and clear example. When interest rates are low or in some cases even negative, any rise or standstill in interest rates will necessarily lead to weak or negative returns on interest-bearing assets. This realisation by investors has been a major contributor to the strong performance of stock markets. It is assumed that there are no alternatives to the stock market but acquiring an asset due to the fact that another asset is very expensive may prove to be a risky strategy.

If the global economy should experience strong and sustained inflation, not only would the independent central banks be tested but also the valuation multiples of the stock market and other assets. This is a scenario that would challenge many of the monetary policy decisions made since the 2008–2009 financial crisis, as well as many "truths" in financial markets. In such a scenario, financial market returns will be weak as central banks raise interest rates and tighten liquidity.

Ever since the financial crisis, monetary policy has focused on stabilising financial markets, thereby artificially reducing visiable volatility. A major concern with this is that financial market participants risk forgetting that markets are being manipulated and increasing their positions in order to compensate for ever lower return expectations. This means that risk-taking in the economy is at its highest just when risk-taking is at its worst. The extent of this behaviour and the magnitude of the effects if they start to adjust, are probably the most important but also the most difficult questions that financial market participants have to answer.

Alecta's strategy for meeting these ever-present challenges in the financial market is to maintain very high safety margins in its risk utilisation and by only investing in and lending money to quality companies. Aside from faring relatively better in a stock market downturn, these companies are able to exploit turbulent situations to implement consolidation transactions on favourable terms. The same is true for Alecta, which has utilised last year's sharp market upturn to further increase safety margins. With good margins, we can take a proactive approach in any downturn and thus turn volatile markets into good business opportunities, laying the foundations for good long-term returns for our customers.

The labour market and pensions market

Demand for labour fell sharply in 2020 as a result of the pandemic. Since then, economic recovery has been rapid and labour market demand has picked up again. Although the landscape is fragmented. Long-term unemployment is still at a high level and the pandemic has rather accentuated the matching problems that already existed before the pandemic. There are skills shortages in many parts of the business sector, which are hampering growth.

Increased working from home and less business travel, driven by faster digitalisation have created greater pressure for transformation, with demands for skills renewal and a flexible labour market.

This flexibility will also need to include the elderly. We are already seeing a trend in which an increasing number of older people are active in the workforce, often combining pension income with work income. This trend is expected to continue, as the trend of greater labour-market participation among people in their 60s has been increasing since the mid-1990s. A rising number of people aged 65 have a connection to the labour market. This is a positive development. Politicians, labour market parties and the education system must find ways to assist the elderly who want to continue working, either in the same field as earlier or in new ways.

The expectations for greater flexibility also apply to the pension system. We assume that tax legislation will be amended in the near future to allow those who have started to receive payments from their occupational pension to pause payments, in order to allow them to work without suffering unwelcome tax effects. Individual employers and labour market parties may also need to deal with requests to continue paying pension provisions even after the agreed end date.

Both the state pension and occupational pension are based on the principle of lifetime income with a long work life as an employee. However, rapid changes in jobs and work content mean that certain groups are excluded from the labour market for long periods. In addition, a relatively high number of newly arrived immigrants are entering the labour market in middle age. That a growing group is unable to earn a pension throughout their entire work life – and will therefore have a low pension – raises questions about whether the pension system needs to be changed or supplemented for example, with tax relief for private savings or increased deductibility for employers.

Different demands for pension reforms have also been raised in the run-up to the 2022 elections. However, the reforms do not aim to solve problems with the principle of lifetime earnings under the current pension system. Instead, they are about relaxing the conditions for sickness benefits for those who have worked for a long time (security pension), extra money from the state budget for those who have worked for a long time with moderate earnings (income pension supplement), a tax cut for low and middle-income retirees, as well as an additional allowance of approximately 700,000 with lower pensions, paid alongside the actual pension system. Other requirements in the pension debate concern larger payments to the state pension or alternatively tax-subsidised private pension savings. In both cases, the justification is that the current pension system is inadequate.

Pension issues look set to feature prominently in the run-up to the elections. A quarter of voters are aged 65 or over and there is a potential for several parties to proliferate. It is therefore likely that a greater share of financial resources will be shifted in one way or another from the labour force to the elderly in years to come.

In recent decades, real wages have shown a relatively positive trend, which has increased the significance of occupational pensions in relation to the state pension, especially among private sector employees. Provisions for occupational pensions have also become more extensive through industry agreements on flexi-time and part-time pensions. Unless the income base ceiling is raised, occupational pensions will continue to grow in importance relative to the state pension.

The entire funded occupational pension system is in a start-up phase, with premium payments to ITP showing the fastest growth due to the transition from ITP 2 to ITP 1. Pension companies are accumulating more capital, which is creating greater interest in capital transfers. The right to transfer capital is subject to policy evaluations, including retroactive right to transfer capital for older insurance contracts outside collective agreements. As long as occupational pension capital is transferred at the initiative of customers, the volumes will remain manageable but in the event that transfer volume are very large, this could affect the earnings potential of some companies when they are obliged to keep a substantial portion of capital in liquid assets.

As the tax-subsidised private pension savings ceased, the industry is looking for business opportunities. Salary exchange is one business opportunity that has been aggressively marketed to employers and employees. However, salary exchange is heavily dependent on the employers' right to deductibility and the cut-off value in income tax. The Government Office is aware of the interest in salary exchange and has commissioned the Social Insurance Inspectorate to investigate the prevalence of salary exchange. Widespread salary exchange could lead to marginally lower premiums for ITP 1 if the ITP 1 premium that disappears through salary exchange is instead channelled into savings outside the procured offering from Collectum.

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:

Pension insurance

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

Risk insurance

- Disability and life insurance products (mainly ITP)
- Group life insurance (TGL)

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 endevours 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.

Product calculation for Alecta Optimal Pension

Alecta Optimal Pension is Alecta's defined contribution pension product that was introduced in connection with the ITP procurement in 2007. Pricing is based on the principle that fees charged should balance the operating expenses over time. For a number of years after its launch, the expenses incurred for Alecta Optimal Pension exceeded fees charged. The deficit was funded through an interest-bearing capital contribution from the Alecta defined benefit collective. The interest rate on the capital contribution for the period from 1 October 2018–30 September 2023 was pegged to Stibor (3-month) plus a fixed risk premium of 0.88 percentage points.

Alecta Optimal Pension's operating expenses including deficit interest accounted for 0.05 per cent (0.06) of the capital in 2021. Investment management expense is additional and in 2021, amounted to approximately 0.02 per cent (0.02) of managed assets.

The dominant risk in pension products like Alecta Optimal Pension is the financial risk exposure, i.e. the risk that the product will not be able to bear associated market risks. However, Alecta Optimal Pension has a higher solvency ratio than Alecta as a whole, mainly because the guarantees in Alecta Optimal Pension are lower than in the defined benefit pension products. At year-end 2021, the solvency ratio was 272 per cent (224), compared to 201 per cent (167) for Alecta as a whole.

Risk management and risk organisation

To protect the interests of our 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 financial risks taken must generate the highest possible return without jeopardising Alecta's obligations to insured parties. 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 good internal control. 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, which describe 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.

Financial risks

The board of directors adopts the Alecta investment guidelines, which regulate the portfolio structure and framework for risk limits. The Board is responsible for ensuring compliance with the guidelines. The board finance committee adopts guidelines for Alecta's day-to-day investment activities, prepares matters related to company investment management activities that will be addressed by the Board and makes decisions on investment-related matters that fall outside the CEO remit. The CEO is responsible for the investment activities under the mandate set out in the investment guidelines and other resolutions of the board and the finance committee. Subject to certain restrictions, this mandate has been sub-delegated to the Head of Investment 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 inter alia, means 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 Data Protection Officer assists in ensuring that Alecta complies with the General Data Protection Regulation (GDPR).
- The Anti-Money Laundering and Anti-Terrorist Financing Officer is responsible for assessing the risk of Alecta's products and services being used for such purposes.
- 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.
- IGC function – Internal Governance And Controls – 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. The internal audit function or Compliance, is also the recipient of whistleblower reports.

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 34–41.

Sustainability reporting

In accordance with Chapter 6, Section 1 of the Swedish Insurance Companies Annual Accounts Act, Alecta has chosen to present its statutory sustainability statement separate to its Administration Report. It covers the whole Group and describes Alecta's standpoint on key sustainability issues, including sustainability risks and governance of the work. Reporting back in accordance with the EU Sustainable Finance Disclosure Regulation, SFDR is available on page 30. The sustainability statement has been submitted to the auditors along with the annual report and includes pages 10–30. In addition to the statutory sustainability statement, Alecta prepares a sustainability report. The scope of the sustainability report is shown on pages 31–32. For the auditor's report on the review of the sustainability report and opinion on the statutory sustainability statement, refer to page 33.

Five-year summary

GROUP, SEK MILLION	2021	2020	2019	2018	2017
Profit/loss					
Premiums written	55,759	62,749	52,776	48,184	38,514
Invoiced premiums	*50,043*	*53,823*	*41,081*	*37,674*	*32,895*
Guaranteed refunds	*5,716*	*8,926*	*11,695*	*10,510*	*5,619*
Claims incurred	–24,633	–21,424	–18,148	–21,238	–20,776
Net return on capital	173,317	50,033	125,031	–18,043	53,000
Profit/loss before tax	212,646	38,332	97,651	–26,118	57,863
Profit/loss for the year	211,410	37,662	93,306	–26,839	57,255
Financial position					
Assets under management [1]	1,233,221	1,039,949	964,029	828,572	834,416
– of which is defined contribution insurance	*227,532*	*168,047*	*141,132*	*103,045*	*92,637*
Technical provisions	613,809	621,962	570,634	513,149	478,814
Collective funding capital	418,346	278,344	263,282	210,613	255,779
Capital base [2]	619,312	410,551	385,722	308,585	349,663
Required solvency margin [2]	25,612	25,923	23,887	21,536	20,097
Key performance indicators					
Total return for the Group, per cent [3]	16.6	5.0	14.8	–2.2	6.7
– of which is shares	*40.6*	*10.9*	*32.8*	*–6.9*	*12.6*
– of which is debt securities	*–0.8*	*2.3*	*2.6*	*0.3*	*1*
– of which is alternative investments	*13.2*	*0.2*	*7.6*	*6.6*	*12.1*
Total return, defined contribution insurance, per cent [4]	24.1	6.6	20.3	–3.5	9.1
Total return, defined benefit insurance, per cent [4]	15.2	4.7	14.1	–2.0	6.5
Direct return for the Group, per cent	1.9	1.6	2.1	2.2	2.4
Management expense ratio [5]	0.07	0.08	0.08	0.08	0.09
Management expense ratio, defined contribution insurance [5]	0.05	0.06	0.07	0.09	0.09
Management expense ratio, defined benefit insurance [5]	0.08	0.08	0.08	0.08	0.09
Investment management expense ratio [6]	0.02	0.02	0.02	0.02	0.02
Collective funding ratio, defined contribution insurance, per cent [7]	100	100	100	100	100
Collective funding ratio, defined benefit insurance, per cent	172	148	148	142	154
Solvency ratio, per cent	201	167	169	161	174

1) Defined as equity, provisions for life insurance and claims outstanding.
2) Refers to parent company.
3) 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.
4) 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.
5) Calculated as operating expenses and claims settlement expenses relative to average assets under management.
6) Calculated as operating expenses for investment management relative to average assets under management.
7) Any 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.

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. As Alecta does not apply Solvency II but the transitional provisions for occupational pension funds, data related to Solvency II is not presented in the five-year summary.

Alternative income statement

Group

It can be difficult to obtain an understanding of how the profit of a life 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 211.4 billion (37.7).

ALTERNATIVE INCOME STATEMENT (SEK MILLION)	2021	2020
Administration result	11	39
Risk result	–2,229	5,155
Financial result	214,683	33,338
Tax result	–1,055	–870
Profit/loss for the year	**211,410**	**37,662**

Administration result

The administration result was SEK 11 million (39) and represents the difference between Alecta's income and operating expenses (excluding investment 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)	2021	2020
Income	867	863
of which is released operating expenses	*813*	*817*
of which is other income	*54*	*46*
Expenses	–856	–824
Total administration result	**11**	**39**

Risk result

The risk result was minus SEK 2.2 billion (5.2) 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. This item is strongly affected by the discount rate curve applied.

RISK RESULT (SEK MILLION)	2021	2020
Annual mortality result	180	216
Annual morbidity result	1,186	3,384
Insurance options	487	443
Other	–4,082	1,112
Total risk result	**–2,229**	**5,155**

Financial result

The financial result was SEK 214.7 billion (33.3). 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 over the long term. Refer to the Technical provisions section of the Administration Report.

FINANCIAL RESULT (SEK MILLION)	2021	2020
Return on capital result	173,292	50,008
of which is investment management expenses	*–219*	*–216*
Released operating expenses for investment management	70	68
Cumulative return on TPs	–16,568	–15,515
Other profit sources	24,596	15,875
Changes in TPs as a result of changed market interest rates	33,293	–17,098
Total financial result	214,683	33,338

Tax result

The tax result totalled SEK –1.1 billion (–0.9). 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)	2021	2020
Result, yield tax	181	–200
Income tax	–1,236	–670
Total tax result	–1,055	–870

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Group

SEK MILLION	NOTE	2021	2020
Premiums written	4	55,759	62,749
Invoiced premiums		*50,043*	*53,823*
Guaranteed refunds		*5,716*	*8,926*
Net capital return		173,317	50,033
Capital return, income	*5*	*52,854*	*21,601*
Unrealised gains on investment assets	*6*	*132,081*	*34,255*
Capital return, expenses	*9*	*–1,208*	*–3,952*
Unrealised losses on investment assets	*10*	*–10,410*	*–1,871*
Insurance claims incurred		–24,633	–21,424
Insurance claims paid	*7*	*–23,554*	*–22,090*
Change in provision for claims outstanding		*–1,079*	*666*
Change in other technical provisions		9,232	–51,994
Provision for life insurance		*9,232*	*–51,994*
Operating expenses	8	–625	–625
Depreciation of owner-occupied properties	15	–25	–24
Yield tax	11	–379	–383
Total operating profit/loss		**212,646**	**38,332**
Profit/loss before tax		**212,646**	**38,332**
Income tax	12	–1,236	–670
PROFIT/LOSS FOR THE YEAR		211,410	37,662

Statement of Comprehensive Income

Group

SEK MILLION	2021	2020
Profit/loss for the year	**211,410**	**37,662**
Items that can subsequently be reclassified to income statement		
Foreign exchange difference that can subsequently be reclassified to profit or loss	393	–319
Other comprehensive income	**393**	**–319**
COMPREHENSIVE INCOME FOR THE YEAR	211,803	37,343

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

Balance Sheet

Group

SEK MILLION	NOTE	31/12/2021	31/12/2020
ASSETS			
Intangible assets	13	**100**	**181**
Property, plant and equipment	14	**16**	**19**
Deferred tax	12	**1,445**	**1,728**
Investment assets			
Land and buildings			
Investment properties	15	34,982	32,450
Owner-occupied properties	15	960	981
Investments in associated companies and joint ventures			
Shares and participations in associated companies and joint ventures	18, 19, 22, 23	69,006	42,914
Loans to associated companies and joint ventures	18, 19	402	357
Other financial investment assets			
Shares and participations	19, 22, 23, 24	642,976	487,344
Bonds and other debt securities	19, 22, 23, 25, 42, 43	462,425	457,191
Loans secured by real estate	19, 22, 26	4,627	3,796
Other Loans	19, 22, 23, 27	17,922	6,588
Derivatives	19, 22, 28, 29	3,419	16,389
		1,236,719	**1,048,010**
Receivables			
Receivables related to direct insurance operations	19, 30	4,828	2,444
Current tax		1,307	1,260
Other receivables	19, 31	1,013	2,328
		7,148	**6,032**
Cash and bank balances	19, 43	**3,923**	**3,440**
Prepaid expenses and accrued income			
Accrued interest and rental income	19, 32	8,516	7,630
Other prepaid expenses and accrued income		73	69
		8,589	**7,699**
TOTAL ASSETS		**1,257,940**	**1,067,109**

Balance Sheet, *cont.*

Group

SEK MILLION	NOTE	31/12/2021	31/12/2020
EQUITY AND LIABILITIES			
EQUITY			
Translation reserve	33	381	–11
Discretionary participations	33	190,490	129,518
Special indexation funds	33	9,969	10,021
Retained earnings including profit/loss for the year	33	418,572	278,459
Total equity		**619,412**	**417,987**
LIABILITIES			
Provision for life insurance	36	599,542	608,774
Claims outstanding	37	14,267	13,188
Other provisions	38	8	9
Current tax		63	51
Deferred tax	12	1,911	1,648
Liabilities related to direct insurance operations	19, 39	805	784
Derivatives	19, 22, 28, 29	14,909	10,033
Other liabilities	19, 40	864	9,550
Other accrued expenses and prepaid income	19, 41	6,159	5,085
Total liabilities		**638,528**	**649,122**
TOTAL EQUITY AND LIABILITIES		1,257,940	1,067,109

Statement of Changes in Equity

Group

SEK MILLION	Conversion reserve [1]	Discretionary participations [1, 2]	Special indexation funds [1]	Retained earnings including profit/ loss for the year [1]	Total
OPENING EQUITY AS AT 01/01/2020	**308**	**119,689**	**10,051**	**263,347**	**393,395**
Profit/loss for the year	–	–	–	37,662	37,662
Other comprehensive income	–319	–	–	–	–319
Comprehensive income for the year	**–319**	–	–	**37,662**	**37,343**
Allocated refunds	–	21,390	–	–21,390	–
Guaranteed refunds	–	–11,319	–	–647	–11,966
Collective risk premium [3]	–	–	–126	–	–126
Other changes [4]	–	–242	96	–513	–659
CLOSING EQUITY AS AT 31/12/2020	**–11**	**129,518**	**10,021**	**278,459**	**417,987**
OPENING EQUITY AS AT 01/01/2021	**–11**	**129,518**	**10,021**	**278,459**	**417,987**
Profit/loss for the year	–	–	–	211,410	211,410
Other comprehensive income	393	–	–	–	393
Comprehensive income for the year	**393**	–	–	**211,410**	**211,803**
Allocated refunds	–	71,498	–	–71,498	–
Guaranteed refunds	–	–8,364	–	–379	–8,743
Collective risk premium [3]	–	–	–129	–	–129
Other changes [4]	–	–2,163	77	580	–1,506
CLOSING EQUITY AS AT 31/12/2021	**381**	**190,490**	**9,969**	**418,572**	**619,412**

[1] See Note 33.
[2] Discretionary participations refer to allocated refunds. See also Notes 33 and 34.
[3] Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increase in employers' expenses due to the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.
[4] Other changes primarily consist of distributed refunds in conjunction with the transfer of defined contribution insurance.

Cash Flow Statement

Group

SEK MILLION	2021	2020
OPERATING ACTIVITIES		
Profit/loss for the year before tax	212,646	38,332
Interest received	4,312	6,696
Interest paid	788	–752
Dividends received	16,018	9,582
Adjustment for non-cash items [1]	–185,895	–6,368
Tax paid	–1,107	–594
Cash flow from operating activities before changes in assets and liabilities	**46,762**	**46,896**
Change in investment assets	–36,791	–48,665
Change in other operating assets	–1,080	5,981
Change in other operating liabilities	–3,755	–274
Cash flow from operating activities	**5,136**	**3,938**
INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	–3	–1
Cash flow from investment activities	**–3**	**–1**
FINANCING ACTIVITIES		
Pension supplements/Supplementary amounts	–3,027	–3,040
Payment of indexation funds	–129	–126
Other changes [2]	–1,506	–660
Cash flow from financing activities	**–4,662**	**–3,826**
Cash flow for the year	**471**	**111**
Cash and cash equivalents at beginning of year	3,440	3,332
Exchange rate differences in cash and cash equivalents	12	3
CASH AND CASH EQUIVALENTS AT END OF YEAR	**3,923**	**3,440**

[1]

Depreciation/Amortisation/Impairment, Notes 9, 13, 14, 15	105	64
Yield tax, Note 11	379	383
Foreign exchange gains, Note 5	–3,249	–
Foreign exchange losses, Note 9	–	2,632
Capital gains, Note 5	–26,628	–4,961
Capital losses, Note 9	12	0
Unrealised gains, Note 6	–132,081	–34,255
Unrealised losses, Note 10	10,410	1,871
Interest income, Note 5	–5,198	–5,345
Interest expenses, Note 9	253	450
Dividends, Note 5	–15,995	–9,584
Adjustment of paid-up policy values, Note 4	–1,581	–4,739
Premium reductions, Note 4	–4 135	–4,187
Change in provision for life insurance, Note 36	–9,232	51,994
Change in provision for claims outstanding, Note 37	1,079	–666
Other	–34	–25
Total adjustment for non-cash items	**–185,895**	**–6,368**

[2] Other changes primarily consist of distributed refunds in association with the transfer of defined contribution insurance.

Income Statement

Parent Company

SEK MILLION	NOTE	2021	2020
TECHNICAL ACCOUNTS, LIFE INSURANCE BUSINESS			
Premiums written	4	55,759	62,749
Invoiced premiums		*50,043*	*53,823*
Guaranteed refunds		*5,716*	*8,926*
Capital return, income	5	52,114	21,007
Unrealised gains on investment assets	6	130,564	33,879
Insurance claims incurred		–24,633	–21,424
Insurance claims paid	*7*	*–23,554*	*–22,090*
Change in provision for claims outstanding		*–1,079*	*666*
Change in other technical provisions		9,232	–51,994
Provision for life insurance		*9,232*	*–51,994*
Operating expenses	8	–625	–625
Capital return, expenses	9	–859	–3,748
Unrealised losses on investment assets	10	–10,410	–1,330
Life insurance, total balance on the technical account		**211,142**	**38,514**
NON-TECHNICAL ACCOUNT			
Life insurance, balance on the technical account		211,142	38,514
Profit/loss before tax		**211,142**	**38,514**
Tax on profit for the year	12	–1,343	–959
PROFIT/LOSS FOR THE YEAR		209,799	37,555

Statement of Comprehensive Income

Parent Company

SEK MILLION	2021	2020
Profit/loss for the year	209,799	37,555
Other comprehensive income	–	–
COMPREHENSIVE INCOME FOR THE YEAR	209,799	37,555

Performance Analysis

Parent Company 2021

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 ACCOUNT						
Premiums written	55,759	27,580	21,631	2,742	3,590	216
Capital return, income	52,114	37,958	12,409	1,111	609	27
Unrealised gains on investment assets	130,564	95,098	31,089	2,783	1,525	69
Insurance claims incurred	–24,633	–18,076	–1,229	–1,832	–3,296	–200
Insurance claims paid	*–23,554*	*–18,074*	*–1,229*	*–1,296*	*–2,756*	*–199*
Change in provision for claims outstanding	*–1,079*	*–2*	*–*	*–536*	*–540*	*–1*
Changes in other technical provisions	9,232	17,831	–8,599	–	–	–
Provision for life insurance	*9,232*	*17,831*	*–8,599*	*–*	*–*	*–*
Operating expenses	–625	–330	–67	–141	–67	–20
Capital return, expenses	–859	–638	–192	–19	–10	0
Unrealised losses on investment assets	–10,410	–7,582	–2,479	–222	–122	–5
Life insurance, total balance on the technical account	**211,142**	**151,841**	**52,563**	**4,422**	**2,229**	**87**
TECHNICAL PROVISIONS						
Provision for life insurance	599,542	515,770	83,772	–	–	–
Claims outstanding	14,267	25	–	8,997	5,217	28
Total technical provisions	**613,809**	**515,795**	**83,772**	**8,997**	**5,217**	**28**
Surplus fund	–400,354	–290,382	–89,587	–13,540	–6,389	–456
Total operating expenses, excluding property management expenses						
Operating expenses (administrative expenses in the insurance business)	–625	–330	–67	–141	–67	–20
Claims settlement expenses (included in Insurance claims paid)	–177	–98	–23	–44	–7	–5
Investment management expenses (included in Capital return, expenses)	–217	–170	–39	–5	–3	0
Total operating expenses, excluding property management expenses	**–1,109**	**–598**	**–129**	**–190**	**–77**	**–25**

Balance Sheet

Parent Company

SEK MILLION	NOTE	31/12/2021	31/12/2020
ASSETS			
Intangible assets			
Intangible assets	13	100	181
		100	**181**
Investment assets			
Land and buildings	15	12,589	11,998
Investment in Group companies, associated companies and joint ventures			
Shares and participations in Group companies	16	8,456	6,758
Debt securities issued by and loans to Group companies	17, 19	13,075	11,666
Shares and participations in associated companies and joint ventures	18, 19, 22, 23	62,002	38,290
Loans to associated companies and joint ventures	18, 19	402	357
Other financial investment assets			
Shares and participations	19, 22, 23, 24	642,440	486,870
Bonds and other debt securities	19, 22, 23, 25, 43, 44	462,425	457,191
Loans secured by real estate	19, 22, 26	4,112	3,780
Other Loans	19, 22, 23, 27	17,922	6,588
Derivatives	19, 22, 28, 29	3,419	16,389
		1,226,842	**1,039,887**
Receivables			
Receivables related to direct insurance operations	19, 30	4,828	2,444
Other receivables	19, 31	4,393	6,101
		9,221	**8,545**
Other assets			
Property, plant and equipment	14	7	11
Cash and bank balances	19, 43	3,692	3,324
		3,699	**3,335**
Prepaid expenses and accrued income			
Accrued interest and rental income	19, 32	8,517	7,630
Other prepaid expenses and accrued income		19	46
		8,536	**7,676**
TOTAL ASSETS		1,248,398	1,059,624

Balance Sheet, *cont.*

Parent Company

SEK MILLION	NOTE	31/12/2021	31/12/2020
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Surplus fund	34	400,354	373,177
Profit/loss for the year		209,799	37,555
		610,153	**410,732**
Technical provisions			
Provision for life insurance	36	599,542	608,774
Claims outstanding	37	14,267	13,188
		613,809	**621,962**
Other provisions			
Taxes		–	3
Other provisions	38	2	2
		2	**5**
Liabilities			
Liabilities related to direct insurance operations	19, 39	805	784
Derivatives	19, 22, 28, 29	14,909	10,033
Other liabilities	19, 40	2,856	11,260
		18,570	**22,077**
Accrued expenses and prepaid income			
Other accrued expenses and prepaid income	19, 41	5,864	4,848
		5,864	**4,848**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,248,398	1,059,624

Statement of Changes in Equity

Parent Company

SEK MILLION	SURPLUS FUND [1] Collective surplus	Discretionary participations [2]	Other reserves	Profit/loss for the year	Total
OPENING EQUITY AS AT 01/01/2020	**163,718**	**119,690**	**10,051**	**92,470**	**385,929**
Profit/loss for the year	–	–	–	37,555	37,555
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	–	–	–	**37,555**	**37,555**
Appropriation of profits from previous year	92,470	–	–	–92,470	–
Allocated refunds	–21,390	21,390	–	–	–
Guaranteed refunds	–647	–11,319	–	–	–11,966
Collective risk premium [3]	–	–	–126	–	–126
Other changes [4]	–514	–242	96	–	–660
CLOSING EQUITY AS AT 31/12/2020	**233,637**	**129,519**	**10,021**	**37,555**	**410,732**
OPENING EQUITY AS AT 01/01/2021	**233,637**	**129,519**	**10,021**	**37,555**	**410,732**
Profit/loss for the year	–	–	–	209,799	209,799
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	–	–	–	**209,799**	**209,799**
Appropriation of profits from previous year	37,555	–	–	–37,555	–
Allocated refunds	–71,498	71,498	–	–	–
Guaranteed refunds	–379	–8,364	–	–	–8,743
Collective risk premium [3]	–	–	–129	–	–129
Other changes [4]	580	–2,163	77	–	–1,506
CLOSING EQUITY AS AT 31/12/2021	**199,895**	**190,490**	**9,969**	**209,799**	**610,153**

[1] See Note 34.

[2] Discretionary participations refer to allocated refunds. See Note 34.

[3] Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increase in employers' expenses due to the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.

[4] Other changes primarily consist of distributed refunds in association with the transfer of defined contribution insurance.

Notes

NOTE 1 Group and Parent Company accounting principles

The 2021 financial year annual and sustainability report for Alecta Tjänstepension Ömsesidigt (formerly Alecta Pensionsförsäkring, ömsesidigt), organisation number 502014-6865 with registered office in Stockholm. Postal address is 103 73 Stockholm. Head office visiting address is Regeringsgatan 107.

The annual and sustainability report has been approved for publication by the Board of Directors on 25 March 2022 and will be presented to the Council of Administration for adoption on 21 April 2022.

The amounts indicated in the notes refer to Swedish kronor in millions (MSEK) unless otherwise stated. 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 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the EU, with the exception of IFRS 8 Operating Segments, and IAS 33 Earnings per share, which is not required by companies whose shares are not publicly traded. In preparing the financial statements, the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts for insurance companies and occupational pension companies (FFFS 2019:23) and the Swedish Financial Reporting Board Recommendation RFR1, Supplementary Accounting Rules for Groups has been applied. Alecta has chosen not to apply FFFS 2020:24 (Regulation amending FFFS 2019:23 published in October 2020) for the 2021 year, which gives unlisted insurance companies and occupational pensions companies the opportunity to apply so-called legally restricted IFRS in the consolidated financial statements. However, Alecta is considering transitioning to legally restricted IFRS in the Group during 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 has the ability to govern the company, is exposed to or has the right to returns that may vary and is able to steer the activities of the company that have an impact on the 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 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 identified as belonging in the category, 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 IFRS requires the use of 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, are complex or 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 an business or an asset for each individual acquisition. As at 31 December 2021, 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.

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

NOTE 1 Group and Parent Company accounting principles, *cont.*

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 rebate 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 policyholders 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 an technical provision.

Changes in accounting principles

New and amended IASB accounting standards applied from 1 January 2021:

There are no new accounting standards from IASB nor any amended accounting standards applied from 1 January 2021 that affect the Alecta financial statements.

New and amended IASB accounting standards to be applied from 1 January 2022 or later:

Only those standards that are expected to have an impact on Alecta are described.

The Financial Supervisory Authority accounting regulations – legally restricted IFRS in consolidated financial statements

Through FFFS 2020:24, the Financial Supervisory Authority regulation amending the regulations and general guidelines on the annual accounts of insurance companies (FFFS 2019:23), the Financial Supervisory Authority has eliminated the requirement for full IFRS in the consolidated financial statements for unlisted companies. The amendment means that the consolidated accounting rules in the regulations are adapted to the corresponding rules of the ÅRFL for unlisted companies. Alecta is considering transitioning to applying legally restricted IFRS in the Group in 2022. The following presents some of the effects that have been identified as arising in connection with a future application of legally restricted IFRS.

Owner-Occupied Properties

The value of Alecta's owner-occupied properties will be affected in the consolidated financial statements by a transition, as Alecta will choose to measure the owner-occupied properties at fair value according to the ÅRFL, as well as for the parent company instead of using acquisition value less accumulated depreciation under IAS 40/IAS 16. The valuation of the owner-occupied properties at fair value in 2021 in the parent company was supported by FFFS 2019:23. If Alecta had valued the owner-occupied properties in the Group at fair value instead of at acquisition value less accumulated depreciation as at 31 December 2021, this would have meant a value increase for the owner-occupied properties of SEK 1.5 billion, which would have been approximately 0.1 per cent of the value of Alecta's assets. That is to say, a non-material impact.

Leases

In 2021, Alecta applied IFRS 16 Leases in the consolidated financial statements for leases and long leasehold property. According to FFFS 2020:24, there is no longer a requirement to apply IFRS 16 in the Group. Alecta will choose not to voluntarily apply IFRS 16 in the Group in connection with the transition to legally restricted IFRS, as the right of use and the liability for long leasehold property and leases only amounted to SEK 29 million as at 31 December 2021. That is to say, a non-material impact as the Alecta balance sheet total had decreased by only 0.02 per thousandth.

Cash Flow Statement

For companies that do not apply full IFRS in the consolidated financial statements, there is no longer any requirement to prepare a consolidated cash flow statement. As the requirement to prepare a cash flow statement has previously also been eliminated for unlisted insurance and occupational pensions companies as legal entities, this means that Alecta intends to no longer prepare a cash flow statement as of the transition to legally restricted IFRS.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments includes new bases for the classification and measurement of financial instruments, a forward-looking impairment model and simplified criteria for hedge accounting. IFRS 9 is effective from 1 January 2018.

Alecta conducts insurance-related activities and therefore believes it qualifies for the temporary exemption and will postpone the application of IFRS 9 until 1 January 2023. The basis for Alecta's assessment that its activities are primarily insurance-related is the definition in IFRS 4 of the fact that the proportion of insurance-related liabilities relating to insurance contracts covered by IFRS 4 exceeds the threshold of 90 per cent of the company's total liabilities for the financial year ending on 31 December 2015. Accordingly, Alecta will only provide those disclosures related to effects of IFRS 9 that are required under IFRS 4 to facilitate comparison with companies that apply IFRS 9. Refer to Note 3 Risks and risk management, Note 16 Shares and participations in Group companies, Note 18 Investments in associated companies and joint ventures, Note 19 Classification of financial assets and liabilities, and Note 26 Loans secured by real estate. As mentioned in the section, Bases for preparation of financial statements above, Alecta is considering transitioning to legally restricted IFRS in 2022. The transition will mean that the exemption in IFRS 4 is no longer applicable and thus Alecta will be covered by the IFRS 9 standard.

Classification and measurement

Under IFRS 9, all recognised financial assets covered by IAS 39 Financial Instruments should be measured at either amortised cost or fair value through other comprehensive income or at fair value through profit or loss. The classification into the three categories should be based on the company business model for the different holdings and the characteristics of the cash flows generated by the assets.

Alecta's assessment is that the new standard will not result in any material change in the classification and measurement of Alecta's financial assets and liabilities. All financial instruments with the exceptions of loans to associated companies and joint ventures and certain loans secured by real estate, were measured in the fair value through profit or loss category from 2021. Loans that were measured at amortised cost in 2021 amounted to approximately SEK 1.9 billion and constituted only about 2 per thousandth of Alecta's investment assets. These loans do not move much at market valuation, probably only a few per cent and in an estimate of 5 per cent value movement, it would have been equivalent to an effect on earnings of just under SEK 100 million. In connection with the transition to IFRS 9, Alecta intends to measure all loans at fair value.

Impairment (*Recognition of expected credit losses*)

Under IFRS 9, provisions for credit losses should be recognised for loans and receivables that are measured at amortised cost or fair value through other comprehensive income. The provisions should be based on expected future credit losses and probability-weighted outcomes.

In 2021, Alecta followed IAS 39 with the temporary exemption from IFRS 9. The assessment is that the introduction of the standard will not have a material impact on financial reporting for Alecta as loans measured at amortised cost represented only approximately two per thousandth of Alecta's investment assets in 2021.

NOTE 1 Group and Parent Company accounting principles, *cont.*

Hedge accounting
As Alecta does not apply hedge accounting, this part of the standard will not have any impact on the financial statements.

IFRS 17 Insurance Contracts
On 18 May 2017, the IFRS 17 standard for insurance contracts was published. The standard affects all companies with insurance contracts that report in accordance with IFRS. The standard comes into effect on 1 January 2023 after it was adopted in the EU on 22 October 2021.

IFRS 17 means extensive changes in relation to the measurement of insurance contracts, the presentation of line items in the income statement and revenue recognition. In addition, insurance contract profit margins must be accrued over the effective terms of the contracts. Those parts of the standard to be applied by unlisted insurance companies in Sweden is not clear. The Swedish Financial Supervisory Authority is investigating whether and how IFRS 17 should be implemented in legal entities and consolidated financial statements in Sweden.

As mentioned under Bases for preparation of financial statements, Alecta is considering transitioning to legally restricted IFRS (FFFS 2020:24) in the Group in 2022. A transition means that IFRS 17 will not be applied and thus has no effect on Alecta's financial reports.

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 investment 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. Both realised and unrealised changes in value for the year are recognised through profit or loss 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 have not been settled on the balance sheet date are recognised as a receivable from or liability to the counterparty in Other receivables or 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 profit or loss 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 profit or loss and included in the item Capital return, expenses.

Other financial investment assets

Alecta identifies and classifies its financial investment assets at initial recognition in the category of financial assets valued at fair value via the income statement. Derivatives are also reported in the financial assets at fair value through profit or loss statement, as by definition they are considered to be held for trade. This classification is based on the fact that Alecta manages and measures all investment assets at fair value. One exception is a small loan portfolio, which has been recognised at amortised cost. 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. 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 loans and receivables 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

All pension plans in the 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.

Cash flows

Cash flows are recognised according to the indirect method. Alecta recognises cash flows from operating activities, investing activities and financing activities by applying the necessary adjustments for the insurance business. As cash flows in the insurance business are mostly invested, investment assets are reported as an integral part of operating activities. Financing activities within Alecta refers to payments that flow directly to/from equity. Bank balances are recognised as cash and cash equivalents, i.e. the same as the Cash and bank balances item on the balance sheet. Short-term investments are not included in Cash and cash equivalents but are recognised as investment assets. Interest received or paid and dividends received are recognised as cash flow from operating activities.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and that all conditions related to the grant will be fulfilled. If there are conditions linked to the grant that must be fulfilled before the Group becomes eligible for receipt, recognition of revenue is postponed until the conditions have been met. Government grants are recognised as other income and allocated over the same term as the costs compensated for by the grants.

Parent Company accounting policies

The parent company applies legally restricted IFRS, which means that international financial reporting standards are applied to the extent possible under Swedish accounting legislation. The parent company financial reporting complies with the Swedish Act on Annual Accounts in Insurance Companies

NOTE 1 Group and Parent Company accounting principles, *cont.*

(ÅRFL), the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts in insurance companies (FFFS 2019:23) and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. In the parent company, the mandatory formats for income statements and balance sheets provided for in the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL) are applied while IAS/IFRS formats are used in the consolidated financial statements. As the Group complies with IAS/IFRS standards, as adopted by the EU the accounting treatment for certain income statement and balance sheet items in the parent company differs from the accounting treatment applied in the Group. Alecta is also considering transitioning to legally restricted IFRS in the Group in 2022, which will mean that the formats for income statements and balance sheets in the Group will then comply with ÅRFL, the same as the parent company.

The most significant differences for 2021 are described below.

Land and buildings/other liabilities

In the parent company, investment properties and owner-occupied properties are recognised at fair value. In the Group, owner-occupied properties are recognised at cost less accumulated depreciation.

The parent company recognises leases in accordance with RFR 2 and therefore does not apply the new IFRS 16 standard, which the Group does.

In the event of a transition of the Group to a legally restricted IFRS through FFFS 2020:24, the recognition of owner-occupied properties and leases will then no longer differ between the parent company and the Group.

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 cost in the parent company but are eliminated in the consolidated financial statements.

Surplus fund

Life insurance companies that do not have the right to distribute profits are required to maintain a surplus fund to which funds are allocated in order to be used to cover losses. The surplus fund is part of equity in the parent company and consists of collective funding, the discretionary participation features reserve and other reserves. This differs from the composition of equity in the Group.

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.

Yield tax

In the parent company income statement, yield tax is recognised together with income tax in the Tax on profit for the year item. In the consolidated financial statements, yield tax is included in operating profit.

Business combinations

With the acquisition of a real estate company, all acquisition costs are reported as an increase in the cost of shares and participations 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 notes indicated in the table references.

Significant estimates and judgements	Note	
Technical provisions [1]	3, 36, 37	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
Intangible assets	13	Intangible assets
Income tax	12	Tax
Deferred tax	12	Tax

1) Notes 36 and 37 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. Valuation techniques are described in Note 22 and a sensitivity analysis is presented in Note 3.

NOTE 3 Risks and risk management

A general description of Alecta's risk management and risk organisation is provided on pages 51–52 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 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 4 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 of recovery decreases by 20 per cent at each future date while the level of working capacity decreases by 20 per cent, the technical provisions for disability pension and waiver of premium would increase by approximately 36 per cent (31).

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 72. 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 2021, the central function Risk assessed the value of Alecta's investment assets. Some aspects of risk management in Alecta's investment management activities were also reviewed.

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	2021	2020	2021	2020
Shares	497,502	420,446	40.4 %	40.4 %
Debt securities	556,758	494,255	45.2 %	47.6 %
Alternative investments [1]	176,350	124,545	14.3 %	12.0 %
Total	**1,230,610**	**1,039,246**	**100.0 %**	**100.0 %**

[1] Alternative investments includes 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 44. A detailed breakdown by asset class is presented in the diagrams on page 45.

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. Alecta also currency hedges its entire holdings of foreign bonds, and some of its foreign shares and alternative investments. The total currency exposure after hedging was equal to 18.5 per cent (11.7) of the investments at year-end. Without currency hedging, 47.9 per cent (45.1) of the assets would have been exposed to exchange rate fluctuations.

Currency exposure after currency hedging

	Exposure		Share of investment portfolio	
	2021	2020	2021	2020
CHF	30,308	18,846	2.5 %	1.8 %
DKK	19,024	14,353	1.5 %	1.4 %
EUR	17,751	1,255	1.4 %	0.1 %
GBP	7,421	6,351	0.6 %	0.6 %
USD	148,076	78,315	12.0 %	7.5 %
Other currencies	4,682	2,772	0.4 %	0.3 %
Net exposure	**227,263**	**121,891**	**18.5 %**	**11.7 %**

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. Daily risk and portfolio analysis 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	
	2021	2020	2021	2020
Rating Aaa/AAA	253,300	195,976	51.2 %	43.1 %
Rating Aa/AA	105,847	123,494	21,4 %	27.2 %
Rating A/A	24,855	62,874	5.0 %	13.8 %
Rating Baa/BBB	21,911	28,233	4.4 %	6.2 %
Rating Ba/BB	18,574	7,726	3.8 %	1.7 %
Unrated	70,644	36,464	14.3 %	8.0 %
of which securities issued by state-owned issuers	*1,518*	*0*	*0.3 %*	*0.0 %*
Total	**495,131**	**454,767**	**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 92 per cent have a maturity in excess of five years, see Notes 36 and 37. Alecta's financial liabilities are limited to the derivative contracts used to hedge 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 is invested in highly liquid assets. Note 22 shows that SEK 574.2 billion of Alecta's investments consist of shares in listed companies that can be converted into cash within one week. 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 has a negative impact. Information on the maturities of the commitments as well as fixed-rate terms for the asset portfolio is provided in Notes 36 and 37 and 25.

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. The Financial Supervisory Authority measures solvency risk using its traffic light model. Alecta's risk capital meets the criteria for "green light" by a wide margin. In addition, Alecta performs its own stress tests on a daily basis. The tests identify significant financial risks and are based on slightly more adverse market scenarios than those prescribed in the traffic light model. 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	2021	2020	2021	2020
Interest rate decrease 1 % point	–11.3 %	–0.5 %	–26,812	5,360
Share price decrease 10 %	–8.1 %	–6.8 %	–49,750	–42,045
Share price decrease 10 % alternative investments	–2.9 %	–2.0 %	–17,635	–12,455
Exchange rate decrease 10 %	–3.7 %	–2.0 %	–22,714	–12,196

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 47.5 billion (12.3) and the value of its debt securities by SEK 20.7 million (17.7).

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 34.

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 of potential improvement are identified and decisions rendered on which risk reduction measures or financially motivated or other measures to take. Work on continuous improvement in Alecta's day-to-day operations also helps to reduce 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	2021	2020
Current premiums	42,949	38,253
One-off premiums	7,200	15,671
Premium tax [1]	–105	–101
Invoiced premiums	**50,043**	**53,823**
Adjustment of paid-up policy values	1,581	4,739
Premium reduction	4,135	4,187
Guaranteed refunds	**5,716**	**8,926**
Total premiums written	**55,759**	**62,749**

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

Premiums are recognised as income and impact different balance sheet items depending on whether the premium relates to pension insurance or risk insurance. For pension 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 policyholders. 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	
	2021	2020	2021	2020
Rental income from land and buildings	1,772	1,688	528	523
Dividends received	15,995	9,584	15,808	9,644
of which are Group companies	–	–	*295*	*191*
of which are associated companies and joint ventures	*2,150*	*1,275*	*2,150*	*1,275*
Interest income, etc.	5,198	5,345	5,476	5,601
bonds and other debt securities	*4,950*	*5,086*	*4,950*	*5,086*
loans secured by real estate	*101*	*102*	*102*	*102*
other interest income	*147*	*157*	*146*	*157*
other interest expenses, Group companies	–	–	*278*	*256*
Reversal of impairment	–	–	432	269
shares in Group companies	–	–	*432*	*269*
Net foreign exchange gains	3,249	–	3,249	–
Net capital gains	26,628	4,961	26,619	4,961
land and buildings	*261*	*1*	*252*	*1*
shares and participations	*24,218*	*470*	*24,218*	*470*
bonds and other debt securities	*2,149*	*4,335*	*2,149*	*4,335*
other loans	–	*155*	–	*155*
Other income [1]	12	23	2	9
Total capital return, income	**52,854**	**21,601**	**52,114**	**21,007**

[1] The amount includes revenue relating to government grants of SEK 6.3 million (17.8) in the Group and SEK 2.0 million (8.5) in the parent company, primarily related to rental discounts as a result of the COVID-19 pandemic.

NOTE 6 Unrealised gains on investment assets

	Group		Parent Company	
	2021	2020	2021	2020
Land and buildings	1,085	–	90	–
Shares and participations	130,766	33,614	130,244	33,237
Bonds and other debt securities	–	641	–	642
Other loans	230	–	230	–
Total unrealised gains on investment assets	**132,081**	**34,255**	**130,564**	**33,879**

NOTE 7 Claims paid

Group and Parent Company	2021	2020
Base amount paid before indexation	–19,845	–19,037
Waiver of premium paid	–2,755	–2,296
Cancellations and repurchases [1]	–777	–604
Operating expenses for claims management	–177	–153
Total claims paid	**–23,554**	**–22,090**

[1] The item includes transferred capital of SEK 775 million (596).

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	
	2021	2020	2021	2020
Administrative expenses	–625	–625	–625	–625
Total operating expenses in insurance business	**–625**	**–625**	**–625**	**–625**
Claims management [1]	–177	–153	–177	–153
Investment management [2]	–219	–216	–217	–216
Property management [3]	–155	–94	–43	–46
Total operating expenses	**–1,176**	**–1,088**	**–1,062**	**–1,040**
Specification of total operating expenses				
Staff costs	–418	–450	–418	–450
Premises costs	–19	–19	–19	–21
Amortisation/depreciation	–81	–26	–81	–26
IT costs	–266	–252	–266	–252
Property management costs	–155	–94	–43	–46
Selection centre costs	–182	–171	–182	–171
Other costs [4]	–106	–118	–104	–116
Administration fees	51	42	51	42
Total operating expenses	**–1,176**	**–1,088**	**–1,062**	**–1,040**

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.

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, investment management and property management. Acquisition expenses and administrative expenses are recognised in the item Operating expenses in the income statement. Alecta does not consider depreciation and impairment of owner-occupied property as an operating expense in the insurance business. Therefore, these are recognised as a separate item 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.

Investment management

Investment 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 investment management expenses, property management expenses are recognised in Capital return, expenses in the income statement. A significant expense item related to property management is external costs, as the management of Alecta's real estate has to a large extent been outsourced to external service providers. From 1 October 2021, the subsidiary Alecta Fastigheter AB has started taking over the management and development of the Group's Swedish properties.

NOTE 9 Capital return, expenses

	Group		Parent Company	
	2021	2020	2021	2020
Operating expenses for land and buildings	–690	–611	–250	–249
Investment management expenses [1]	–219	–216	–217	–216
Interest expenses, etc.	–252	–450	–251	–448
bonds and other debt securities	*–236*	*–206*	*–236*	*–206*
other interest expenses	*–16*	*–244*	*–15*	*–242*
Custodian expenses	–30	–28	–30	–28
Depreciation/amortisation and impairment	–3	–8	–99	–175
shares in Group companies	*–3*	*–8*	*–99*	*–175*
Net foreign exchange losses	–	–2,632	–	–2,632
Net capital losses	–12	0	–12	–
loans secured by real estate	*–*	*0*	*–*	*–*
Other loans	*–12*	*–*	*–12*	*–*
Other	–2	–7	–	–
Total capital return, expenses	**–1,208**	**–3,952**	**–859**	**–3,748**

1) In addition to these costs, Alecta's unlisted investments have been charged with approximately SEK 383 million (358) in fees for external managers. These fees were recognised on a net basis for each holding offset against capital returns, revenue under Note 5 or against unrealised gains on investment assets under Note 6.

NOTE 10 Unrealised losses on investment assets

	Group		Parent Company	
	2021	2020	2021	2020
Land and buildings	–	–1,740	–	–1,199
Bonds and other debt securities	–10,403	–	–10,403	–
Loans secured by real estate	–7	–15	–7	–15
Other loans	–	–116	–	–116
Total unrealised losses on investment assets	**–10,410**	**–1,871**	**–10,410**	**–1,330**

NOTE 11 Yield tax

Group and Parent Company	2021	2020
Yield tax [1]	–379	–383
Adjustment of tax attributable to previous years	–	–
Total yield tax	**–379**	**–383**

[1] Yield tax		
Capital base [2]	1,003,315	927,542
Tax base [3]	5,017	4,638
Yield tax before tax credit [4]	–752	–696
Tax credit for paid withholding tax and income and property tax (foreign properties) in previous year	373	313
Yield tax after tax credits	**–379**	**–383**

Sensitivity analysis	Effect on yield tax before tax credit	
Group	2021	2020
Capital base +/– 10 %	–/+ 75	–/+ 70
Allocation percentage +/– 1 % point	–/+ 8	–/+ 7
Average government borrowing rates +/– 1 % point	–/+ 1,505	–/+ 1,391

2) Calculation of the capital base for yield tax is based on the value of all assets at the beginning of 2021 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 8,629 million (8,900) refers to such premiums. The capital base for yield tax, which includes Alecta's pension products and family cover represents 96.35 per cent (96.07) 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. As the average government borrowing rate was lower than the statutory floor for a tax base, 0.50 (0.50) was used for the calculation.

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

Accounting principle

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

Group: Alecta has made the assessment that the standardised return on the basis of which the yield tax is determined does not constitute a taxable profit as defined in IAS 12. Yield tax is therefore not classified as income tax but is recognised as an expense in operating profit in the consolidated income statement.

Parent Company: In the parent company income statement, yield tax is recognised along with income tax in the Tax on profit for the year item.

NOTE 12 Tax

	Group		Parent Company	
	2021	2020	2021	2020
Current tax				
Swedish tax on profit for the year [1]	–63	–57	–	–
Foreign tax on directly and indirectly owned properties	–97	–23	–97	–23
Adjustment of tax attributable to previous years	–	426	–	426
Withholding tax	–530	–424	–530	–424
Total current tax	**–690**	**–78**	**–627**	**–21**
Deferred tax				
Change in deferred tax assets/liabilities	–546	–592	–337	–555
Total deferred tax	**–546**	**–592**	**–337**	**–555**
Income tax (Group)	**–1,236**	**–670**	**–964**	**–576**
Yield tax				
Yield tax [2]			–379	–383
Adjustment of tax attributable to previous years			–	–
Total yield tax			**–379**	**–383**
Tax on profit for the year (Parent Company)			**–1,343**	**–959**

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

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

	Group		Parent Company	
Reconciliation of theoretical tax expense and reported tax	2021	2020	2021	2020
Profit before yield tax and income tax according to income statement	213,025	38,715	211,142	38,514
Less: Profit/loss from operations subject to yield tax, including consolidation adjustments	–204,809	–33,207	–204,404	–33,343
Profit from operations subject to income tax	**8,216**	**5,508**	**6,738**	**5,171**
Tax at applicable tax rate, 20.6 % [1]	**–1,692**	**–1,179**	**–1,388**	**–1,107**
Difference in tax rate [2]	1	1	–	–
Effect of changed tax rate	–	8	–	8
Non-deductible expenses	–117	–10	–1	–2
Non-taxable income	183	84	54	5
Taxable income not included in profit	–1	–1	–2	–1
Guaranteed premium reduction	843	885	843	885
Effect of initial recognition of properties	–18	–61	–	–
Other	–1	–	–	–
Tax attributable to previous years [3]	–415	–392	–415	–392
Creditable foreign tax [4]	612	441	576	475
Foreign income tax	–97	–22	–97	–23
Deduction for foreign income tax during the year	–4	–	–4	–
Withholding tax	–530	–424	–530	–424
Reported income tax	**–1,236**	**–670**	**–964**	**–576**
Effective tax	**–15 %**	**–12 %**	**–14 %**	**–11 %**

1) Current tax rate for 2020 was 21.4%

2) Refers to the USA.

3) Of which SEK 24 million (–82) relates to the reversal of a deferred tax asset for foreign tax and SEK 379 million (313) to the utilisation of a previously recognised tax asset for foreign tax against yield tax.

4) 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			
	2021		2020		2021		2020	
	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	–	–1,743	–	–1,530	–	–33	–	–36
Land and buildings abroad	–	–166	–	–117	–	–	–	–
Other financial investment assets	–	–2,182	–	–1,599	–	–2,182	–	–1,599
Excess depreciation	–	–33	–	–37	–	–	–	–
Loss carry-forwards [1]	172	–	88	–	164	–	82	–
Creditable foreign tax [2]	3,486	–	3,275	–	3,324	–	3,163	–
Deferred tax assets and liabilities	**3,658**	**–4,124**	**3,363**	**–3,283**	**3,488**	**–2,215**	**3,245**	**–1,635**
Offsetting of assets and liabilities	–2,213	2,213	–1,635	1,635	–2,215	2,215	–1,635	1,635
Net deferred tax assets and liabilities	**1,445**	**–1,911**	**1,728**	**–1,648**	**1,273**	**0**	**1,610**	**0**
of which are expected to be settled after more than 12 months, amount before offsetting	*3,285*	*–4,124*	*2,990*	*–3,283*	*2,921*	*–2,215*	*2,875*	*–1,635*

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.

	Group		Parent Company	
Changes in net deferred tax assets and liabilities	2021	2020	2021	2020
Opening balance	81	673	1,609	2,164
Recognised in profit or loss for the year	–546	–592	–337	–555
Foreign exchange differences	–1	0	–	–
Change through business combinations/disposal	0	0	–	–
Closing balance	**–466**	**81**	**1 272**	**1 609**

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.

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 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	
	2021	2020	2021	2020
Cost				
Opening balance, cost	683	683	683	683
Closing balance, cost	**683**	**683**	**683**	**683**
Accumulated depreciation and impairment				
Opening balance, depreciation	–388	–362	–388	–362
Depreciation for the year	–81	–26	–81	–26
Closing balance, depreciation	**–469**	**–388**	**–469**	**–388**
Opening balance, impairment	–114	–114	–114	–114
Closing balance, impairment	**–114**	**–114**	**–114**	**–114**
Carrying amount, intangible assets	**100**	**181**	**100**	**181**

Intangible assets consist of internally generated expenditure for IT development, mainly IT development for the insurance system that was taken into use in April 2008 and represents SEK 680 million (680) of the total cost.

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. The amortisation period for the core insurance system amounted to 20 years until 2021. However, this amortisation period has been reassessed and reduced from 20 years to 15 years when the original functionality of the insurance system is considered to have already been used. For the insurance system that supports the defined contribution plan, the amortisation period is ten years and for the other peripheral functions of the insurance system the period is five years. For other capitalised development costs, the amortisation period is three years. All parts of the insurance system are expected to be fully amortised by 2023.

Amortisation methods and useful lives are reviewed at each closing date. An individual review is done for each asset. Amortisation is recognised as an operating expense. The value of Alecta's intangible assets is reviewed at each closing date through an assessment of internal and external indications of impairment. In the event of an indication of impairment, the recoverable value of the asset is determined. If this amount is assessed as being less than the carrying amount, the asset is written down to the lower amount.

Significant estimates and judgements

Alecta has a significant intangible asset in the form of accrued development costs for the insurance system. At each closing date, the individual value of each asset is assessed. The amortisation method and the useful life of the assets are also reviewed.

NOTE 14 Property, plant and equipment

	Group		Parent Company	
	2021	2020	2021	2020
Cost				
Opening balance, cost	78	77	41	40
Disposals for the year	–10	–	–	–
Purchases during the year	3	1	1	1
Closing balance, cost	**71**	**78**	**42**	**41**
Accumulated depreciation				
Opening balance, depreciation	–59	–53	–31	–25
Depreciation for the year	–6	–	–	–
Disposals for the year	10	–6	–4	–5
Closing balance, depreciation	**–55**	**–59**	**–35**	**–30**
Carrying amount, property, plant and equipment	**16**	**19**	**7**	**11**

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 properties

Specification of change in fair value

Group	2021	2020
Opening balance	32,450	32,225
New builds, extensions and conversions	749	1,354
Acquisitions	669	460
Sales	–280	–
Change in value	1,387	–1,581
Change in value, right-of-use asset, land	6	–8
Closing balance	34,982	32,450

Parent Company [2)]	2021	2020
Opening balance	11,998	12,416
New builds, extensions and conversions	510	780
Sales	–261	–
Change in value	342	–1,198
Closing balance	12,589	11,998

1) See Note 49.
2) Includes Alecta's owner-occupied properties that are recognised at fair value in the parent company.

	Group		Parent Company	
Specification of cost	2021	2020	2021	2020
Cost	26,173	24,764	8,307	7,805
Total	26,173	24,764	8,307	7,805

	Group		Parent Company	
Fair value by sector	2021	2020	2021	2020
Office	23,480	22,885	8,510	8,053
Residential	0	18	–	–
Retail	7,308	6,730	3,478	3,137
Other	4,193	2,817	601	808
Total	34,982	32,450	12,589	11,998

	Group	
Lettable floor area by sector, m²	2021	2020
Office	491,853	512,082
Residential	0	640
Retail	257,058	254,378
Other	90,852	52,052
Total	839,763	819,152

	Group	
Future rental income by maturity	2021	2020
Within one year	1,586	1,541
Later than one year but within five years	3,927	3,912
Later than five years	2,840	2,885
Total	8,353	8,338

Owner-occupied properties

Group	2021	2020
Cost		
Opening balance	1,210	1,179
Purchases during the year	6	29
Right-of-use asset, land	–3	2
Closing balance	1,213	1,210
Accumulated depreciation		
Opening balance	–229	–205
Depreciation for the year	–25	–24
Closing balance	–253	–229
Carrying amount, owner-occupied properties	960	981

NOTE 15 Land and buildings, *cont.*

Accounting principle

Investment properties

All properties in the Group other than owner-occupied properties, are classified and reported as investment properties in accordance with IAS 40, as they are held for rental income, capital appreciation or a combination of both. 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.

Alecta also owns properties that are being developed or exploited for future use as investment properties. These project properties are measured at fair value or if fair value cannot be determined at the time of construction, this investment property is measured at cost until its fair value can be reliably determined. In 2021, Alecta had no project properties, however in 2020 there were project properties recognised at cost and totalled SEK 789 million of the total recognised property value of SEK 32,450 million in the Group.

All rental agreements for the Group investment properties are classified as operating leases according to IFRS 16. 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

Alecta's owner-occupied properties are recognised at fair value in the parent company in accordance with the Swedish Insurance Companies Annual Accounts Act (ÅRFL) and classified as land and buildings on the balance sheet. The Group has applied IAS 16 to owner-occupied properties as a large proportion of the property is held for the provision of the company's own services. Owner-occupied properties are measured at cost in the Group. The cost is recognised less accumulated depreciation and any accumulated impairment. Owner-occupied properties are divided into components and the depreciation method used reflects the time at which the future economic benefits of the asset are expected to have been exhausted. Actual operating and maintenance expenses for Alecta's owner-occupied properties are recognised in operating expenses in the income statement. The full amount of depreciation and impairment of owner-occupied properties is recognised in the item, Depreciation of owner-occupied properties in the consolidated income statement.

As mentioned in the Basis of Preparation of Financial Statements section above, Alecta is considering transitioning to legally restricted IFRS in 2022. This will mean that Alecta will then cease to apply IAS 16 in the Group and instead measure the owner-occupied properties at fair value, the same as the parent company under FFFS 2020:24 (Regulation on the amendment of FFFS 2019:23) and ÅRFL.

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	2021	2020
Market rent per square metre	SEK 2,688	SEK 2,594
Long-term vacancy rate	5.48 %	5.60 %
Required rate of return, initial	3.74 %	3.80 %
Required rate of return, exit	4.51 %	4.59 %

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	2021	2020
Market rent	+/– 10%	+/– 4,906	+/– 4,232
Property costs	+/– SEK 50/m^2	–/+ 826	–/+ 800
Long-term vacancy rate	+/– 2%	–/+ 873	–/+ 819
Required rate of return, exit	+/– 0.25 %	+/– 2,188	+/– 2,021

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 2021	Carrying amount 2020
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 %	1,180	1,180
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 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 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 [2)]	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 %	–	–
Alecta Tjänstepensioner AB	556713-7160	Stockholm	1,000	100 %	0	0
Alfab Indirekt Holding AB	556931-5459	Stockholm	50,000	100 %	319	319
Fastighetsbolaget Augustendal KB	916635-9084	Stockholm	–	99.9 %	1,005	1,007
Fastighetsbolaget Båthamnen KB	916626-5711	Stockholm	–	99.9 %	56	54
Fastighetsbolaget Ellensvik KB	916625-6991	Stockholm	–	99.9 %	221	220
Fastighetsbolaget Grönkulla KB	969782-1115	Stockholm	–	99.9 %	0	0
Fastighetsbolaget Gustafshög KB	916625-6983	Stockholm	–	99.9 %	16	4
Fastighetsbolaget Klaraberg KB	916625-6975	Stockholm	–	99.9 %	508	487
Fastighetsbolaget Mässan KB	916626-5653	Stockholm	–	99.9 %	95	95
Fastighetsbolaget Oljekällaren KB	916626-5638	Stockholm	–	99.9 %	197	133
Fastighetsbolaget Philipin KB	916626-5679	Stockholm	–	99.9 %	375	355
Fastighetsbolaget Saluhallen KB	916626-5695	Stockholm	–	99.9 %	55	48
Nacka Strand Event & Möten KB	969646-7225	Stockholm	–	99.9 %	–5	–2
Morgonen 1 i Lund KB	969784-9975	Stockholm	–	99.9 %	34	10
Naraden Göteborg 1 KB	969697-7892	Stockholm	–	99.9 %	324	322
SoliFast Finansiering KB	969787-1292	Stockholm	–	99.9 %	–1	0
2 Kilo i Halmstad KB	969784-9967	Stockholm	–	99.9 %	5	42
Total Sweden [3)]					**4,384**	**4,274**

1) As all shares are unlisted, market values are not indicated. Carrying amounts are not indicated for subsidiaries of sub-groups.
2) The company was acquired in 2021.
3) 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 9,950 million (8,517) for the Swedish Group companies.

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

Foreign companies, USA, Parent Company	Organisation no.	Registered office	Number of shares	Share of equity	Carrying amount 2021	Carrying amount 2020
Alecta Real Estate USA, LLC	–	Delaware	–	100 %	1,002	838
Alecta Real Estate Investment, LLC	–	Delaware	–	100 %	–	–
Alecta Value Add Investments, LLC	–	Delaware	–	100 %	–	–
Boylston Street Investors, LLC	–	Delaware	–	100 %	–	–
SRP Valley, LLC [2]	–	Delaware	–	100 %	–	–
PMAK MOB ALECTA REIT FEEDER, LTD.	–	Delaware	–	100 %	3,070	1,646
Total USA					**4,072**	**2,484**
Total shares and participations in Group companies [3]					**8,456**	**6,758**

1) As all shares are unlisted, market values are not indicated. Carrying amounts are not indicated for subsidiaries of sub-groups.
2) The company was liquidated in 2021.
3) 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 680 million (0) for the foreign Group companies.

Parent Company	Carrying amount 2021	Carrying amount 2020
Cost		
Opening balance, cost	16,686	15,695
Purchases during the year	–3	6
Shareholder contributions during the year	1,286	2,117
Divestments for the year	–	–1,179
Share of profit for the year	82	47
Closing balance, cost	**18,051**	**16,686**
Accumulated impairment		
Opening balance, impairment	–9,928	–10,022
Impairment for the year	–99	–175
Reversal of impairment for the year	432	269
Closing balance, impairment	**–9,595**	**–9,928**
Total shares and participations in Group companies	**8,456**	**6,758**

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 2021	Carrying amount 2020
Cost		
Opening balance, cost	11,666	10,923
Change for the year	1,409	743
Total debt securities issued by, and loans to, Group companies	**13,075**	**11,666**

Accounting principle

Intracompany loans and receivables are financial assets that are not listed in an active market. These assets are classified as loans receivable and are measured at amortised cost by applying the effective interest method.

NOTE 18 Investments in associated companies and joint ventures

31/12/2021 Parent Company – Joint ventures	Country	Organisation no.	Share of equity	Fair value, shares	Reported value, loans	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 %	1,913	–	–
Ankhiale Topco AB [1]	Sweden	559317-8741	15.00 %	3,555	–	–
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 %	97	–	–
Kongahälla Holding AB	Sweden	559126-1903	50.00 %	433	–	–
Midstar Hotels AB	Sweden	559007-7979	49.70 %	2,555	–	–
SoliFast Holding AB JV	Sweden	559149-7770	20.00 %	20	–	–
Sollentuna Stinsen JV AB	Sweden	559085-9954	50.00 %	38	402	25
SR Energy AB [1]	Sweden	556711-9549	20.00 %	1,602	–	–
Stadsrum Fastigheter AB	Sweden	559028-9624	49.40 %	2,665	–	–
Swedish Airport Infrastructure Holding AB	Sweden	559012-5182	50.00 %	0	–	–
Swedish Airport Infrastructure Holding KB	Sweden	969775-2609	49.90 %	1,947	–	–
Parent Company – Associated Companies						
Heimstaden Bostad AB – Pref B	Sweden	556864-0873	52.95 %	32,869	–	–
Heimstaden Bostad AB – Ordinary share	Sweden	556864-0873	32.67 %	13,213	–	–
Bain Capital Credit CLO Management Ltd	Jersey	–	24.35 %	1,075	–	–
Total Parent Company [2]				**62,002**	**402**	**25**
Group company – Joint ventures						
Långeberga Logistik AB	Sweden	556928-2840	50.00 %	309	–	–
ARE-LEI Venture, LLC	USA	–	95.00 %	417	–	–
Boylston Street Associates LLC	USA	–	95.00 %	3	–	–
KACORE JV, ILC	USA	–	39.10 %	2,552	–	–
KAGR Master JV LLC [1]	USA	–	47.50 %	1,431	–	–
PMAK MOB JV REOC, LLC	USA	–	48.13 %	2,292	–	–
Total Group [2]				**69,006**	**402**	**25**

1) Acquired in 2021.

2) The cost of assets in the parent company is SEK 51,008 million (32,527) and in the Group, SEK 57,396 million (37,641).

31/12/2021 Parent Company – Joint ventures	Country	Organisation no.	Share of equity	Fair value, shares	Reported value, loans	Interest income
Alfa SSM JV AB	Sweden	556840-4262	50.00 %	0	–	–
KB Alfa SSM	Sweden	969715-3998	49.00 %	8	–	–
Ancore Fastigheter AB	Sweden	556817-8858	50.00 %	1,567	–	–
Convea AB	Sweden	556912-4505	50.00 %	51	–	–
Global Business Gate JV AB	Sweden	559109-9030	50.00 %	0	–	–
Global Business Gate JV KB	Sweden	969781-4847	49.50 %	87	–	–
Kongahälla Holding AB	Sweden	559126-1903	50.00 %	407	–	–
Midstar Hotels AB	Sweden	559007-7979	49.70 %	2,134	–	–
SoliFast Holding AB JV	Sweden	559149-7770	20.00 %	20	–	–
Sollentuna Stinsen JV AB	Sweden	559085-9954	50.00 %	21	357	23
Stadsrum Fastigheter AB	Sweden	559028-9624	49.40 %	2,313	–	–
Swedish Airport Infrastructure Holding AB	Sweden	559012-5182	50.00 %	0	–	–
Swedish Airport Infrastructure Holding KB	Sweden	969775-2609	49.90 %	1,752	–	–
Parent Company – Associated companies						
Heimstaden Bostad AB – Pref B	Sweden	556864-0873	52.95 %	22,583	–	–
Heimstaden Bostad AB – Ordinary share	Sweden	556864-0873	32.67 %	6,949	–	–
Bain Capital Credit CLO Management Ltd	Jersey	–	24.35 %	398	–	–
Total Parent Company				**38,290**	**357**	**23**
Group company – Joint ventures						
Långeberga Logistik AB	Sweden	556928-2840	50.00 %	312	–	–
ARE-LEI Venture, LLC	USA	–	95.00 %	381	–	–
Boylston Street Associates LLC	USA	–	95.00 %	4	–	–
KACORE JV, ILC	USA	–	39.10 %	2,138	–	–
PMAK MOB JV REOC, LLC	USA	–	48.13 %	1,789	–	–
Total Group				**42,914**	**357**	**23**

Accounting principle

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

Shares and participations in associated companies and joint ventures are recognised as financial instruments at fair value through profit or loss in accordance with IAS 28. 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 recognised as dividends received in the item, Capital return, income. Valuation techniques for shares and participations are described in Note 22.

Loans in joint ventures refer to shareholder loans that are measured at amortised cost using the effective interest method and recognised in the loans receivable category. Accrued interest income and interest payments received are recognised as interest income in the item, Capital return, income. During the 2018–2021 period, a temporary exception was made to the IFRS 9 Financial Instruments accounting standard. Refer to Note 1 for more information. Alecta's assessment is that the standard will not result in any material change in classification and measurement and that there is no need to make provisions for the Group's loans in joint ventures.

Information on transactions between Alecta and the above joint ventures is provided in Note 50, Related party disclosures.

NOTE 19 Classification of financial assets and liabilities

Group, 31/12/2021 Financial assets	Financial assets/ liabilities measured at fair value through profit or loss on initial recognition	Financial assets/ liabilities measured at fair value through profit or loss recognition through trading	Loans and receivables/ other financial assets and liabilities	Total carrying amount	Fair value
Shares and participations in associated companies and joint ventures	69,006	–	–	69,006	69,006
Loans to associated companies and joint ventures	–	–	402	402	402
Shares and participations	642,976	–	–	642,976	642,976
Bonds and other debt securities	462,425	–	–	462,425	462,425
Loans secured by real estate	3,131	–	1,496	4,627	4,627
Other loans	17,922	–	–	17,922	17,922
Derivatives	–	3,419	–	3,419	3,419
Receivables related to direct insurance operations	–	–	4,828	4,828	4,828
Other receivables	–	–	1,002	1,002	1,002
Cash and bank balances	–	–	3,923	3,923	3,923
Accrued interest and rental income	–	–	8,516	8,516	8,516
Total	**1,195,460**	**3,419**	**20,167**	**1,219,046**	**1,219,046**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	12	12	12
Derivatives	–	14,909	–	14,909	14,909
Other liabilities	–	–	814	814	814
Other accrued expenses	–	–	5,666	5,666	5,666
Total	**–**	**14,909**	**6,492**	**21,401**	**21,401**

Group, 31/12/2020 Financial assets	Financial assets/ liabilities measured at fair value through profit or loss on initial recognition	Financial assets/ liabilities measured at fair value through profit or loss recognition through trading	Loans and receivables/ other financial assets and liabilities	Total carrying amount	Fair value
Shares and participations in associated companies and joint ventures	42,914	–	–	42,914	42,914
Loans to associated companies and joint ventures	–	–	357	357	357
Shares and participations	487,344	–	–	487,344	487,344
Bonds and other debt securities	457,191	–	–	457,191	457,191
Loans secured by real estate	1,634	–	2,162	3,796	3,796
Other loans	6,588	–	–	6,588	6,588
Derivatives	–	16,389	–	16,389	16,389
Receivables related to direct insurance operations	–	–	2,444	2,444	2,444
Other receivables	–	–	2,304	2,304	2,304
Cash and bank balances	–	–	3,440	3,440	3,440
Accrued interest and rental income	–	–	7,630	7,630	7,630
Total	**995,671**	**16,389**	**18,337**	**1,030,397**	**1,030,397**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	10	10	10
Derivatives	–	10,033	–	10,033	10,033
Other liabilities	–	–	9,483	9,483	9,483
Other accrued expenses	–	–	4,635	4,635	4,635
Total	**–**	**10,033**	**14,128**	**24,161**	**24,161**

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

Parent Company, 31/12/2021 Financial assets	Financial assets/ liabilities measured at fair value through profit or loss on initial recognition	Financial assets/ liabilities measured at fair value through profit or loss recognition through trading	Loans and receivables/ other financial assets and liabilities	Total carrying amount	Fair value
Fixed income securities issued by and loans to Group companies	–	–	13,075	13,075	13,075
Shares and participations in associated companies and joint ventures	62,002	–	–	62,002	62,002
Loans to associated companies and joint ventures	–	–	402	402	402
Shares and participations	642,440	–	–	642,440	642,440
Bonds and other debt securities	462,425	–	–	462,425	462,425
Loans secured by real estate	2,616	–	1,496	4,112	4,112
Other loans	17,922	–	–	17,922	17,922
Derivatives	–	3,419	–	3,419	3,419
Receivables related to direct insurance operations	–	–	4,828	4,828	4,828
Other receivables	–	–	1,860	1,860	1,860
Cash and bank balances	–	–	3,692	3,692	3,692
Accrued interest and rental income	–	–	8,517	8,517	8,517
Total	**1,187,405**	**3,419**	**33,870**	**1,224,694**	**1,224,694**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	12	12	12
Derivatives	–	14,909	–	14,909	14,909
Other liabilities	–	–	2,807	2,807	2,807
Other accrued expenses	–	–	5,662	5,662	5,662
Total	**–**	**14,909**	**8,481**	**23,390**	**23,390**

Parent Company, 31/12/2020 Financial assets	Financial assets/ liabilities measured at fair value through profit or loss on initial recognition	Financial assets/ liabilities measured at fair value through profit or loss recognition through trading	Loans and receivables/ other financial assets and liabilities	Total carrying amount	Fair value
Fixed income securities issued by and loans to Group companies	–	–	11,666	11,666	11,666
Shares and participations in associated companies and joint ventures	38,290	–	–	38,290	38,290
Loans to associated companies and joint ventures	–	–	357	357	357
Shares and participations	486,870	–	–	486,870	486,870
Bonds and other debt securities	457,191	–	–	457,191	457,191
Loans secured by real estate	1,618	–	2,162	3,780	3,780
Other loans	6,588	–	–	6,588	6,588
Derivatives	–	16,389	–	16,389	16,389
Receivables related to direct insurance operations	–	–	2,444	2,444	2,444
Other receivables	–	–	3,234	3,234	3,234
Cash and bank balances	–	–	3,324	3,324	3,324
Accrued interest and rental income	–	–	7,630	7,630	7,630
Total	**990,557**	**16,389**	**30,817**	**1,037,763**	**1,037,763**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	10	10	10
Derivatives	–	10,033	–	10,033	10,033
Other liabilities	–	–	11,213	11,213	11,213
Other accrued expenses	–	–	4,634	4,634	4,634
Total	**–**	**10,033**	**15,857**	**25,890**	**25,890**

NOTE 20 Net profit by class of financial assets and liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Financial assets at fair value through profit or loss				
shares and participations	188,310	25,056	186,681	24,702
fixed income securities	2,051	1,072	2,051	1,072
loans secured by real estate	61	25	61	25
other loans	1,040	–194	1,040	–194
Financial assets and liabilities held for trade				
Derivatives	–20,036	25,137	–20,036	25,137
Loans and receivables	46	38	537	439
Other liabilities	–21	–14	–21	–14
Total net profit [1)]	**171,451**	**51,120**	**170,313**	**51,167**
Land and buildings, net	2,473	–629	1,043	–786
Investment management and custodian expenses	–249	–245	–246	–245
Other, net	–358	–213	299	–328
Total return on capital as reported in income statement	**173,317**	**50,033**	**171,409**	**49,808**

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, 31/12/2021	< 3 months	3 months < 1 year	1–5 years	>5 years	Total
Non-liquidated securities transactions	–56	–	–	–	–56
Liability for cash collateral received for derivatives	–377	–	–	–	–377
Derivatives gross – outflow	–359,397	–27,654	–33,657	–9,245	–429,953
Derivatives gross – inflow	352,582	27,655	30,558	6,343	417,138
Other liabilities	–393	–	–	–	–393
Other accrued expenses	–5,666	–	–	–	–5,666
Total cash flow	**–13,307**	**1**	**–3,099**	**–2,902**	**–19,307**

Time to maturity Group, 31/12/2020	< 3 months	3 months < 1 year	1–5 years	>5 years	Total
Non-liquidated securities transactions	–6	–	–	–	–6
Liability for cash collateral received for derivatives	–9,246	–	–	–	–9,246
Derivatives gross – outflow	–362,895	–14,157	–16,332	–30,051	–423,435
Derivatives gross – inflow	373,245	14,721	16,175	25,009	429,150
Other liabilities	–241	–	–	–	–241
Other accrued expenses	–4,635	–	–	–	–4,635
Total cash flow	**–3,778**	**564**	**–157**	**–5,042**	**–8,413**

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.

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 shares, 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 that are classified to this level include debt 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 fixed income 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. Financial assets at fair value that can be measured on the basis of some observable inputs but for which Alecta does not normally have the ability to fully inspect the used valuation technique are also classified to this level.

Examples of financial assets in this level mainly consist of financial instruments with real estate and debt securities as underlying assets but also to a lesser degree, unlisted shares and venture capital investments. 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.

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 made if the Level 2 financial instrument is quoted in an active market.

No financial instrument was transferred from Level 1 to Level 2 or from Level 2 to Level 1 in either 2021 or in the corresponding period in 2020.

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.

No financial instruments were transferred from Level 2 to Level 3 during 2021, however three debt securities were transferred from Level 3 to Level 2 when observable market inputs became available. In 2020, 10 fixed income instruments were transferred from Level 2 to Level 3 but none from Level 3 to Level 2.

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 2021 or 2020.

Sensitivity analysis for Level 3 financial instruments

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

The assets in Level 3 mainly comprise financial instruments with real estate and debt securities as underlying assets and to a lesser degree, unlisted shares and venture capital investments.

As we do not normally have the means to fully inspect the unobservable inputs used by external price providers, fund managers, counterparts or real estate companies in their fair value measurements of these financial instruments, any sensitivity analysis is subject to a degree of uncertainty.

However, for real estate-related investments it is reasonable to assume that these will be affected by roughly the same value-influencing factors as directly owned properties, i.e. changes in net operating income and required rates of return, while the debt securities are mainly affected by interest and credit risk and unlisted shares and venture capital by equity 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 per cent 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	108,900	Return requirement increase of 0.5 percentage points	–12,812
Interest-related holdings	61,395	Interest-rate increase of 1 percentage point	–1,304
Share-related holdings	21,247	Share price decrease of 10 per cent	–2,125
Total Level 3	**191,542**		**–16,241**

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

	Fair values of financial instruments, 31/12/2021			
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 31/12/2021
Assets				
Shares and participations	574,203	–	68,773	642,976
Shares and participations in associated companies and joint ventures	–	–	69,006	69,006
Bonds and other debt securities	244,559	185,156	32,710	462,425
Loans secured by real estate	–	–	3,131	3,131
Other loans	–	–	17,922	17,922
Derivatives	–	3,419	–	3,419
Total assets	**818,762**	**188,575**	**191,542**	**1,198,879**
Liabilities				
Derivatives	–	14,909	–	14,909
Total liabilities	**–**	**14,909**	**–**	**14,909**
Parent Company				
Assets				
Shares and participations	574,203	–	68,237	642,440
Shares and participations in associated companies and joint ventures	–	–	62,002	62,002
Bonds and other debt securities	244,559	185,156	32,710	462,425
Loans secured by real estate	–	–	2,616	2,616
Other loans	–	–	17,922	17,922
Derivatives	–	3,419	–	3,419
Total assets	**818,762**	**188,575**	**183,487**	**1,190,824**
Liabilities				
Derivatives	–	14,909	–	14,909
Total liabilities	**–**	**14,909**	**–**	**14,909**

	Fair values of financial instruments, 31/12/2020			
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 31/12/2020
Assets				
Shares and participations	446,069	–	41,275	487,344
Shares and participations in associated companies and joint ventures	–	–	42,914	42,914
Bonds and other debt securities	242,268	185,053	29,870	457,191
Loans secured by real estate	–	–	1,634	1,634
Other loans	–	–	6,588	6,588
Derivatives	–	16,389	–	16,389
Total assets	**688,337**	**201,442**	**122,281**	**1,012,060**
Liabilities				
Derivatives	–	10,033	–	10,033
Total liabilities	**–**	**10,033**	**–**	**10,033**
Parent Company				
Assets				
Shares and participations	446,069	–	40,801	486,870
Shares and participations in associated companies and joint ventures	–	–	38,290	38,290
Bonds and other debt securities	242,268	185,053	29,870	457,191
Loans secured by real estate	–	–	1,618	1,618
Other loans	–	–	6,588	6,588
Derivatives	–	16,389	–	16,389
Total assets	**688,337**	**201,442**	**117,167**	**1,006,946**
Liabilities				
Derivatives	–	10,033	–	10,033
Total liabilities	**–**	**10,033**	**–**	**10,033**

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

	Fair value at year-end 2021					
Group	Shares and participations	Shares and participations in associated companies and joint ventures	Bonds and other debt securities	Loans secured by real estate	Other loans	Total
Opening balance 2021	41,275	42,914	29,870	1,634	6,588	122,281
Purchases	27,069	19,882	7,040	1,512	16,319	71,822
Sales	–12,223	–248	–1,643	–20	–5,710	–19,844
Gains and losses	12,652	6,458	1,538	5	725	21,378
Realised gains/losses, sold entire holding	*6,688*	–	–	–	*–8*	*6,680*
Realised gains/losses, sold portion of holding	*–111*	*35*	*–71*	–	*–12*	*–159*
Unrealised gains/losses	*2,172*	*5,806*	*–7*	*–7*	*232*	*8,196*
Unrealised foreign exchange gains/losses	*3,903*	*617*	*1,616*	*12*	*513*	*6,661*
Transferred from Level 3	–	–	–4,095	–	–	–4,095
Closing balance 2021	**68,773**	**69,006**	**32,710**	**3,131**	**17,922**	**191,542**
Parent Company						
Opening balance 2021	40,801	38,290	29,870	1,618	6,588	117,167
Purchases	27,050	18,585	7,040	1,013	16,319	70,007
Sales	–12,223	–228	–1,643	–20	–5,710	–19,824
Gains and losses	12,609	5,355	1,538	5	725	20,232
Realised gains/losses, sold entire holding	*6,688*	–	–	–	*–8*	*6,680*
Realised gains/losses, sold portion of holding	*–111*	*35*	*–71*	–	*–12*	*–159*
Unrealised gains/losses	*2,164*	*5,232*	*–7*	*–7*	*232*	*7,614*
Unrealised foreign exchange gains/losses	*3,868*	*88*	*1,616*	*12*	*513*	*6,097*
Transferred from Level 3	–	–	–4,095	–	–	–4,095
Closing balance 2021	**68,237**	**62,002**	**32,710**	**2,616**	**17,922**	**183,487**

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

	Fair value at year-end 2020					
Group	Shares and participations	Shares and participations in associated companies and joint ventures	Bonds and other debt securities	Loans secured by real estate	Other loans	Total
Opening balance 2020	33,017	36,357	12,530	1,914	6,444	90,262
Purchases	16,084	7,488	9,479	17	2,420	35,488
Sales	–2,654	–9	–789	–283	–2,027	–5,762
Gains and losses	–5,172	–922	–2,459	–14	–249	–8,816
Realised gains/losses, sold entire holding	–	–	–	–	–	–
Realised gains/losses, sold portion of holding	*10*	–	*20*	*1*	*143*	*174*
Unrealised gains/losses	*–1,288*	*–252*	*124*	*–15*	*–116*	*–1,547*
Unrealised foreign exchange gains/losses	*–3,894*	*–670*	*–2,603*	–	*–276*	*–7,443*
Transferred to Level 3	–	–	11,109	–	–	11,109
Closing balance 2020	**41,275**	**42,914**	**29,870**	**1,634**	**6,588**	**122,281**
Parent Company						
Opening balance 2020	32,468	33,449	12,530	1,914	6,444	86,805
Purchases	16,082	5,145	9,479	–	2,420	33,126
Sales	–2,654	–9	–789	–282	–2,027	–5,761
Gains and losses	–5,095	–295	–2,459	–14	–249	–8,112
Realised gains/losses, sold entire holding	–	–	–	–	–	–
Realised gains/losses, sold portion of holding	*10*	–	*20*	*1*	*143*	*174*
Unrealised gains/losses	*–1,255*	*–221*	*124*	*–15*	*–116*	*–1,483*
Unrealised foreign exchange gains/losses	*–3,850*	*–74*	*–2,603*	–	*–276*	*–6,803*
Transferred to Level 3	–	–	11,109	–	–	11,109
Closing balance 2020	**40,801**	**38,290**	**29,870**	**1,618**	**6,588**	**117,167**

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

NOTE 24 Shares and participations

	2021		2020	
Group	Fair value	Cost	Fair value	Cost
Swedish listed shares	244,052	99,109	193,890	106,752
Swedish unlisted shares	1,296	1,081	3,311	2,281
Foreign listed shares	330,152	164,792	252,179	151,859
Foreign unlisted shares	67,476	61,515	37,964	34,990
Total	**642,976**	**326,497**	**487,344**	**295,882**
Parent Company				
Swedish listed shares	244,052	99,109	193,890	106,752
Swedish unlisted shares	1,296	1,081	3,311	2,281
Foreign listed shares	330,152	164,792	252,179	151,859
Foreign unlisted shares	66,940	61,133	37,490	34,665
Total	**642,440**	**326,115**	**486,870**	**295,557**

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

Accounting principle

Shares and participations are measured at fair value through profit or loss on initial recognition. 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

	2021		2020	
Group and Parent Company	Fair value	Amortised cost	Fair value	Amortised cost
The Swedish Government	49,227	47,207	38,425	35,767
Swedish mortgage bonds	90,475	90,272	96,802	96,411
Other Swedish issuers	88,519	88,158	88,939	87,755
Foreign governments	116,311	112,634	115,012	103,475
Other foreign issuers	117,893	116,631	118,013	115,366
Total	**462,425**	**454,902**	**457,191**	**438,774**

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

Group and Parent Company	2021	2020
Fixed-rate term		
0–1 years	178,633	167,518
>1–5 years	129,392	139,072
>5–10 years	90,634	95,193
>10 years	63,766	55,408
Total	**462,425**	**457,191**

Accounting principle

Bonds and other fixed income securities are measured at fair value through profit or loss on initial recognition. Valuation techniques for bonds and other fixed income 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 26 Loans secured by real estate

Group	2021 Fair value	2021 Cost	2020 Fair value	2020 Cost
Swedish loans secured by real estate	2,591	2,577	2,125	2,101
Foreign loans secured by real estate	2,036	2,032	1,671	1,671
Total	**4,627**	**4,609**	**3,796**	**3,772**
Parent Company				
Swedish loans secured by real estate	2,076	2,063	2,109	2,085
Foreign loans secured by real estate	2,036	2,032	1,671	1,671
Total	**4,112**	**4,095**	**3,780**	**3,756**

Accounting principle

Loans secured by real estate are primarily measured at fair value.

During the period from 2018–2021, a temporary exception was made from the IFRS 9 Financial Instruments accounting standard. Refer to Note 1 for more information. Alecta's assessment is that the standard will not result in any material change in classification and measurement and that there is no need to make provisions for the Group loans secured by real estate measured at amortised cost.

NOTE 27 Other loans

Group and Parent Company	2021 Fair value	2021 Cost	2020 Fair value	2020 Cost
Other loans, Swedish	7,168	5,194	3,507	3,512
Other loans, foreign	10,754	10,258	3,081	2,814
Total	**17,922**	**15,452**	**6,588**	**6,326**

Accounting principle

Loans with collateral received other than real estate, such as profit share loans are reported here.

NOTE 28 Derivatives

	2021			2020		
		Fair value			Fair value	
Group and Parent Company	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
Equity-related instruments	**–81,859**	**0**	**0**	**–30,735**	–	–
Futures	*–81,859*	*–*	*–*	*–30,735*	–	–
Fixed-income instruments	**186,253**	**2,917**	**4,645**	**156,100**	**4,022**	**6,800**
Swaps	*151,298*	*2,917*	*4,625*	*154,721*	*4,022*	*6,800*
Futures	*35,127*	*0*	*0*	*1,379*	–	–
CDS	*–172*	*0*	*20*	–	–	–
Currency-related instruments	**335,792**	**502**	**10,264**	**318,499**	**12,367**	**3,233**
Futures/swaps	*335,792*	*502*	*10,264*	*318,499*	*12,367*	*3,233*
Total	**440,186**	**3,419**	**14,909**	**443,864**	**16,389**	**10,033**

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 classified as held for trade and recognised on the balance sheet at fair value, while changes in value are recognised through the profit or loss 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 31/12/2021	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 3)
Assets					
Derivatives 4)	9,335	–8,871	–	–377	87
Securities lending 1)	20,356	–	–20,924	–	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 2)	Cash collateral pledged	Net amount 3)
Liabilities					
Derivatives 4)	20,650	–8,871	–13,982	–379	0

Group and Parent Company 31/12/2020	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 3)
Assets					
Derivatives 4)	21,335	–12,672	–6	–9,246	0
Securities lending 1)	24,752	–	–25,501	–	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 2)	Cash collateral pledged	Net amount 3)
Liabilities					
Derivatives 4)	14,752	–12,672	–3,483	–555	0

1) Lending of fixed income securities is described in Note 44 Transfer of financial assets.
2) Collateral pledged is also presented in Note 43 Other pledged assets and comparable collateral.
3) In accordance with IFRS 7, the net amount can never be less than 0.
4) The amounts include accrued interest income of SEK 5,916 million (4,946) and accrued interest expenses of SEK 5,741 million (4,719).

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 fixed income 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 at 31 December, there were derivatives with a positive value of SEK 9,335 million and derivatives with a negative value of SEK 20,650 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 2021 or the corresponding period in 2020.

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 377 million in cash where the sum of all derivative contracts is positive. Similarly, Alecta has pledged SEK 13,982 million in fixed income securities in the form of Swedish mortgage bonds, as well as French and US government bonds and SEK 379 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	2021	2020
Receivables from policyholders	4,828	2,444
Total	**4,828**	**2,444**

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	2021	2020
Payment receivables from sale of investment assets	38	1,262
Approved dividend	66	74
Value Added Tax	11	24
Receivable, PRI Pensionsgaranti	194	197
Collateral pledged for derivatives [1]	379	555
Other	325	216
Total	**1,013**	**2,328**
Parent Company		
Payment receivables from sale of investment assets	38	1,262
Swedish tax	38	15
Foreign tax	1,222	1,243
Deferred tax [2]	1,273	1,609
Approved dividend	66	74
Receivable from subsidiary	1,014	1,023
Receivable, PRI Pensionsgaranti	194	197
Collateral pledged for derivatives [1]	379	555
Other	169	123
Total	**4,393**	**6,101**

[1] See also Note 29.
[2] See also Note 12.

Accounting principle

Other receivables are recognised at amortised cost.

NOTE 32 Accrued interest and rental income

	Group		Parent Company	
	2021	2020	2021	2020
Accrued interest income subsidiaries	–	–	0	–
Accrued interest income	8,516	7,630	8,516	7,630
Total	**8,516**	**7,630**	**8,517**	**7,630**

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

Group	Conversion reserve	Discretionary participation reserve [1]	Special indexation funds [2]	Retained earnings including profit/loss for the year	Total
Opening balance 2020	308	119,689	10,051	263,347	393,395
Profit/loss for the year	–	–	–	37,662	37,662
Allocated refunds					
Defined benefit	–	*5,945*	–	*–5,945*	–
Defined contribution plan	–	*15,445*	–	*–15,445*	–
Guaranteed refunds					
Pension supplements, defined benefit plan	–	*–2,799*	–	–	*–2,799*
Supplementary amounts, defined contribution plan	–	*–241*	–	–	*–241*
Adjustment of paid-up policy values, defined benefit plan	–	*–4,092*	–	*–647*	*–4,739*
Premium reduction	–	*–4,187*	–	–	*–4,187*
Collective risk premium [3]	–	–	–126	–	–126
Other changes					
Fees	–	–	*98*	*–98*	–
Interest	–	*197*	*–2*	*–195*	–
Effect of changes in market interest rates	–	*418*	–	*–418*	–
Exchange rate fluctuations for the period	*–319*	–	–	–	*–319*
Other [4]	–	*–857*	–	*198*	*–659*
Closing balance 2020	–11	129,518	10,021	278,459	417,987
Opening balance 2021	–11	129,518	10,021	278,459	417,987
Profit/loss for the year	–	–	–	211,410	211,410
Allocated refunds					
Defined benefit	–	*19,079*	–	*–19,079*	–
Defined contribution plan	–	*52,419*	–	*–52,419*	–
Guaranteed refunds					
Pension supplements, defined benefit plan	–	*–2,708*	–	–	*–2,708*
Supplementary amounts, defined contribution plan	–	*–319*	–	–	*–319*
Adjustment of paid-up policy values, defined benefit plan	–	*–1,202*	–	*–379*	*–1,581*
Premium reduction	–	*–4,135*	–	–	*–4,135*
Collective risk premium [3]	–	–	–129	–	–129
Other changes					
Fees	–	–	*71*	*–71*	–
Interest	–	*235*	*7*	*–242*	–
Effect of changes in market interest rates	–	*–793*	–	*793*	–
Exchange rate fluctuations for the period	*393*	–	–	–	*393*
Research grants [4]	–	–	–	*–2*	*–2*
Other [5]	–	*–1,605*	–	*102*	*–1,504*
Closing balance 2021	381	190,490	9,969	418,572	619,412

1) 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 claw back the funds. SEK 1,468 million (1,468) of a total of SEK 190,490 million (129,518) relates to funds intended to cover the cost of measures forming part of the ITP plan, under which the parties to the collective agreement have the right to decide how the funds are 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.

2) Funds contributed to Alecta for indexation of pensions or for other pension-promoting 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.

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

4) Research grants to Karolinska Institute and Swedish House of Finance.

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

NOTE 33 Equity, *cont.*

Accounting principle

Conversion reserve

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 conversion are recognised in Other comprehensive income and transferred to the Group's conversion reserve. Currencies that have been converted are US dollars.

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 Company 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 Council of Administration. Special indexation funds are not included in collective funding capital. Change items are recognised directly in equity.

Retained earnings including profit/loss for the year

This item includes collective funding and profit/loss for the year. Collective funding includes other risk capital, which is not allocated.

NOTE 34 Surplus fund

Parent Company	Collective surplus	Discretionary participation reserve: Allocated refunds to insured parties and policyholders [1]	Other reserves: Special indexation funds [2]	Total
Opening balance 2020	**163,718**	**119,690**	**10,051**	**293,459**
Appropriation of profits from previous years	92,470	–	–	92,470
Allocated refunds				
Defined benefit	*–5,945*	*5,945*	–	–
Defined contribution plan	*–15,445*	*15,445*	–	–
Guaranteed refunds				
Pension supplements, defined benefit plan	–	*–2,799*	–	*–2,799*
Supplementary amounts, defined contribution plan	–	*–241*	–	*–241*
Adjustment of paid-up policy values, defined benefit plan	*–647*	*–4,092*	–	*–4,739*
Premium reduction	–	*–4,187*	–	*–4,187*
Fees	–98	–	98	–
Interest	–195	197	2	–
Collective risk premium [3]	–	–	–126	–126
Effect of changes in market interest rates	–418	418	–	–
Other changes [4]	198	–858	–	–660
Closing balance 2020	**233,638**	**129,518**	**10,021**	**373,177**
Opening balance 2021	**233,638**	**129,518**	**10,021**	**373,177**
Appropriation of profits from previous years	37,555	–	–	37,555
Allocated refunds				
Defined benefit	*–19,079*	*19,079*	–	–
Defined contribution plan	*–52,419*	*52,419*	–	–
Guaranteed refunds				
Pension supplements, defined benefit plan	–	*–2,708*	–	*–2,708*
Supplementary amounts, defined contribution plan	–	*–319*	–	*–319*
Adjustment of paid-up policy values, defined benefit plan	*–379*	*–1,202*	–	*–1,581*
Premium reduction	–	*–4,135*	–	*–4,135*
Fees	–71	–	71	–
Interest	–242	235	7	–
Collective risk premium [3]	–	–	–129	–129
Effect of changes in market interest rates	793	–793	–	–
Research grants [4]	*2*	–	–	*2*
Other changes [5]	101	–1,605	–	–1,504
Closing balance 2021	**199,895**	**190,490**	**9,969**	**400,354**

1) Funds that have been allocated to Alecta's insured parties and policyholders under different discretionary resolutions. These funds constitute a part of Alecta's risk capital and are not guaranteed until assigned. Formally, Alecta can claw back the funds. SEK 1,468 million (1,468) of a total of SEK 190,490 million (129,518) refers to funds intended to cover the cost of measures forming part of the ITP plan, under which the parties to the collective agreement have the right to decide how the funds are used. The decision on the final use of the funds is made by the Alecta Board of Directors, provided that the Board unanimously agrees that the designated use is consistent with Alecta's interests as an insurance company.
2) Funds contributed to Alecta for indexation of pensions or for other pension promotion purposes or alternatively, for transfer to a foundation designed for indexation of pensions. The Council of Administration decides how the funds should be used.
3) Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increase in employers' expenses arising from the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.
4) Research grants to Karolinska Institute and Swedish House of Finance.
5) The item consists of cumulative return, inheritance gains and portfolio changes.

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 is part of equity and consists of collective funding, the discretionary participation reserve and other reserves.

NOTE 35 Proposed appropriation of profits

The Board of Directors and Chief Executive Officer propose to the Council of Administration that the Parent Company profit for 2021 of SEK 209,799,353,133 is 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 46–47.

See also Proposed appropriation of profits in the Administration Report on page 48.

NOTE 36 Provision for life insurance

Group and Parent Company	2021	2020
Opening balance	**608,774**	**556,780**
Change for the year	47,920	50,464
Premiums	*49,427*	*56,404*
Payments	*–19,376*	*–18,399*
Interest	*16,496*	*15,467*
Released operating expenses	*–620*	*–629*
Yield tax	*–940*	*–565*
Mortality result	*–180*	*–216*
Other changes	*3,113*	*–1,598*
Change in interest rate assumption	–33,012	16,962
Difference between premium and TP assumptions	–24,140	–15,432
Closing balance	**599,542**	**608,774**

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.

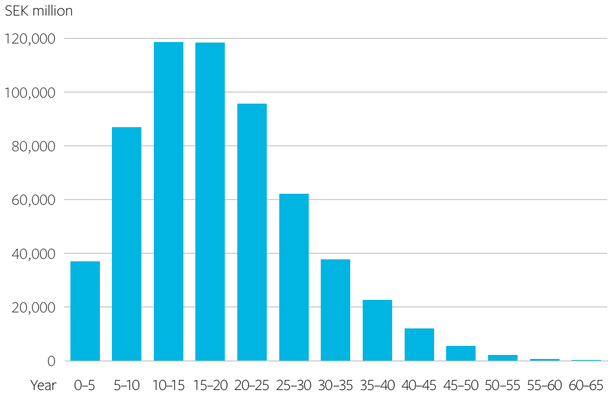
The following assumptions have been applied in calculating the provision for life insurance as at 31 December 2021:

- Interest rate assumption: The average interest rate was 1.93 per cent (1.60) as at 31 December 2021. 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 0.16 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 1 percentage point, the average interest rate would fall by 0.4 percentage points and the provision for life insurance would increase by SEK 37.8 billion (11.5).

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 37 Provision for claims outstanding

Group and Parent Company	2021	2020
Opening balance	**13,188**	**13,854**
Change for the year	1,359	–802
Provision for new claims	*5,192*	*4,735*
Discontinuation profit/loss	*–1,145*	*–2,719*
Payments	*–3,213*	*–2,861*
Interest	*72*	*48*
Released operating expenses	*–50*	*–50*
Other changes	*503*	*45*
Change in interest rate assumption	–280	136
Closing balance	**14,267**	**13,188**

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 calculation of the provision for claims outstanding with respect to disability pension and waiver of premium as at 31 December 2021 and which comprise the dominant portion of the provision:

- Interest rate assumption: The interest rate was 0.75 per cent (0.33) on 31 December 2021. 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.

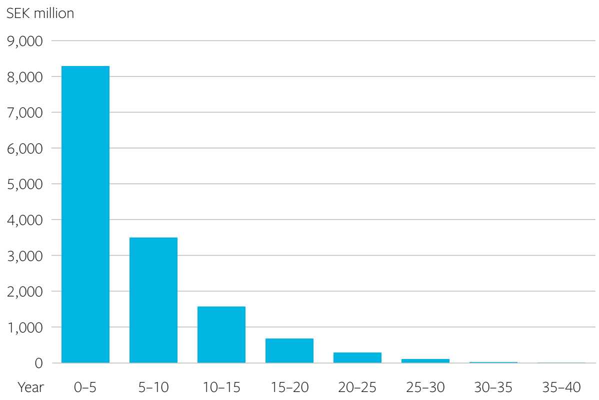
Provision for new claims increased 10 per cent compared to 2020.

Discontinuation income decreased 58 per cent in 2021.

Interest rate sensitivity

- If market rates fall by 1 percentage point, the provision increases by SEK 303 million (35).

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 38 Other provisions

	Group		Parent Company	
	2021	2020	2021	2020
Indexation of pensions for former employees	0	1	0	1
Provision for real estate	8	8	2	1
Total	**8**	**9**	**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 39 Liabilities related to direct insurance operations

Group and Parent Company	2021	2020
Liabilities to policyholders	12	10
Preliminary tax, pensions	784	764
Other	9	10
Total	**805**	**784**

Accounting principle

Liabilities related to direct insurance operations are recognised at amortised cost.

NOTE 40 Other liabilities

Group	2021	2020
Payment liability on purchase of investment assets	56	6
Collateral received for derivatives [1]	377	9,246
Accounts payable	263	134
Property tax	50	63
Value Added Tax	–	3
Lease liability [2]	32	28
Other	86	70
Total	**864**	**9,550**

All liabilities mature within one year after the balance sheet date, except for the lease liability which is long-term. See also Note 49.

Parent Company	2021	2020
Liabilities to subsidiaries	2,096	1,804
Payment liability on purchase of investment assets	56	6
Collateral received for derivatives [1]	377	9,246
Accounts payable	226	114
Property tax	49	47
Other	52	43
Total	**2,856**	**11,260**

1) See also Note 28.
2) See also Notes 15 and 49.

NOTE 41 Other accrued expenses and prepaid income

	Group		Parent Company	
	2021	2020	2021	2020
Accrued interest expense	5,654	4,613	5,653	4,613
Accrued property costs	131	57	50	38
Accrued staff costs	71	98	69	96
Prepaid rental income	291	295	83	80
Other	12	22	9	21
Total	**6,159**	**5,085**	**5,864**	**4,848**

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. Alecta's accrued expenses and prepaid income mainly relate to property costs, rental income, staff costs and interest expenses for currency swaps.

NOTE 42 Assets and comparable collateral pledged for own liabilities and for liabilities reported as provisions

Group and Parent Company	2021	2020
Assets registered on behalf of policyholders	1,172,182	1,015,539
in addition to required pledge	*454,803*	*338,627*
	1,172,182	**1,015,539**
Land and buildings	26,217	24,343
Shares and participations in associated companies and joint ventures	62,002	38,290
Loans to associated companies and joint ventures	402	357
Shares and participations	625,612	486,870
Bonds and other fixed income securities	443,502	445,384
Loans secured by real estate	4,132	3,800
Other loans	17,937	6,589
Derivatives	–11,314	6,582
Cash and bank balances	3,692	3,324
Total	**1,172,182**	**1,015,539**

The table above shows assets that have been registered for debt coverage under Regulation FFFS 2011:20 of the Swedish Financial Supervisory Authority.

NOTE 43 Other pledged assets and comparable collateral

Group and Parent Company	2021	2020
Collateral pledged to clearing houses for derivatives trading		
Bonds and other fixed income securities	10,186	5,201
Cash and bank balances	785	506
Collateral pledged for derivatives trading in accordance with CSA agreements		
Bonds and other fixed income securities	11,442	2,015
Cash and bank balances	28	111
Total	**22,441**	**7,833**

Collateral pledged for derivatives trading in accordance with CSA agreements is described in Note 29 Financial instruments subject to netting agreements.

NOTE 44 Transfers of financial assets

Group and Parent Company	2021	2020
Loaned fixed income securities	20,356	24,752
Collateral received for loaned securities	20,924	25,501

Accounting principle

Loaned fixed income 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 fixed income securities consists of Swedish and Danish covered bonds and is not recognised on the balance sheet. Compensation received for loaned fixed income securities has been recognised as interest income in the item Capital return, income, see Note 5.

NOTE 45 Contingent liabilities

Group	2021	2020
Remaining balance to be invested in investment assets	39,128	34,613
Total	**39,128**	**34,613**
Parent Company		
Remaining balance to be invested in investment assets	36,657	34,515
Liabilities in limited partnerships	81	64
Total	**36,738**	**34,579**

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.

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 46 Reconciliation of total return table to financial statements

Group	2021	2020
Market value according to total return table[1]	1,230,610	1,039,246
Assets not classified as investments	5,883	3,651
Items from the liabilities side of the balance sheet that have been deducted in the total return table	21,296	24,408
Valuation differences	151	–196
Total assets according to balance sheet	1,257,940	1,067,109

Group	2021	2020
Total return according to total return table	173,735	49,845
Items from the income statement (Notes 5, 6, 9, 10) that are not included in the total return table	260	–649
Foreign exchange effects in foreign subsidiaries, recognised in equity in the financial statements	–585	695
Tax included in the total return table, classified as tax in the income statement	–49	176
Other	–44	–34
Net return on capital according to income statement [2]	173,317	50,033

[1] See page 44.
[2] Notes 5, 6, 9 and 10 in the income statement.

NOTE 47 Average number of employees, salaries, and remuneration

Average number of employees [1]	2021 Number of employees	2021 Of whom women	2021 Of whom men	2020 Number of employees	2020 Of whom women	2020 Of whom men
Parent Company						
Sweden	306	181	125	334	194	140
Total, Parent Company	306	181	125	334	194	140
Subsidiaries						
Sweden	50	33	17	24	19	5
Total, subsidiaries	50	33	17	24	19	5
Total, Group	356	214	142	358	213	145

Gender distribution in senior positions	2021 Women	2021 Men	2020 Women	2020 Men
Parent Company				
Board of Directors	4	7	5	6
CEO	–	1	–	1
Other senior executives	3	5	4	4
Total, Parent Company	7	13	9	11
Subsidiaries				
Board of Directors	3	8	2	8
Total, subsidiaries	3	8	2	8
Total, Group	10	21	11	19

Salaries, remuneration and fees paid to CEO, senior executives, Directors and other employees [2]

SEK (thousands)	2021 Salaries, fees and other remuneration	2021 Social costs	2021 Pension costs [3]	2021 Total	2020 Salaries, fees and other remuneration	2020 Social costs	2020 Pension costs [3]	2020 Total
Parent Company								
CEO and senior executives [4]	23,818	9,490	8,270	41,578	24,103	9,385	7,468	40,956
Board of Directors [5]	2,916	915	–	3,831	3,023	950	–	3,973
Other employees	235,542	86,280	42,852	364,674	248,290	83,811	63,690	395,791
Total, Parent Company	262,276	96,685	51,122	410,083	275,416	94,146	71,158	440,720
Subsidiaries								
Other employees	35,644	14,202	8,206	58,052	10,234	2,902	924	14,060
Total, subsidiaries	35,644	14,202	8,206	58,052	10,234	2,902	924	14,060
Total, Group	297,920	110,887	59,328	468,135	285,650	97,048	72,082	454,780

[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] The higher pension costs in the parent company in 2020 consist mainly of retirement pensions.
[4] Consists of senior management for 2021. For the current composition of senior management, see page 41.
[5] 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.

NOTE 47 Average number of employees, salaries and remuneration, *cont.*

Salaries, remuneration, fees and benefits paid to senior executives and directors

	2021				
SEK (thousands)	Salaries, fees and other remuneration [1]	Benefits [3]	Total remuneration [4]	Social costs	Pension costs
Parent Company					
CEO					
Magnus Billing	6,437	88	6,525	2,632	2,398
Deputy CEO					
Katarina Thorslund	2,573	3	2,576	973	674
Hans Sterte	5,162	3	5,165	2,111	2,014
Other senior executives					
Senior executives [2]	9,537	15	9,552	3,774	3,184
Total, CEO and senior executives	**23,709**	**109**	**23,818**	**9,490**	**8,270**
Chair of the Board					
Ingrid Bonde	807	–	807	254	–
Other members of the board					
Hanna Bisell	230	–	230	72	–
Marcus Dahlsten	201	–	201	63	–
Martin Fridolf	102	–	102	32	–
Markus Granlund	201	–	201	63	–
Ann Grevelius	201	–	201	63	–
Petra Hedengran	201	–	201	63	–
Jan-Olof Jacke	236	–	236	74	–
Magnus von Koch	201	–	201	63	–
Martin Linder	236	–	236	74	–
Richard Malmborg	201	–	201	63	–
Members of the board who have left					
Helena Hedlund	99	–	99	31	–
Total, Board	**2,916**	**–**	**2,916**	**915**	**–**
Total, Parent Company	**26,625**	**109**	**26,734**	**10,405**	**8,270**

1) Salaries, fees, other remuneration and variable remuneration shown as total salaries, fees and other remuneration expensed in the 2021 financial year. No variable compensation has been paid during 2021.
2) Other senior executives refer to six positions, which along with the CEO and the Deputy CEO, represented the Alecta senior management team. For the composition of senior management, see page 41. 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 at insurance undertakings (FFFS 2019:23) will be published on alecta.se in April 2022.

NOTE 47 Average number of employees, salaries and remuneration, *cont.*

Salaries, remuneration, fees and benefits paid to senior executives and directors

	2020				
SEK (thousands)	Salaries, fees and other remuneration [1]	Benefits [3]	Total remuneration [4]	Social costs	Pension costs
Parent Company					
CEO					
Magnus Billing	6,202	99	6,301	2,540	2,308
Deputy CEO					
Katarina Thorslund	2,449	11	2,460	917	593
Hans Sterte	4,835	3	4,838	2,001	1,984
Other senior executives					
Senior executives [2]	10,479	25	10,504	3,927	2,583
Total, CEO and senior executives	**23,965**	**138**	**24,103**	**9,385**	**7,468**
Chair of the Board					
Ingrid Bonde	796	–	796	250	–
Other members of the board					
Hanna Bisell	227	–	227	71	–
Marcus Dahlsten	99	–	99	31	–
Markus Granlund	198	–	198	62	–
Ann Grevelius	99	–	99	31	–
Petra Hedengran	198	–	198	62	–
Helena Hedlund	198	–	198	62	–
Jan-Olof Jacke	233	–	233	74	–
Magnus von Koch	198	–	198	62	–
Martin Linder	233	–	233	74	–
Richard Malmborg	198	–	198	62	–
Members of the board who have left					
Cecilia Fahlberg Pihlgren	99	–	99	31	–
Kaj Thorén [5]	149	–	149	47	–
Anders Weihe	99	–	99	31	–
Total, Board	**3,024**	**–**	**3,024**	**950**	**–**
Total, Parent Company	**26,989**	**138**	**27,127**	**10,335**	**7,468**

1) Salaries, fees, other remuneration and variable remuneration shown as total salaries, fees and other remuneration expensed in the 2020 financial year. No variable remuneration has been paid out in 2020.
2) Other senior executives refer to six positions, which along with the CEO and the Deputy CEO represented the Alecta senior management team. The expense refers to those individuals who held a senior executive position at some point during the year.
3) Typical benefits include a company car, advantageous mortgage rates, household services and healthcare insurance.
4) Refers to variable remuneration under the investment management incentive scheme for which provision has been made. A presentation of remuneration paid by Alecta, including variable remuneration in accordance with the Swedish Financial Supervisory Authority regulations and general guidelines on annual accounts at insurance undertakings (FFFS 2019:23) will be published on alecta.se in April 2021.
5) Of which SEK 50,000 relates to fees for nomination committee work in one of the Alecta holding companies.

NOTE 47 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 2021 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 8 individuals who along with the CEO represent the Alecta management team. For the current composition of senior management, see page 41.

In accordance with the Swedish Financial Supervisory Authority general regulations and general guidelines on annual accounts at insurance undertakings (FFFS 2019:23), supplementary disclosures on remuneration will be presented on the Alecta website, alecta.se, in April 2022.

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 thew 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.

Deputy CEO positions are also covered by the FTP plan. The Deputy CEO, Katarina Thorslund is covered by a previous contract stipulating a notice period of 18 months, with any benefits received from other employment being fully deductible from severance pay. The contract can be terminated by the Deputy CEO with six months' notice. Deputy CEO, Hans Sterte is covered by a mutual notice period of six months, with any benefits received being fully deductible from severance pay.

Senior executives are covered by the FTP plan. Two executives are covered by FTP 2 and the remaining executives by 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 a salary exchange, i.e. the exchange of 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

There was also a general variable remuneration incentive scheme at Alecta in 2021, covering all employees except senior management and managers of the Internal Audit, Risk, Compliance and Actuary function units. The outcome for the general incentive scheme was contingent on achievement of the three long-term targets linked to the business plan for 2021, with a maximum outcome of SEK twelve (12) thousand per employee in the form of increased occupational pension premiums. In 2021, all three targets were fully achieved, which yielded a total outcome per employee of a maximum SEK twelve (12) thousand representing a cost to Alecta of approximately SEK four (4) million, including social costs.

Before 2021, there was also an incentive scheme for employees in the Equities and Fixed Income teams, which has now been ended. Therefore, there were no amounts reserved as variable remuneration in 2021 for this ended scheme. For 2020, the earned variable remuneration was SEK 5.8 million, excluding social costs.

Pension plans

All employees of Alecta Tjänstepension Ömsesidigt based 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 managed assets, 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 was SEK 25.8 million in 2021 and is expected to reach SEK 17.1 million in 2022. 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 surplus funding ratio for defined benefit plans at the end of the year was 172 per cent (148). The surplus 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 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 surplus funding ratio is 125–175 per cent.

The subsidiaries have mainly defined contribution plans and a few have defined benefit insurance 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 48 Disclosure of auditor fees

	Group		Parent Company	
	2021	2020	2021	2020
Statutory audit	3.2	3.9	3.2	3.9
Audit activities not included in statutory audit	0.4	0.3	0.4	0.3
Tax advisory services	1.6	2.4	0.3	1.4
Other services	1.3	–	1.3	–
EY	**6.4**	**6.6**	**5.2**	**5.6**
Statutory audit	0.5	–	–	–
Audit activities not included in statutory audit	–	–	–	–
Tax advisory services	–	–	–	–
Other services	0.5	–	0.5	–
KPMG	**1.0**	**–**	**0.5**	**–**

NOTE 49 Leases

Group	2021	2020
Balance Sheet		
Land and buildings, right-of-use	32	28
Other liabilities, lease liability	–32	–28
Income Statement		
Interest expense, leases	1	1

Leases and site-leaseholds are not amortised.

Accounting principle

IFRS 16 is applied for the Group and right-of-use and lease liability are recognised on the balance sheet. Leases and site-leaseholds are treated as perpetual leases, which are measured at market value and not therefore amortised. The market value is calculated by discounting future lease and site-leasehold payments using an estimated market rate based on direct return as a percentage for each property. Lease and site-leasehold payments have been recognised as interest expense since 1 January 2019.

As mentioned in Note 1 under Basis of Preparation of Financial Statements, Alecta is considering transitioning to legally restricted IFRS in 2022. This will mean that Alecta will then cease to apply IAS 16 in the Group and instead report lease payments over the lease term on a straight line basis, the same as the Parent Company under the FFFS 2020:24 (Regulation on the amendment of FFFS 2019:23) and the Insurance Companies Annual Accounts Act.

NOTE 49 Leases, *cont.*

Alecta has entered into leases for site and land leaseholds, premises, office equipment and cars. The due dates for the total amount of future minimum lease payments under non-cancellable leases as at 31 December are indicated below.

Parent Company	2021	2020
Due date		
Within one year	5.0	3.1
Later than one year but within five years	10.2	6.5
Later than five years	–	–
Total	**15.2**	**9.6**
Total lease payments during period	**5.1**	**3.5**
of which minimum lease payments	*5.1*	*3.5*

Rental contracts outside Sweden were sublet until September 2020, when the contract expired and in 2020, lease income was SEK 2.3 million.

Accounting principle

Parent Company

The recognition of leases is treated in RFR 2 for the Parent Company. According to RFR 2, legal entities do not need to apply the rules in IFRS 16. A company that is a lessee is to recognise lease payments as an expense over the lease term on a straight line basis, unless another systematic basis better reflects the economic use of the user over time. That also applies if the payments are allocated differently. The asset right-of-use and corresponding lease liability should not therefore be recognised on the balance sheet.

NOTE 50 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 functions
- close family members of the Board of Directors and management team
- 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 subsidiary companies refer to loans or shareholder contributions provided in connection with investments made by the subsidiaries. Transactions from subsidiary companies 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.

Since 1 January 2021, Alecta Tjänstepension Ömsesidigt has provided premises and internal services for inter alia, finance, IT and HR of the subsidiary Alecta Fastigheter AB.

Since 1 January 2021, Alecta Tjänstepension Ömsesidigt has also received management services for directly owned properties and indirect investments from Alecta Fastigheter AB. In addition, Alecta Tjänstepension Ömsesidigt has received property management services from Alecta Fastigheter AB, as since 1 October 2021, Alecta Fastigheter AB started taking over the management and development of the Group's Swedish properties. Prior to that, management and development were only handled by external parties. 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

Information on remuneration of senior executives and members of the Board is presented in Note 47. No remuneration was paid to family members of related parties in 2021.

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 2021.

As in previous years, no portfolios were transferred in 2021.

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. Directly or via a subsidiary, Alecta Tjänstepension Ömsesidig is a co-owner of a number of joint ventures in Sweden and the United States.

Transactions between Alecta and these joint ventures refer to lending, shareholder contributions, dividends and interest payments, and are shown in the table below.

In 2021, the Group invested SEK 18,574 million (5,145) in associated companies and joint ventures. As in previous years, the largest amount relates to the property company,Heimstaden Bostad AB.

A list of associated companies and joint ventures is found in Note 18.

Information on transactions between the Parent Company, Alecta Tjänstepension Ömsesidigt and related parties

	Payments received		Payments made	
Related parties	2021	2020	2021	2020
Group company				
Interest income	278	256	–	–
Share of profit	82	47	–	–
Management fee [1]	–	11	–	–
Property management	17	–	26	–
Dividends	213	144	–	–
Shareholder contributions provided	–	–	1,286	2,117
Associated companies and joint ventures				
Interest income	25	23	–	–
Dividends	2,150	1,138	–	–
Total	**2,764**	**1,620**	**1,312**	**2,117**

1) The management fee has been a part of property management since 2021 when Alecta Fastigheter AB started its operations.

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	2021	2020	2021	2020
Group company				
Non-current receivables	13,075	11,666	–	–
Receivables from/liabilities to Group companies	–	–	1,083	782
Accrued interest income	0	–	–	–
Associated companies and joint ventures				
Loans receivable	402	357	–	–
Total	**13,477**	**12,023**	**1,083**	**782**

NOTE 51 Significant events after the balance sheet date

On 1 January 2022, Alecta converted from a mutual insurance company under the Insurance Business Act to a mutual occupational pensions company under the new Occupational Pensions Companies Act. At the same time, the name Alecta pensionsförsäkring, ömsesidigt changed to Alecta Tjänstepension Ömsesidigt.

Russia's aggressive invasion of Ukraine in February has caused global unrest in the financial markets and major stock market declines around the world. Alecta has no direct or indirect investments in Russia or Belarus but the market development has meant that the value of Alecta's total investments has fallen since the end of the year. At the end of February, the total value of investments amounted to SEK 1,178 billion, which means that the total return for the first two months of the year totalled –4.7 per cent.

Alecta's financial position has been negatively affected during the period but is still at a very good level. The funding ratio for defined benefit insurance has decreased during the period from the end of December to the end of February from 172 per cent to 168 per cent.

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, 25 March 2022

Ingrid Bonde
Chair

Jan-Olof Jacke
First Vice Chair

Martin Linder
Second Vice Chair

Hanna Bisell
Member of the Board

Marcus Dahlsten
Member of the Board

Markus Granlund
Member of the Board

Ann Grevelius
Member of the Board

Petras Hedengran
Member of the Board

Martin Fridolf
Member of the Board

Richard Malmborg
Member of the Board

Magnus von Koch
Member of the Board

Birgitta Pernkrans
Employee representative

Mikael Persson
Employee representative

Magnus Billing
CEO

Our audit report was submitted on 30 March 2022.

Ernst & Young AB

Mona Alfredsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Alecta Tjänstepension Ömsesidigt, corporate identity number 502014–6865

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the annual accounts and consolidated accounts of Alecta Tjänstepension Ömsesidigt for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 42–106 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the parent company as of December 31, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as of December 31, 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Insurance Companies.

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 parent 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 the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of provisions for life insurance

Description

As of December 31, 2021, the Group's provisions for life insurance amounted to SEK 600 billion, equivalent to 94 % of the Group's total liabilities. In the Parent Company, provisions for life insurance amounted to SEK 600 billion, accounting for 94 % of the Parent Company's total liabilities.

Disclosures on provisions for life insurance are provided in Note 1 Accounting principles, Note 2 Significant accounting estimates and judgements, Note 3 Risks and risk management, and Note 36 Provision for life insurance. Life insurance provisions need to cover expected future payments of insurance claims. Provisions for future claims are calculated using statistical methods. Given the size of the balance sheet item relative to total liabilities, and the fact that the valuation requires management to make estimates and judgements, the valuation of life insurance provisions is considered a key audit matter in our audit.

How our audit addressed this key audit area

We have evaluated the company's process for determining provisions and assessed whether material risks are covered by existing controls. We have also assessed the suitability of the methods and assumptions used and have made independent calculations of provisions for those insurance classes which involve the highest degree of judgement. In our audit, we have engaged our internal actuaries to assist us in carrying out audit procedures in respect of technical provisions. We have also assessed the disclosures made in the financial statements in respect of life insurance.

Audit report, *cont.*

Valuation of investment assets

Description

As of December 31, 2021, the Group's investment assets amounted to SEK 1 237 billion, accounting for 98 % of the Group's total assets. Out of this balance, SEK 36 billion were related to land and buildings. Investment assets in the Parent Company amounted to SEK 1 227 billion, accounting for 98 % of the Parent Company's total assets. Out of this balance, SEK 13 billion were related to land and buildings.

Of the Group's investment assets, SEK 1 234 billion is measured at fair value, where SEK 35 billion relates to land and buildings. SEK 1 203 billion is measured at fair value in the Parent Company, of which SEK 13 billion relates to land and buildings.

Financial instruments at fair value are divided into different levels based on a fair value hierarchy (Levels 1, 2 and 3). Level 1 consists of financial instruments for which quoted (unadjusted) prices in active markets are available for identical assets or liabilities. For financial instruments in Level 2, certain estimates and judgements may be required to determine fair value, although the use of estimates and judgements is much less significant than for financial instruments in Level 3.

As of December 31, 2021, there were investment assets of SEK 819 billion which are measured at fair value at Level 1, SEK 189 billion measured at Level 2 and SEK 192 billion measured at Level 3. For the Parent Company, there were investment assets of SEK 819 billion which are measured at fair value at Level 1, SEK 189 billion measured at Level 2 and SEK 183 billion measured at Level 3.

Disclosures on the valuation of investment assets are found in Note 1 Accounting principles and Note 22 Valuation categories for financial instruments measured at fair value. Information is also provided in Note 19 Classification of financial assets and liabilities and in Note 23 Disclosures on financial instruments measured at fair value based on Level 3. Disclosures are also provided in Note 15 Land and buildings. Given the size of the balance sheet item relative to total assets, and the fact that the measurement of financial instruments at Level 2 and Level 3 requires management to make certain estimates and judgements, the valuation of investment assets is considered a key audit matter in our audit.

How our audit addressed this key audit matter

We have evaluated the company's process for the valuation of financial instruments and other investment assets, and the valuation methods used, and have, where applicable, assessed the reasonableness of management's estimates and judgements in calculating fair values. We have tested a selection of key controls in the valuation process and have independently valued a selection of financial instruments and other investment assets. The results of this valuation have been compared with management's own valuation and differences have been analysed. We have also assessed the disclosures made in the financial statements in respect of investment assets

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–41 and 111–112. The Board of Directors and the Managing Director are responsible for this 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 Directors 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 and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibilities

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 conduct-

Audit report, *cont.*

ed 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 we 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 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 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

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 Directors 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 reassuring manner.

Audit report, *cont.*

Auditor's responsibilities

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 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 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 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 Companies Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Alecta Tjänstepension Ömsesidigt by the Council of Administration on April 22, 2021 and has been the company's auditor since April 10, 2014.

Stockholm 30 March, 2022
Ernst & Young AB

Mona Alfredsson
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 policy holders, in the form of a future reduction of the premium.
- the insureds, in the form of a future increase of 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 should be used.

Allocated refunds are not formally guaranteed.

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's assets less intangible assets and financial liabilities and 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 it is determined in advance how much the pension will be 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 how 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 ratios for Alecta are a collective surplus level and solvency ratio.

Guaranteed refunds
A surplus that is guaranteed to
- the policy holders, in the form of premium reductions
- the insureds, in the form of a raised guaranteed insurance benefit or paid supplementary 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.

Guaranteed 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, including fixed income securities, shares and real estate, at market value on the balance sheet.

Investment management expense ratio
Operating expenses for investment management divided by average assets under management.

Management expense ratio
Operating expenses in the insurance business (acquisition and administrative costs) and claims settlement expenses in relation to average assets under management. The key ratio is calculated on an aggregate basis and for the pension products, excluding selection centre costs.

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 rebate.

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 occurring in the future.

Risk insurance
Insurance for which the entire premium is used to protect against risk. 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 divided by the guaranteed commitments.

Special indexation funds
Funds allocated to guarantee the indexation of pensions or for other pension promotion purposes. These funds only become available to Alecta subject to a decision by the Confederation of Swedish Enterprise and the Council for Negotiation and Cooperation (PTK). Special indexation funds are therefore not included in collective surplus capital.

Supplementary amounts
Refunds allocated to the insured parties in addition to the guaranteed defined contribution pension.

Technical provisions
Technical provisions 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.

Alecta Tjänstepension Ömsesidigt
Telephone +46 20 78 22 80
SE-103 73 Stockholm | alecta.se

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