Annual and Sustainability Report 2022

Contents

About Alecta's Annual and Sustainability Report 2022

Alecta's annual and sustainability report is presented by the Board of Directors and CEO and is intended to provide all stakeholders with a good understanding of our activities and results in the past year. The administration report and the financial statements constitute Alecta's statutory financial information and are subject to external auditing. The Sustainability Report section constitutes Alecta's statutory sustainability report. It is prepared in accordance with the guidelines from the Global Reporting Initiative (GRI) Standards and describes Alecta's organisation and governance of sustainability, detailed data and boundaries. Alecta's external auditors 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, which are not covered by the Ernst & Young AB review. At alecta.se there is a digital annual report with further details about the business and the pension market.

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

Alecta's fundamental insight:

When trust is shared it grows

Employees and employers founded Alecta with the insight that trust grows when it is shared. Based on this, Alecta's management and board have formulated our purpose, mission and work approach as our Why, What and How.

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

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

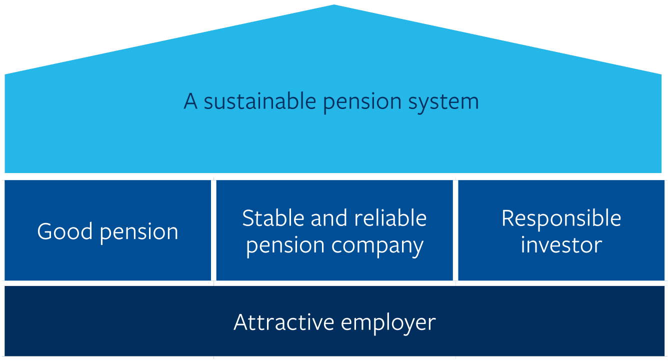
How does Alecta work?
We empower each other, we apply new thinking to improve, day by day.

Alecta in brief

Alecta's goals

Alecta build trust in the future – today. We have done this since 1917, by providing collective occupational pensions with as much value as possible for our private and corporate 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

When trust is shared it grows – that insight has permeated everything we do since we were founded. Alecta's ability to create security for our customers 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.

In this way, 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 security 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 that 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. We must also be an attractive employer so that we always have the right skills to operate in a changing world and can live up to our high goals and ambitions. That is how we can maintain a sustainable pension system.

SEK 1,155 billion in assets under management

35,000 corporate customers

2.6 million insured private customers

Highlights of the year

Stable finances despite declining stock markets

Alecta's financial position has developed well despite the relatively large downturns on global stock markets. One reason for this is that rising interest rates during the period have reduced the present value of future commitments. Another important reason is Alecta's clear focus on cost efficiency.

Alecta raises the occupational pension by 11 per cent for 641,000 pensioners

Alecta's Board of Directors resolved to raise the defined benefit pensions by 10.84 per cent for 2023, matching the inflation rate over the past year. In total, this means that over SEK 50 billion is distributed to 1.6 million customers.

Alecta cuts Swedish companies' pension costs by SEK 11.2 billion for 2023

Alecta's Board of Directors has resolved to introduce a premium reduction for defined benefit retirement and family pensions of 40 per cent in relation to the current premium level in 2023 and to continue to provide premium reductions for risk insurance.

Older but not old – a photo exhibition that broadens the image of older people

The photo exhibition "Older but not Old" that was inaugurated in 2021 has continued to tour Sweden and was held in Stockholm on three occasions. The exhibition is part of an ongoing effort to nuance the stereotypical image of the retired person. Read more at alecta.se/aldremenintegammal

Continued investments in sustainability

In the area of sustainability, we have made several noteworthy investments, including in a bond that enables projects to contribute to a better marine environment around Belize. More than SEK 1 billion have been invested in 105 Victoria Street, which will become the UK's largest climate-neutral office property. We have also invested in Polarium, a Swedish company that is a leader in advanced solutions for energy storage and energy optimisation.

Henrik Gade Jepsen, new Head of Asset Management

On 1 December, Henrik Gade Jepsen took over as the new Head of Asset Management at Alecta. He has previously held similar roles in the Danish pension fund, ATP and Danske Bank.

8 out of 10 don't know what their retirement savings cost

82 per cent of Swedes do not know what they pay in fees for their pension savings and 75 per cent do not know what the fee covers. This is according to a survey conducted by Novus on behalf of Alecta. Read more at alecta.se/laga_avgifter

Alecta wins awards in IPE Awards

In May, Alecta won the award in the category of alternative strategies in real estate and in December, Alecta received the award for the best Swedish pension company.

Alecta 2028

During the year we established a new strategy plan – Alecta 2028 – following discussions and workshops in all parts of the company. It has four distinct areas of movement: Robust pensions in an increasingly turbulent world, Sustainable in everything we do, Data-driven organisation and Customers know why we provide the best pension.

Pension economist

During the year Alecta's pension economist, Staffan Ström spent a lot of time presenting and discussing the data that Alecta and other actors have produced on pensions and retirement income. Staffan has also participated in discussions and seminars including during the Almedal Week when the Swedish Fiscal Policy Council presented its pension report both here and at several other conferences during the year. Read more about the pension economist's work in Alecta's digital annual report at alecta.se.

Strengthen self-leadership across the organisation

In 2022, we have continued to work towards strengthened self-leadership and delegated decision-making across the organisation. In the journey towards an agile work method, we have taken several steps forward over the past year and have supplemented the existing business development function with three agile coaches.

Two new skills programmes

In order to secure Alecta's IT skills in insurance system development, two new skills programmes were launched in autumn 2022, Alecta Advance IT and a talent programme Dev@A Programme.

High levels of customer satisfaction

Alecta continues to deliver good customer service and is exceeding our goals for both private and corporate customers. During the year we have been working to simplify the services for customers. For example, we improved the Pension Planner, which is one of our most popular services on My Pages so that customers get a faster response when they start withdrawing.

Message from the CEO

A turbulent world affected Alecta

When I wrote the message from the CEO for our annual and sustainability report a year ago, Russia had just invaded Ukraine. Although we didn't understand the full extent of it, we all realised that it would affect both our lives and our economy. The war in Ukraine has become more brutal and terrible for the Ukrainians than most of us feared. The impact of war on the economies of the rest of Europe also became more dramatic. An energy crisis and inflation were the clearest economic effects in 2022 but our trust and confidence in the future were also affected.

As I write the message from the CEO for 2022, rapidly rising interest rates have led to a crisis for the banking sector, especially in the US where Alecta had an exposure that led to losses of approximately SEK 20 billion. Since 2016, we have invested in three banks in the US with completely different business models and with operations in different parts of the country. These investments performed well in the first few years but in 2022 the situation deteriorated as interest rates rose. Although we saw that there were challenges ahead, our assessment was that they could be resolved. Like most research houses and credit rating agencies, we misjudged the rapid negative development of US banks that took place in March 2023. This was a failure on our part and I fully understand and respect the anger and disappointment of our customers and other stakeholders.

In no way do I want to excuse Alecta for the investments in the US banks. But I still want to emphasise the proportions and the actual impact on Alecta's customers. What has now occurred has had virtually no impact on either Alecta's customers or Alecta's financial position. Alecta remains financially stable, as a result of many years of good investments and high returns. The impact on pensions is small, firstly because the loss corresponds to less than 2 per cent of our assets under management and secondly, because of how our pensions are designed.

Those who have defined benefit pensions are not affected at all – this applies both to customers who have pensions in payment and to those who are earning their occupational pensions. The defined contribution pensions are affected but as it is mainly those born after 1978 who have these, the impact on future pensions will vary between a few per thousandths and just over 1 per cent depending on age, everything else being the same. However, there are 20 years or more left until they retire, so our future ability to generate returns and our low fees will have a greater impact on retirement.

The Board has commissioned me to evaluate our investment strategy along with external resources and to publicly share the conclusions. This is good. Alecta can do better than this and we will ensure that we do so.

Important mission

Myself and my colleagues at Alecta are proud to be able to work on an important mission from the social partners; to strengthen security both during and after employment for 2.6 million Swedes. We have delivered good long-term returns, the average five-year return has been 4.5 per cent for the defined benefit insurance and 6.7 per cent for the defined contribution insurance. In addition, we are doing so in a way that contributes to a better future for all.

We are doing very good sustainability work at Alecta. For example, our equity portfolio has one of the lowest climate footprints in the industry, which has been recognised internationally, including that our work with the climate footprint received third prize at the SFDR4AO international conference. We are also one of the largest investors in green bonds and other so-called impact investments, investments that actively contribute to reducing the climate footprint or contribute to a positive social impact.

Declining returns but strong finances

The war in Ukraine and the aftermath of the pandemic and the support policy adopted at the time had a dramatic effect on the macroeconomic situation in 2022. High inflation and rising interest rates caused the economy to reverse and asset prices to plummet, not least on global stock markets. Of course, it affected Alecta's returns. During the year, the return on defined benefit insurance was –7.4 per cent and on defined contribution insurance –9.8 per cent. In both cases, we reach our average five-year return targets.

All the more gratifying is that, thanks to the focus on our long-term mission and a balanced investment and product strategy, we still have such a strong financial position that during autumn we were able to inflation-proof our defined benefit pensions and raise them by almost 11 per cent for 2023, while at the same time lowering the premiums for companies by 40 per cent. These persist even after the events in March 2023. We achieved our other two overall goals, customer satisfaction and cost efficiency for 2022. The fact that this has been possible is largely an effect of the Alecta 2023 strategy programme, which was adopted in 2018 and that all employees have worked hard to fulfil since then. Alecta has become smarter, better and more efficient thanks to this. Many thanks to all our great employees.

Alecta 2028

It has also created the conditions for continuing to develop Alecta in an increasingly changing world, with new demands and behaviour among corporate and private customers, new technology, turbulent economies and asset markets, as well as new expectations from existing and potential employees. Prior to the development of a new strategy plan, management and the board also discussed Alecta's vision. The current vision focuses on cost efficiency, which has been and will be important for Alecta. However, it was our belief that it doesn't provide for sufficient clarity and participation. In these discussions, we started from three basic questions that we are now replacing the vision with – Why, What and How? The answers to these questions give us purpose, mission, direction, and guide our ways of working. Read more about these answers on the next page. We established our Alecta 2028 strategy plan based on this, following discussions and workshops in all parts of the company. It has four distinct areas of development:

- Robust pensions in an increasingly turbulent world.
- Sustainable in everything we do.
- Data-driven organisation.
- Customers know why we provide the best pension.

On page 11 of this Annual and Sustainability Report you can read more about these areas.

Important events during the year

In different ways Alecta's employees have made fantastic achievements and delivered important milestones in 2022. Allow me to highlight some important events.

We have continued to work on increasing automation in our services to customers. For example, we improved the Pension Planner, which is one of our most popular services on My Pages so that customers get a faster response when they start withdrawing. We also enabled people with a protected identity to log in and see their insurance policies and receive letters digitally, which had been requested.

In the area of sustainability, we have continued to strengthen ESG integration in our analysis and investment process and made several noteworthy investments. This includes in a bond that enables projects to improve the marine environment outside the Central American country of Belize, as well as investment in the Swedish company Polarium, which is a leader in advanced solutions for energy storage and energy optimisation.

We have also continued to contribute to a fact-based debate on a sustainable pension system. We have published a study on the finances of retired persons that has attracted great media and political interest, as well as a photo exhibition in which we try to provide a more multifaceted picture of the modern pensioner. The exhibition, "Older but not Old" has received a lot of attention and was shown in connection with Sweden's EU Presidency 2023. You can view the pictures on our website, alecta.se/aldremenintegammal.

During the year, Alecta's fixed income team carried out another recognised deal in credit risk insurance. Through the collaboration with Dutch PFZW/PGGM, Standard Charter purchased credit protection against a global loan portfolio but for which the bank received capital relief in two different jurisdictions. The deal was recognised internationally when the transaction was awarded the "Innovation of the Year" award by the trade magazine, Structured Credit Investors in October 2022.

In addition, we won the international IPE Award for innovative and successful work on alternative strategies in the property portfolio and were named the best Swedish pension company at the IPE Awards in December.

We also recruited a new Head of our Asset Management, Henrik Gade Jepsen who previously worked for the Danish pension fund ATP and Danske bank. Henrik joined in December.

During the year, Alecta Fastigheter increased the market value of the property portfolio by SEK 6 billion through organic growth, as well as through the acquisition of Solna Centrum and Campus Södermalm in Stockholm. In early 2022, the company and our partner, Nordr was awarded one of the City of Stockholm's largest land allocations in Värtahamnen, contributing to Stockholm's sustainable urban development.

We also submitted a tender to remain a default option in the defined contribution plan ITP 1 for another five years, as part of the Collectum procurement. Thanks to our competent and loyal employees and the work they have done to make Alecta more efficient and better, we have been able to submit a very competitive tender, which led to us being informed at the end of March 2023 that we had been awarded the procurement.

Finally, I want to assure our customers that in the coming years we will continue to work tirelessly to regain the trust of our customers – now and in the future. We will do everything we can to earn the trust we have lost as a result of the failed investments in the US. We are confident that we will be able to do so.

Magnus Billing
CEO
Alecta Tjänstepension Ömsesidigt

Alecta's Why, What and How

At the beginning of last century, employees and employers of mills in Värmland met with a shared ambition. They wanted to create a better future to age and retire in, for all employees. A fundamental idea was that the pension would be a natural part of the employee's compensation, which also remained with them when they changed employers.

They also realised that trust grows when it is shared. Shared responsibility for each other creates greater security for everyone. Therefore, in 1917 they created an occupational pension company owned by the employees and employers, the mutual company Alecta. Thus, the modern occupational pension was born.

Alecta's fundamental insight:

When trust is shared it grows

Based on this desire and this insight, Alecta's current management and board have formulated our Why.

Why does Alecta exist?

We build trust in the future – today.

What does Alecta do?

We provide occupational pensions established under collective agreements with as much value as possible.

From the outset, the parties gave Alecta a mission that we still have. That is the basis of our What.

Overall, Alecta's Why and What mean that we should not only create the greatest possible financial security for our customers after employment, but also create security during employment. We do this by offering both health insurance and survivor protection as part of the occupational pension and by working towards a sustainable pension system, where we contribute knowledge to a fact-based pension debate and invest our customers' money so that people, the environment and society will all thrive in the long term.

How does Alecta work?

We empower each other, we apply new thinking to improve, day by day.

Since being founded, Alecta has continued to be innovative and led developments in the Swedish pension market. For example, Alecta has driven consumer protection, transparency, lower fees and digitalisation in the industry. In order to continue to be innovative and flexible and thus be able to live up to our Why and What in today's rapidly changing society, a flexible and responsive way of working and thinking is required. That's why Alecta's management and Board have formulated our How.

Our How is based on a strong belief in the individual's capacity and ability to contribute and develop so that the team, group, department and the entire company achieve their goals now and in the future. This is why we work with strong self-leadership, use our collective intelligence and have an agile approach and an agile model for business development. It is based on a commitment and a common, clear direction. Something we can all be passionate about and proud of while challenging ourselves – our why, what and how.

Alecta's long-term operational goals

LONG-TERM OPERATIONAL GOALS	FOLLOW-UP	OUTCOME 2022

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 2022, we chose to evaluate target fulfilment by monitoring how satisfied the private and corporate customers are who call our customer service.

The target for 2022 was that corporate customers should give an average score of at least 5.3 and private customers an average of 5.5 on a six-point scale.

Customer satisfaction for corporate customers and private customers averaged

5.5 and 5.6

respectively, which means we achieved both our targets for secure and satisfied customers.

Low costs and high efficiency

Alecta is to have 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 2022, the target was that Alecta's operating expenses would not exceed SEK 953 million, excluding variable pay.

Alecta's operating expenses were

SEK 932 million

excluding variable pay. We can thus see that we achieved the cost target for 2022.

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.

Target fulfilment was monitored using two metrics in 2022. For the Alecta Optimal Pension, which is a product fully exposed to competition we have established a metric relative to competitors. For defined benefit insurance, we measure return compared 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.

Alecta Optimal Pension's total return is to be the best or second best in comparison to a selection of relevant competitors in traditional insurance. The benchmark shows the return of the second-best company.

Alecta Optimal Pension's average five-year return was

6.7 per cent

The return for the company that was second best was 5.8 per cent. This means we achieved the target for Alecta Optimal Pension in 2022.

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

4.5 per cent

while the required rate of return amounted to 4.0 per cent and the target level to 4.5 per cent. This means we achieved the target for defined benefit insurance in 2022.

Alecta's sustainability objectives

LONG-TERM SUSTAINABILITY OBJECTIVES | FOLLOW-UP | OUTCOME 2022

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

Trust in Alecta

38 (38) per cent

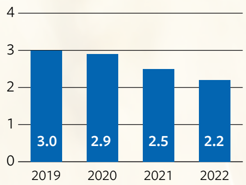
of salaried employees in Sweden view Alecta as a stable and secure company.

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.

Alecta takes climate into account in investment decisions and supports the holding companies' work on transition through dialogue. More and more companies have adopted ambitious climate goals in line with our own goals. During the year, we have developed the follow-up of the climate footprint for more asset classes and made several investments that support transition and climate adaptation.

The weighted carbon dioxide intensity of the equity portfolio, tCO_2/mSEK revenue (Scope 1 and 2)

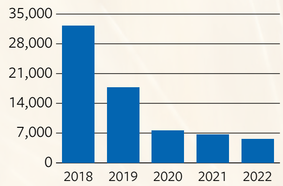


Optimise use of resources to reduce environmental impact

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

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

Reduced consumption customer letters, kg



Customer letters, including transports 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 should be an attractive employer that harnesses and promotes 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 55 per cent

More indicators linked to sustainability goals can be found on page 23 and onwards.

Alecta 2028

During the year, a new strategy plan – Alecta 2028 – was established after discussions and workshops in all parts of the company. To ensure that Alecta still delivers the best pension and value for the customer in 2028, we have established four areas for development:

Robust pensions in an increasingly turbulent world

In order to ensure that Alecta can achieve its return targets and continue to provide good pensions in a turbulent capital market, we will further develop sustainability work, as well as risk and portfolio analysis within asset management. In addition, we will continue to broaden the portfolio and further strengthen matching between assets and liabilities.

Customers know why we provide the best pension

Significantly more of Alecta's customers will become aware that they are customers and feel a sense of commitment to Alecta and our products. We will achieve this by disseminating knowledge and increasing efforts in brand-strengthening communication. The employer brand will also be strengthened.

Sustainable in everything we do

Sustainability should be fully integrated into both investment and insurance operations. Alecta needs to further integrate sustainability data into system support and expand metrics for sustainability effects. The dialogue with the holding companies will be developed. The internal sustainability work in the insurance business needs to be strengthened and the employees' knowledge level increased.

Data-driven organisation

Alecta will further develop skills, infrastructure and tools for data analysis and establish a shared quality assured data source. The purpose is to create better quality and efficiency when developing our business, making and evaluating business decisions, and reporting internally and externally. It requires a cultural shift from "having data" to "using data".

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. At the back of the Annual and Sustainability Report is the regular information for Alecta's financial products according to the templates developed within the EU Sustainable Finance Disclosure Regulation (SFDR). For the report on the review of the sustainability report and opinion on the statutory sustainability report from Alecta's external auditor EY, refer to page 36.

HIGHLIGHTS FROM WORK PERFORMED DURING THE YEAR

After the recent years marked by the pandemic, 2022 has been a year of other challenges – Russia's invasion of Ukraine has meant major civilian damage and human tragedy. Many of Alecta's employees have felt a great commitment and together we have engaged in various ways to support those who have fled the war. Another aspect is that the companies we invest in have had to review their involvement with Russia, both with regard to employee safety but also to ensure that the business is not conducted in violation of the sanctions issued , e.g. by the EU. The war also sparked an intense debate on Europe's energy policy and how we can rapidly increase the supply of fossil-free energy to offset the lack of energy supplies from Russia and to meet the growing energy demand from new green industries.

In the more operational sustainability work, 2022 has included different internal training efforts in sustainability and ethics, a new action plan for diversity and inclusion, cooperation with Alecta Fastigheter on our office and an intensified effort to meet the sustainability regulations of the EU implemented in stages for financial actors.

At the end of 2022, Alecta's Board of Directors decided on the strategic direction of the business for the next five years, where sustainability is a key component. This will mean continued development of sustainability efforts with a focus on value creation and integrating sustainability as a natural part of all parts of the business.

A few events and results from the year's sustainability work are highlighted in brief below.

Both "heart and mind" can be said to be the tone of the photo exhibition produced by Alecta to broaden and nuance the image of the elderly and the life choices of different individuals. The exhibition has attracted attention and contributed to the debate about the elderly in society. Other fact-based contributions in the debate have addressed pensions and employment, for example about Swedes' awareness of pension savings contributions and factors that affect long sick leave during employment.

Stockholm City Mission and Ukraine

Alecta Fastigheter has lended a centrally located premises to Stockholm City Mission for the distribution of clothing and other supplies to refugees from Ukraine. Alecta's employees have been able to help as volunteers during working hours on a number of occasions during late spring, which has felt meaningful. It was not least noticeable when employees were given the opportunity to donate Christmas gifts to families through the Salvation Army. Stockholm City Mission and the Red Cross were joint recipients of Alecta's Christmas gift and during the outbreak of war, Alecta made contributions to the Red Cross and UNHCR in favour of those affected by the war in Ukraine.

Medal from the King

In June, Alecta's CEO Magnus Billing received H.M. the King's 8th size medal of the Order of the Seraphim, with the justification, "For meritorious efforts in climate and sustainability work in the financial sector". Magnus Billing has also been an active voice in the discussion on sustainability at international conferences. One example is the seminar on how private capital can be catalysed for climate funding in developing countries, which the Swedish International Development Cooperation Agency organised in collaboration with the World Bank in connection with the climate conference Stockholm +50 in June. It has been 50 years since the United Nations held its first environmental conference.

Climate Capital

In 2022 a joint initiative between Alecta, AMF, Folksam and Nordea Liv was started in order to gather representatives from the different parts of society in a four-part training and conversation series. Climate Capital includes state secretaries, members of parliament, representatives of unions and employees, researchers, investors, government and business representatives. The initiative will continue into 2023.

Ownership Report and Letter from the CEO

During autumn, Alecta published its annual Ownership Report describing the work on governance during the year and important themes in focus – including diversity, ESG in compensation programmes, climate and human rights. When the report was released, all Swedish holding companies were invited to a digital presentation. New this year, a letter from Alecta's CEO was sent to the chair of all of Alecta holdings, urging them to move from goals to action in terms of climate transition.

HIGHLIGHTS FROM WORK PERFORMED DURING THE YEAR

Investments with a positive sustainability effect

In spring, the Board approved a position describing Alecta's view of so-called impact investments, investments with the aim of contributing to sustainability and financial returns. Alecta welcomes such investment opportunities and wants to contribute to increasing the range. The conceptual framework is evolving at a rapid pace and defining and setting criteria for what can actually be identified as such investments provide clarity for our clients and other stakeholders. Examples of such investments in 2022 are Belize Blue Bond, where a restructuring of the national debt frees up funds for a fund to preserve and nurture Belize's marine environment, as well as an office property in London that will become the UK's largest climate neutral office real estate, using innovative construction techniques.

Gender equality and diversity in business

During spring, a discussion about diversity and meritocracy in the business world arose and Alecta organised a breakfast debate on the subject. The aim was to highlight different perspectives and different actors' ways of navigating the issue of diversity, which most voices say is a necessity for a dynamic business community. Alecta has identified the need to broaden the candidates lists in the work of the nomination committee on succession planning in the boards of the holding companies. Therefore, on a number of occasions throughout the year, along with with Spencer Stuart we have brought together a group of qualified female leaders for an exchange with experienced board chairs and owner representatives. The exchange has addressed the boards of directors of the future, the career for board directors and the qualifications saught by the nomination committees.

Sustainability week and other training initiatives

In May, Alecta organised an internal sustainability week with different knowledge sessions for all employees. Internal presentations on investment with a theme of sustainability and health were interspersed with external guests such as Mattias Frumerie, Sweden's chief climate negotiator, Tove Dahlgren from Allbright on gender equality in business and Stockholm Exergi's Head of Sustainability Ulf Wikström on bioCCS technology. At the end of the year, all employees were invited to an e-learning course on Alecta's sustainability work with the opportunity to immerse themselves in different topics. At the end of the year, 73 per cent of employees had completed at least one module. In asset management, sustainability-themed presentations are a regular occurrence and during the first half of the year, analysts and managers met on four occasions to familiarise themselves with the EU taxonomy for different sectors.

Employee development and diversity action plan

In addition to mandatory training, all employees have been involved in the topic of self-leadership, which builds on the work with collective intelligence. Other key words for employee development initiatives during the year are agile ways of working, leadership and how our work can become more data-driven. Alecta's ambition is to create a more dynamic, constructive and creative internal collaboration that takes advantage of different perspectives. During spring, a diversity group was formed with representatives from the different parts of the business that contributed to the two-year action plan for diversity and inclusion that was completed after summer. Several key points in the plan address the recruitment process, skills strategy and inclusion metrics.

Work environment and office

Since returning to the office in spring, we have been experimenting with the hybrid world in which we live. The flexibility to work in the office and from home has a positive impact on both work efforts and life balance and is highly appraised. As many people work from home during parts of the week, the office has been perceived as deserted and to create dynamics, we moved to four floors instead of six. The entrance floor has been designed as a cosy area that encourages meetings and cooperation across departments. On one of the floors, we are trying out rented furniture to find the best setup. We have also continued with health initiatives such as workouts, running groups, medical yoga and bike weeks with leasing options and bike care for spring and winter. To make it easier for a third of our employees, we have also installed boxes with sanitary products in the office. Together with the subsidiary Alecta Fastigheter AB, we are reviewing the environmental performance of the office. Alecta supports the Swedish Energy Agency's campaign 'Every kilowatt hour counts' and tests different measures for further energy efficiency improvements.

New whistleblowing system

Halfway into 2022, the Board of Directors adopted a resolution on a new whistleblowing policy and simultaneously introduced a new whistleblowing system. It enables anonymity and is provided by an external provider, WhistleB. The policy provides guidance on what constitutes an event that may be a reason for a whistleblowing. Internal recipients of whistleblowing cases are the heads of Risk and Compliance, or the chair of the audit committee depending on who the whistleblowing involves. When the policy was adopted, Compliance and Risk held mandatory training on the rights and protections of a whistleblower and how the new system works. HR and the unions Saco and Forena also participated to talk about the employees' ability to turn to them for support in cases that do not constitute whistleblowing.

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. They are also described in more detail later in the section on targets and indicators in the report. In 2023, a review will be carried out to formulate sustainability goals for the next five-year period.

TARGETS AND INDICATORS 2019–2023

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

The 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

Organisation for sustainability

The Board of Directors decides on Alecta’s sustainability policy and policy for responsible investments. They are the overall governing documents for the work on sustainability, governance and ESG[1]-issues. The Board of Directors decides on the positions that describe Alecta’s views on different ESG issues with an impact on the investment business or governance. A description of the sustainability work is included in the quarterly reports submitted to the Board of Directors and senior management. An annual follow-up of Alecta’s sustainability goals is presented to the Board and ESG and ownership issues are followed up at the Finance Committee meeting three times a year, as well as on an ad-hoc basis. Through regular external reports, the Board is updated on the development of sustainability work in the industry and regulations, as well as other current topics or trends in the discussion on sustainability. Sustainability is one of the areas of expertise included in the suitability assessment of new board members.

The Head of Asset Management has formal responsibility for sustainability issues in Alecta’s management. Alecta’s sustainability work is run through the group Governance and Sustainability. The group is part of asset management and is responsible for developing and coordinating the work on governance, ESG integration in asset management and sustainability work at Alecta. This is done through a number of groups:

- **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 and Product, as well as Legal Affairs and Purchasing. The group is responsible for overall targets and indicators in terms of both initiating activities and follow-up.
- The Head of Asset Management leads an **ESG forum**, which comprises the heads of the asset classes Equity, Fixed Income and Real Assets, the Head of External Communication and employees from Governance and Sustainability. Alecta’s ESG forum addresses strategic matters involving work with responsible investments and is a monitoring forum, which includes the processes that are part of the ESG4Real certification.

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

- The Governance and Sustainability group leads the governance work with a particular emphasis on nomination committees, general meetings and dialogues with boards of directors. Another focus area is to contribute to good corporate governance and stewardship practices. In 2022, Alecta reviewed how we manage and develop Alecta's structural capital in governance. Two former groups have been combined in the form of a **Governance Advice Council** chaired by the CEO and consisting of Head of Asset Management, Head of Equity Management, Head of Governance and Sustainability, Governance Specialist, General Counsel and two external members. The purpose of the group is to coordinate and follow up work during the nomination committee season in a structured manner, support Alecta representatives on nomination committees in their duties and to advance work on governance.

In procurement and in relations with suppliers, we put forward demands of good environmental standards and working conditions, and choose suppliers with collective agreements whenever possible. In support of this, Alecta has 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 and about which all suppliers and partners must be notified. A special purchasing function within the Legal Affairs Department has worked during the year to establish a system support to include the code in a more structured way as part of the contractual work and to facilitate follow-up.

Governing documents for sustainability at Alecta

Alecta's overall sustainability policy and the policy for responsible investment as resolved by the Board of Directors are available on the website. In addition to these overall and other strategic policy documents, more detailed guidelines, decided by the CEO provide guidance to employees in their day-to-day work. These documents also clarify that the corresponding governing documents must be present at Alecta's subsidiaries, which essentially means Alecta Fastigheter AB, which is also governed by the Alecta owner directive. A number of the governance documents are described here.

Sustainability policy

Alecta's sustainability policy is designed to give internal and external stakeholders a general idea of how sustainability concerns are integrated into the company's activities. 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 is reflected in four areas, each regulated in a number of separate governance documents at an overall level and in more operational adaptation:

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

Examples of other governing documents for sustainability:

Governance and responsible investments

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

Investment guidelines

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

Risk management

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

Information security

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

Purchasing and procurement

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

Diversity and Discrimination

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

Work environment and physical safety

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

Corruption

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

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. In recent years, Alecta has prioritised increased openness, transparency and dialogue with stakeholders for a better exchange of experiences and understanding of stakeholder expectations.

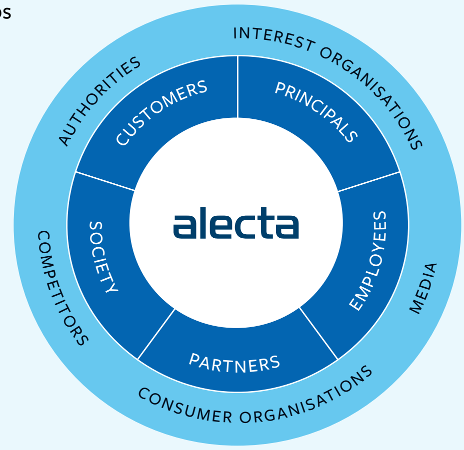
Customer view of sustainability 2022

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 the climate transition.

During the final months of the year, Alecta conducted a broader stakeholder survey that encompassed client companies, private-sector employees and Alecta employees. Alecta's employees have previously responded to the same survey but during the year questions about sustainability have been asked in other employee surveys. Previous surveys provided input for materiality analyses, the design of the report and for formulating sustainability targets and indicators. We chose to keep the previous year's questions for continuity but plan to supplement the survey with more qualitative interviews as input for the new sustainability goals in 2023.

The results from this year's survey are similar to the previous year and the small variations between previous years indicate stable results. 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. The issue most associated with Alecta is strong business ethics. With respect to 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 questions about sustainable pensions and the responses indicate that there is a wide range of perceptions among customers but that sustainability issues linked to the pension are perceived as more positive than negative.

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, email contacts, company visits, customer letters, alecta.se.

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

Principals – unions and employers

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

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

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

Employees

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

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

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

Partners and suppliers

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

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

Dialogue channels: Negotiations and agreements, forums for cooperation.

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

Society and broader stakeholder groups

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

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

Alecta's work: 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 a 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. At the end of 2022, the materiality analysis was reviewed by the sustainability steering group and the content was considered to be still relevant. Issues relating to Alecta's own environmental and supplier work are not the most significant issues in terms of Alecta's sustainability footprint but have been highlighted more clearly by the Board in connection with the strategy work for Alecta 2028. However, the emphasis remains on the investment activities. This is also confirmed in the customer stakeholder survey, where a turbulent world with rising interest rates and inflation may have influenced a more conscious approach to finances and the prospect of a secure pension. The analysis was also influenced by external monitoring, including reviews, and exchanges of experiences within the industry.

MATERIAL TOPIC

	RISK	BOUNDARY [1]	ACTIVITIES	KEY PERFORMANCE INDICATORS	Page reference
Economic security and value for many	• Collective agreement widely viewed as having a lower value • Alecta's legitimacy is challenged • Regulations that disfavour the customers • Increased costs for society	Impact in the organisation and the value chain, as the value that is created benefits the customers and employees and society at large.	By delivering a stable and high quality occupational pension, Alecta creates value for the entire social security system and the national economy. We have therefore sharpened the focus on our overall business goals: secure and satisfied customers, low costs and high efficiency, as well as good returns and a strong financial position. We prefer uncomplicated solutions and utilise economies of scale to provide the best possible customer value. We are also working to spread knowledge among and influence our stakeholders to help more people understand how the choices they make will affect their pensions.	• Generated and distributed value (GRI 201-1) • Customer satisfaction • Return • Parameters in trademark surveys	9, 23–24
Responsible investments	• Sustainability losses if our holding companies contribute to negative consequences for the environment and people • Financial losses if our holding companies decline in value due to poor sustainability • Damage to Alecta's brand/ reputation in critical reviews or excessively low level of ambition	Impact outside the organisation through the investment chain – the companies and properties that Alecta invests in.	Alecta views sustainability as an important perspective to identify long-term risks and opportunities in the management of customers' pension capital. Our communication about responsible investments is to be transparent and clear. We have clear return targets and an overall and long-term climate target for the entire investment portfolio. Alecta aims to find and invest in well-managed companies and bases investment decisions on internal analysis in which we take ESG factors into consideration [2]. Dialogue is an important tool to support companies and we work to promote increased gender equality in boards of directors. Alecta Fastigheter has a direct environmental impact, which it actively works to minimise. We will increase investments in assets that contribute to financial returns and environmental or social impact. We collaborate to exert greater influence and exchange in the industry.	• Percentage of companies with which Alecta has interacted (GRI FS10) • Percentage of screened assets (GRI FS11) • Investments with a measurable environmental or social impact	25–27

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

MATERIAL TOPIC

	RISK	BOUNDARY [1]	ACTIVITIES	KEY PERFORMANCE INDICATORS	Page reference
Inclusive and stimulating employer	• Increased health problems among Alecta's staff • Alecta less attractive as an employer • High employee turnover at Alecta • Reduced competitiveness for Alecta	Impact internally in the organisation through better use of skills, increased knowledge and employee satisfaction and well-being. Outside the organisation mainly through strengthened employer brand and increased customer benefit.	Alecta is to be an inclusive employer where employees are offered an opportunity to develop. We promote a good work environment and a good work environment and we wish to create conditions that will better leverage the different perspectives and experiences of our employees, where specialists and different roles work together to develop Alecta's business of the future.	• Training initiatives • Performance and development (GRI 404-3) • Inclusion measurement	31–32
Strong regulatory compliance	• Reduced customer protection • General loss of trust in the welfare system and the financial system • Higher costs and risk of sanctions • Damage to Alecta's brand and trust	Impact internally, as this is the foundation for our activities, but poorer customer protection affects customers.	A pension company operates in an industry dependent on trust and Alecta wants to promote an internal culture of ethics and responsibility through preventive efforts. We operate in a strongly regulated environment and regulations are updated continuously to promote stability and strong customer protection. We attach the greatest importance to ensuring compliance with laws, regulations, internal governance documents and good business ethics so that our customers feel secure. Through a regulatory committee, we monitor regulatory developments on an ongoing basis and in the internal control committee we follow up on governance document processes and controls of essential processes.	• Fines or sanctions • Activities that are risk-assessed for corruption risks (GRI 205-1) • Information and training on corruption policies and procedures (GRI 205-2) • Confirmed corruption incidents and actions taken (GRI 205-3)	19, 29–30
High level of customer privacy	• Violations of personal integrity • Financial loss for Alecta • Damage to Alecta's brand/ reputation	Impact within the organisation when working with customer data and for stakeholders outside the organisation in terms of impact on customer privacy.	Alecta processes large amounts of sensitive personal information and other customer data. We do our utmost to protect our customers' data at all times and conduct systematic data protection work with a data protection officer as a control function.	• Complaints about breaches of customer privacy (GRI 418-1) • Personal data incidents	29

AREAS WITH HIGH EXPECTATIONS OF TRANSPARENCY

	RISK	BOUNDARY [1]	ACTIVITIES	KEY PERFORMANCE INDICATORS	Page reference
Purchasing and environment	• Sustainability losses if breaches contribute to negative consequences for the environment and people • Lack of credibility • Damage to Alecta's brand/ reputation	Impact in the organisation and our value chain with the possibility of engaging suppliers.	Alecta includes issues about the environment and sustainability in our procurement processes. We have a Code of Conduct that has started to be communicated to suppliers and during 2022 a new purchasing function has been working to establish a clearer system support for implementation and follow-up. We measure a number of environmental performance indicators and review actions to reduce the direct environmental impact of operations in collaboration with Alecta Fastigheter.	• Environmental impact from operations • Supplier work	28–30

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

Risk analysis and preventive anti-corruption efforts

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

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

We conduct an annual analysis of the risk of corruption with respect to different risk categories, such as Alecta's products, customers, distribution channels, investment activities, outsourced activities and significant suppliers and geographical areas. The overall assessment in 2022 is that the risk of improper influencing within Alecta is medium, primarily due to our size as an investor and in connection with procurement. 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.

Alecta provides e-learning courses, for example on measures against bribery and corruption, ethics and whistleblowing and guidelines on business entertaining for all employees. During 2022, the annual governance document review had a particular focus on ethics policy, business entertaining policy and anti-corruption policy, with mandatory workshops for all departments on dilemmas and situations for which the governance documents provide guidance.

Partnerships and memberships

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

CDP (previously Carbon Disclosure Project)

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

Fossil-free Sweden

The government initiative, Fossil-free Sweden brings together Swedish actors that want to help Sweden become one of the first fossil-free welfare countries in the world. As part of the initiative, Alecta has adopted the Solar Challenge on the production of solar electricity and in 2022, Alecta participated in the consultation on the funding strategy for fossil-free competitiveness developed by the initiative and submitted to the government in spring.

Global Compact

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

Sustainable value creation

Cooperation between the largest Swedish institutional investors in order to highlight the importance of Swedish listed companies working in a structured manner with sustainability issues. Alecta participates in the collaboration, which in 2022 focused on climate change work in Swedish companies, which was presented in the form of a report and a seminar in autumn.

ICC

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

Association of Institutional Shareholders

The aim of the association is to promote self-regulation in the Swedish stock market, for example by continuing to develop the Swedish Corporate Governance Code. At the end of 2022, the association published a common view on ESG in corporate incentive programmes and issued an opinion piece on the subject. Alecta is represented on the association's board of directors.

Nasdaq Sustainable Bond Network

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

Net Zero Asset Owner Alliance (NZAOA)

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

Principles for Responsible Investments (PRI)

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

Swedish Investors for Sustainable Development (SISD)

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

Swedish National Advisory Board for Impact Investing (NAB)

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

Stockholm Sustainable Finance Centre (SSFC)

The initiative is a collaboration between 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.

Other initiatives for investors

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

Research partnerships

Alecta participates in and contributes to a variety of academic research studies by providing support in the form of financial or other resources. As an example, Karolinska Institutet presented results from research supported by Alecta on sick leave among private sector employees in 2022. Alecta organised a seminar at which the report and the results were discussed. Alecta also supports the research activities of the Stockholm School of Economics. Through the Swedish Institutional Investors Association, Alecta also supports a new Swedish Institute for Corporate Governance at Stockholm University.

Gilla Din Ekonomi ("Like Your Personal Finances")

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

minPension ("My Pension")

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

SNS

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

Signatory of:

PRI Principles for Responsible Investment

WE SUPPORT

UN GLOBAL COMPACT

Reporting of targets and indicators

Here, results for Alecta's overall sustainability targets and indicators are reported within our focus areas. The targets adopted in 2018 are reported, and new targets will be formulated in 2023.

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:

- During the year, Alecta's pension economist actively participated in the debate on the design of the pension system in Parliament, TV talk shows and other media. Fees, the financial situation of retired persons, equal pensions, working retired persons, and the possibility of pausing occupational pensions have been recurring themes.
- The occupational pension and Sweden's social security systems were in focus when Alecta held seminars in Almedalen along with AMF and AFA.
- In social media campaigns and theme pages for customers, Alecta has highlighted the importance of low fees for pension capital. A survey conducted with Novus shows that 8 out of 10 Swedes do not know what the fee is for their pension savings.
- The photo exhibition 'Older but not Old' toured the country and contributed to a more nuanced picture of and debate about, seniors in the local press and columns.
- Alecta's "Ateljé" gathered participants from industry, business, unions and employees, academia and other stakeholders to discuss Sweden's future efforts, innovations and investments in climate transition. Among the invited speakers were Mark Carney, the UN Special Envoy in Climate and Finance, and then Minister for Financial Markets, Max Elger.
- Along with AMF, Folksam and Nordea, Alecta organised Climate Capital, which is a seminar series for participants from politics, the labour market, research and industry.
- In the newsletter email that goes out to Alecta's customers, one of this year's topics was sustainability, focusing on the sustainability issues that customers think are most important. In a series of three letters, Alecta's efforts on labour standards, business ethics and climate was described – in investment activities and in its own operations.

Outcome 2022:
Percentage of salaried employees who view Alecta as a stable and secure company in the brand survey:
38 % (38)

See more indicators linked to a Sustainable pension system on page 23.

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 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:

- Alecta has made new investments that contribute to both climate adaptation and transition. This includes a bond that enables projects that contribute to the restoration and preservation of the marine environment along the coast of Belize, financing the project for the UK's largest climate neutral office property and investing in the unlisted battery manufacturer, Polarium.
- During the year, Alecta's Board of Directors supported a definition for impact investments, which are investments with the intention of creating social or environmental benefits and returns. The ambition is both to increase such investments and to stimulate supply. The Board has also revised Alecta's view on compensation and clarified that financially significant ESG issues should be reflected in the compensation programmes produced by the boards of the holding companies.
- This year's ownership report was presented to the Swedish holding companies in autumn. The topics highlighted included climate, human rights and gender equality. In connection with this, a letter from the CEO was sent to all companies in the equity portfolio about the importance of moving from objectives to action in the climate transition.
- Alecta's climate report according to TCFD, which was published in spring 2022 presents the results of the interim climate targets adopted by Alecta within the framework of the Net-Zero Asset Owner Alliance (NZAOA).
- The annual report to the Swedish Financial Supervisory Authority on risk and solvency has been extended to look at both climate scenarios and gender equality in the investment portfolio.
- During the year, Alecta participated in conferences on ESG, blended finance [1] and climate including in conjunction with the international climate conference, Stockholm 50+. Alecta has organised two debate seminars to add nuance to the polarised debate – on diversity in business and on the criticism of ESG.
- During the year, employees in asset management participated in a seminar series on the EU taxonomy for sustainability for different sectors and companies in the investment portfolio.

Outcome 2022:
Number of corporate dialogues on climate:
11 (20)

Percentage of companies in the equity portfolio with confirmed science-based climate targets:
38 % (28)

Percentage of companies in the equity portfolio that report climate footprint (Scope 1 and 2):
87 % (82)

Weighted carbon footprint from equity portfolio (Scope 1 and 2), tCO_2e/SEK million in income:
2.2 (2.5)

See more indicators linked to Responsible investments on page 24.

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

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

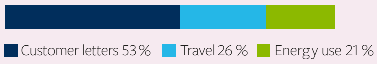
What does it mean:
Sustainability is also strongly associated with the environment among Alecta's customers. By pursuing our own environmental agenda that is aligned with the resource focus that characterises Alecta's other work, we increase awareness within the company and reflect the demands we place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

Alecta's activities during the year:

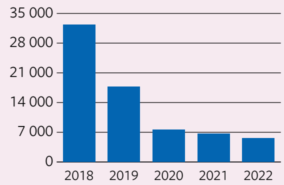
- The environmental performance of the office is continuously reviewed and we have introduced new procedures for handling organic waste for bioenergy production. At the end of the year, Alecta joined the Swedish Energy Agency campaign, 'Every kilowatt hour counts' with the aim of further optimising energy consumption.
- The continued efforts on agile working methods has led to behavioural change and more processes have been automated and optimised. This can be seen in the reduced use of paper in the office.
- Ethics was the focus of this year's key governance document review and all departments in the company have held workshops on ethical dilemmas related to internal ethics, business entertainment and anti-corruption guidelines.
- In the middle of the year, a new procedure was introduced for whistle-blowing cases with an external recipient function. Compliance and Risk held mandatory training for all employees, including HR and union representatives from Saco and Forena.

Outcome 2022:

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



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



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

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

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

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:

- Alecta has developed a new diversity and inclusion action plan with the help of a diversity working group. It includes a focus on the recruitment process, skills strategy and inclusion measurement, among other things.
- The annual employee survey produced high results at the company level and showed improvements in all areas. We have also conducted two mini-surveys on the topic of inclusion and diversity, as well as self-leadership and agile working methods. We are continuing to work on the results at the group level.
- The topic for employee development was self-leadership and collective intelligence. We have deepened our common view of what it means and how we support each other's development. Another topic is agile working methods that characterise the development efforts at Alecta.
- Alecta offers great flexibility when it comes to work in the office and from home. To create more dynamics and comfort in the office, we reduced our office space in December, while exploring new spaces and furnishings to meet more flexible needs. One example is our entrance floor, which was upgraded to create a pleasant place for cross-departmental meetings.
- To meet the competition for IT skills, we launched two programmes in 2022. Together with AMF and Afa, we initiated a joint trainee program. We also initiated IT Advance, a development programme for people with IT experience to meet succession needs in the IT organisation.
- Sustainable employment includes health and life balance and Alecta offers continued employees opportunities for healthy habits through training offers, wellness and awareness about addiction problems.
- During an internal sustainability week, presentations were held on climate, investment and diversity, as well as sustainable employment and offices. At the end of the year, a series of digital nano-training courses on Alecta's sustainability work was launched. By the end of the year, 73 per cent of employees had completed at least one training module.

Outcome 2022:

Percentage of women in Alecta's senior management:

33 % (33)

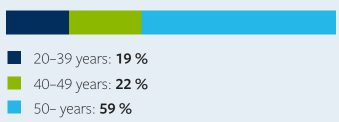
Percentage of female managers, Group:

57 % (57)

Percentage of female managers, parent company:

55 % (54)

Age distribution



See more indicators linked to Employees and diversity on page 30.

Sustainability indicators 2018–2023

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

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

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

	2022	2021	2020	2019	2018
Percentage of private-sector employees who view Alecta as a stable and secure company	38 %	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 goal for 2022 was to reach 40 per cent, but the result remained stable at 38 per cent. The characteristics primarily associated with Alecta are: stable and secure company, knowledgeable in occupational pensions and responsible pension management.

Customers' perception of Alecta's sustainability work

Percentage that believe Alecta works in a sustainable way, %	2022	2021	2020	2019	2018	TARGET 2023
Private-sector employees (good knowledge)	9 (31)	8 (30)	12 (43)	12 (37)	13 (38)	20
Client companies (good knowledge)	20 (44)	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. Along 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.

We can see that the goal was not reached. 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 are also much more aware of its work. The results have been relatively stable over the years but the turmoil of recent years with the pandemic, the outbreak of war and a tougher personal financial outlook with inflation and increased interest costs, seems to have affected the results of private sector employees.

The open answers about sustainability and pension show widespread perceptions of how they connect, but most answers point to the environment, long-term perspective and responsibility. Although there are negative perceptions, the positive associations are more widespread. The most important sustainability issues are continued working conditions and to counteract child labour, good business ethics and climate-adapted investments. The survey will be followed up with more qualitative surveys to gain a deeper understanding of customers' perspectives and expectations.

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

SOCIO-ECONOMIC VALUE

Group (SEK million)	2022	2021	2020	2019	2018
Economic value, generated					
Return on capital, before operating expenses [2] [3]	–98,494	173,691	50,342	125,314	–17,809
	–98,494	**173,691**	**50,342**	**125,314**	**–17,809**
Economic value, distributed					
Claims incurred [4]	–24,880	–23,650	–22,681	–21,810	–20,884
Waiver of premium, corporate customers	–2,759	–2,755	–2,296	–2,654	–2,531
Refunds in the form of adjustment of paid-up values and premium reductions [4]	–15,283	–5,716	–8,926	–11,695	–10,511
Salaries and remuneration	–401	–357	–358	–340	–325
Suppliers and partners	–752	–708	–633	–583	–540
Yield tax and income tax in Sweden and abroad as well as social security fees for employees	–1,495	–1,181	–557	–1,386	–1,039
	–45,570	**–34,367**	**–35,451**	**–38,468**	**–35,829**

1) GRI requests a report of "retained value" but at Alecta the surplus goes to the policyholders.
2) Unrealised profits/losses are included in the amount of SEK –156,374 million (2021: 121,672, 2020: 32,384, 2019: 97,522, 2018: –46,291). The year's return is described in the Administration Report on page 46.
3) In the income statement, asset management and property management expensestotalling SEK 518 million (2021: 374, 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 the consolidated Equity Report. Refunds in the form of adjustment of paid-up values and premium reductions are also taken from the surplus fund.

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

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

An important manifestation of strength at the end of 2022 was the Board's resolution to index-link pensions from the year-end for Alecta's private customers covered by the defined benefit occupational pension ITP 2 by an upward adjustment of close to 11 per cent. In light of Alecta's strong financial position, the Board also decided on different measures that reduce the company's costs overall by just over SEK 11 billion.

Responsible investments

Most indicators related to active ownership and responsible investments reported here are also described in more detail in Alecta's Ownership Report 2022, published in October 2022 on alecta.se.

Nomination committees in Swedish listed companies

	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
Number of nomination committees	20	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 Asset Management and Operations, as well as from Alecta's Board, which participated in the nomination committee work during the 2021/2022 AGM season. Five of Alecta's representatives were women.

Gender equality on boards

	2022	2021	2020	2019	2018	TARGET
Percentage of women on the board where Alecta is a member of the nomination committee, average	42%	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, excluding the CEO. Changes to the Board after the general shareholders' meetings were not taken into account.

Alecta's responsibility as owner means we strive to achieve the best possible board compositions when we participate in the nomination processes. In order to increase the experience and skills base, and to encourage dynamic boards, we strive for gender equality and diversity. Among the most sought-after skills for boards were digitalisation and transition experience. At the shareholders' meeting in spring 2022, changes were proposed in 10 of 20 companies in which Alecta was part of the nomination committee. A total of 15 new members were elected at the shareholders' 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 2022 and the average is now reported as both including and excluding the CEO. If the CEO is included in the calculation, the average is 41 per cent.

Along with Spencer Stuart, who works in executive and board recruitment Alecta has launched the 'Mathilda' initiative. The aim has been to contribute to an exchange on the future of board work between qualified female board members and experienced board chairs and owners, and to broaden the candidate pool for board members and chairs. Participants and invited guests met on three occasions in 2022.

Voting at general shareholders' meetings

	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	TARGET
Percentage of holding companies where Alecta voted at the general shareholders' meeting	100 %	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 2021/2022 AGM season, Alecta voted at the shareholders' meeting for all holding companies.

Alecta votes based on the principles of shareholder engagement included in our responsible investment policy. Every year, information is published on the website detailing how Alecta voted at the shareholders' meetings, with a cut-off point of 30 June for the 2021/2022 AGM season. The 2022 Owners' Report describes particularly relevant votes. Most items concern recurring general shareholders' meeting issues – election of board of directors, fees and dividends. Alecta wants to promote properly designed compensation programmes and in the 12 per cent of voting cases on compensation, we identified deficiencies that led us to vote against the compensation proposals or compensation reports. There are proposals that concern climate or social aspects, such as equality or human rights. Alecta analyses each case based on our view of the company and votes in favour of proposals that we consider will contribute to the company's development. We voted for 34 shareholder proposals, most of which were linked to corporate governance (14), human rights and other social issues (14), as well as the environment and climate (6).

Screening of holding companies (GRI G4 FSS FS11)

	2022	2021	2020	2019	2018	TARGET
Percentage of listed shareholdings and corporate bonds reviewed in norms-based screening	100 %	100 %	100 %	100 %	100 %	100 %
Percentage of assets of total investments reviewed in norms-based screening[1]	54 %	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 bonds. As Alecta reviews all listed shares and corporate bonds, the indicator shows only the proportion of the investment portfolio that consisted of shares and corporate bonds 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 bonds 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 holding companies, which may lead to special engagement with the companies in addition to the ongoing contact. In total, five of the holding companies have some form of observation and are subject to dialogue with Alecta or with our supplier who is conducting dialogue on behalf of several investors.

As all listed shareholdings and corporate bonds are reviewed, the proportion of assets reviewed varies depending on the proportion of equities and corporate bonds 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. Other assets are reviewed by other methods prior to investment decisions.

ESG engagement (GRI G4 FSS FS10)

	2022	2021	2020	2019	2018
Number of corporate dialogues conducted in-house	43	48	44	41	18
– Of which E/S/G	11/8/24	20/15/13	26/15/3	20/9/12	6/3/9
– Of which proactive/reactive	40/3	40/8	30/14	28/13	10/8

With its substantial holdings in about hundred selected companies, Alecta is a committed owner with continuous dialogue with the company. The dialogues encompass both shareholdings and bond holdings. For transparency, we describe in the table on page 25 for the more focused dialogues that have taken place on ESG (environment, social issues and corporate governance) and the area in which the issues primarily touched on. Environmental issues can often also have a social dimension and corporate governance dialogues also have elements of climate or other aspects, but the dialogues have been classified based on the primary issue.

We classify a dialogue as reactive if it was initiated after an incident reported through the norm-based screening. A few of Alecta's companies have observations in such reviews.

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, diversity and human rights and climate change. Some dialogues have built on the topical engagement on human rights from 2021. Overall, 16 dialogues were about compensation. An important element of compensation dialogues has been ESG criteria in incentive programmes. Several holding companies have already or will introduce, ESG criteria into their variable compensation programmes. In other cases, the Board has outlined how ESG targets are reflected in the programme criteria. The Alecta 2022 Ownership Report describes examples of corporate dialogues. Based on the climate work of the holding companies, Alecta has created clearer follow-up criteria as a basis for dialogues in 2023.

In addition to the dialogues presented in the table, board chairs of all holdings in the equity portfolio received a letter from Alecta's CEO in autumn on the importance of moving from objectives to action in the climate transition work. Alecta also regularly meets with our external managers in real estate and infrastructure for dialogue on sustainability.

Climate reporting by holding companies

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

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

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

	2022	2021	2020	2019	2018[2)]
Weighted carbon intensity equity holdings, tCO_2-equivalents/SEK million in revenue	2.2	2.5	2.9	3.0	n/a
Absolute footprint of equity holdings, tCO_2e (based on EVIC)[3)]	269,283	315,212	371,409	426,597	n/a
Weighted carbon dioxide intensity of corporate bonds, tCO_2-equivalents/SEK million in revenue	8.2	7.9	13.0	8.8	n/a
Absolute footprint of corporate bonds, tCO_2e (based on EVIC)	406,125	336,323	637,659	738,099	n/a
Climate footprint of directly owned properties, $kgCO_2$-equivalents/sq.m.	2.5	2.1	n/a	n/a	n/a
Absolute footprint of directly owned properties, tCO_2e	1,750	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

Alecta measures and reports climate footprints for parts of the investment portfolio according to recommendations from Insurance Sweden, which are based on emissions in scopes 1 and 2 according to the Greenhouse Gas Protocol (GHG). Alecta reports the climate footprint of equities, corporate bonds and directly owned properties. This information is also available on alecta.se. The data is compiled by an external supplier and is based on the latest available data and on estimates in exceptional cases. Due to different reporting cycles of the underlying holdings, there may be delays in the time period to which the data relates. As a result of new regulations for sustainability reporting for financial actors, Alecta will extend the reporting of the climate footprint to more asset classes in 2023.

For 2022, the footprint decreased for the equity portfolio while the footprint from corporate bonds increased. In the equity portfolio, this is largely a result of the companies reducing their emissions. For corporate bonds, the increased footprint is primarily a result of Alecta investing in a corporate bond from an energy company with a high footprint but that is in the process of transition. A few per cent of the company's turnover is based on fossil power generation at two thermal power plants in Europe, but the company has an ambitious climate goal and is moving towards being fossil-free. The assets in the credit portfolio are generally traded faster than in the equity portfolio. In terms of the properties, Alecta measures actual energy consumption, which means that the figures are not normal-year corrected. Large fluctuations in temperatures during the winter months may be reflected in differences between the years. The increase seen in the climate footprint from directly owned properties is commented on further down in connection with environmental key performance indicators for the real estate portfolio.

Investments with a measurable environmental or social impact

	2022	2021	2020	2019	2018
Green bonds, SEK billion	55	59	50	40	31
Social bonds, SEK billion [1]	9	–	–	–	–
Other investments with a measurable environmental or social impact, SEK billion	24	13	14	11	6
Total, SEK billion	**88**	**72**	**64**	**51**	**37**
– of which impact investments, SEK billion [2]	22	–	–	–	–

[1] Social bonds were previously included in the category 'Other investments with measurable environmental or social benefit' but are reported separately from 2022.

[2] Impact investments (impact) refer to investments that meet Alecta's definition adopted in 2022, with criteria such as intention and additionality. These investments are in all three categories reported above.

Alecta only invests in green or social bonds that are issued in accordance with a clear framework that has been reviewed by a third party. Since 2014, Alecta has built a comprehensive portfolio of green bonds, primarily from municipalities and supranational organisations such as the World Bank but also in sovereign green bonds and corporate bonds. "Investments with measurable impact" means other investments with a stated goal of contributing to and following up on an environmental or social impact. During the year, we developed a definition for impact investments that contribute where the need is greatest and where the investment has the ambition to contribute to a significant difference. For example, this includes a project for the largest climate neutral office property in the UK and micro-financing in developing countries. In order to measure and demonstrate the sustainability impact of green or social bonds, we use a platform from the Nasdaq Sustainable Bond Network (NSBN) where green and social bond issuers can pool their instruments and make them available to investors. The portal collects the re-reporting of sustainability effects from these bonds and makes it possible to aggregate the results, which Alecta reports in our ownership report. Alecta is a member of the NSBN Advisory Board. Our ambition is to continue to increase investments with a clear positive impact.

Real estate portfolio, directly owned properties Sweden

	2022	2021	2020	2019	2018
Environmentally labelled properties, number	44	31	23	19	12
Environmentally labelled properties, sq.m [1]	801,154	544,493	378,238	323,614	245,720
– percentage of lettable floor area, %	83	63	45	40	32
Energy use, kWh/sq.m [2]	**100**	**102**	**98**	**111**	**115**
– of which property electricity	37	36	39	44	45
– of which district heating, normal-year corrected	54	57	51	58	58
– of which district cooling	9	9	8	9	12
Total energy consumption, MWh [3]	**70,913**	**50,145**	**52,442**	**58,872**	**61,440**
– of which property electricity	26,099	17,785	21,090	23,473	24,077
– of which district heating, normal-year corrected	38,373	28,088	27,022	30,711	31,091
– of which district cooling	6,441	4,272	4,329	4,688	6,272
Carbon footprint from energy purchased [3], tCO_2	**1,750**	**1,048**	**1,071**	**3,357**	**3,225**
Water use, m^3/sq.m [2]	**0.39**	**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] Heat consumption is normal-year corrected (other energy is actual consumption. However, the climate footprint of purchased energy is based on actual heat consumption.)

Since 2021, Alecta's Swedish real estate portfolio has been managed by a wholly owned real estate company. 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 (standing portfolio). This makes it possible to accurately follow developments, notwithstanding new properties in the portfolio with, for example, inferior performance at acquisition. Each property has a sustainability plan for continuous improvement work.

The table with environmental data for the directly owned properties shows that total energy use and related climate emissions have increased significantly from the previous year. This is because Alecta Fastigheter has taken over a portfolio of properties previously managed in a joint venture and that from 2022 onwards are part of the so-called standing portfolio. Efforts to reduce energy consumption in this portfolio are planned for 2023. Alecta's goal is to reduce energy use to a normal year (average value 2019–2021) by at least 3 per cent. For 2022, that decrease is 4.3 per cent.

The climate footprint for electricity is counted as zero because since 2015 Alecta has chosen to have electricity contracts with eco-labelled electricity from renewable sources. For district heating, the footprint is calculated from the emission values of each district heating network but with a one-year delay. That is, the 2021 emission values are used for 2022.

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. Alecta's investment in photovoltaic installations on commercial properties with suitable roof areas produced a total of 952 (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 operation, Alecta's most significant direct environmental footprint comes from customer letters, energy that is used in our property, from business travel, paper consumption and food waste. Reducing the office's environmental impact is an overall sustainability target moving forward. The results for 2020-2021 have been affected by most employees working from home most of the time. In 2022, the office was again the main workplace but new requirements for flexibility and a change in procedures have become more permanent elements.

	2022	2021	2020	2019	2018
Energy use, offices, MWh					
Total	1,883	1,978	2,129	2,521	2,788
– of which electricity	760	703	813	1,155	1,387
– of which district heating, normal-year corrected	839	1,000	1,003	1,043	1,109
– of which district cooling	284	275	313	323	292
Use of paper, kg					
Office operations, indicative based on volume of purchased paper [1]	0 (see footnote 1)	1,152	1,154	4,048	7,500
Customer letters, paper mailings [2]	5,570	6,666	7,642	17,752	32,299
Carbon footprint, kg CO_2					
Energy, office property [3]	45,293	38,707	53,955	85,546	90,915
Customer letters, including transport [4]	115,295	140,040	164,890	332,360	639,880
Travel [5]	57,273	9,391	6,968	170,544	193,858
– of which air travel	57,147	9,274	6,761	169,432	192,932
– of which trains	126	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. In 2022, no purchases were made because paper stock from the 2021 purchases was sufficient for this year as well.

2) In addition, a large number of digital letters were sent and if these had been postal letters, they would have been equivalent to another 25,000 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 footprint for 2021 has been corrected, from 42,430 kg to 38,707 kg due to recalculated square metre area.

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

5) In 2020–2021, travel has been very limited due to the pandemic, primarily within Sweden and Europe.

In recent years, Alecta has carried out extensive renovations of the head office, and much of the equipment was upgraded to more efficient alternatives that demonstrated excellent results from the outset. This included the replacement of lighting, heat pumps and fans. During autumn 2020, Alecta's office property was certified in accordance with the BREEAM In-Use standard with the certification, Very good. Particularly distinctive for the property were positive results in energy, health and transport. The increased climate footprint from purchased energy consists of district heating and is affected by the energy mix at the supplier. For 2022, the footprint from district heating increased due to increased emissions from combustion of residual waste. Alecta's district heating supplier has phased out coal as an energy source but residual waste may contain fossil elements that increase the footprint, such as plastics.

We measure the carbon footprint of our business travel to enable us to make more informed decisions on the choice of travel. Although travel resumed in 2022, it has changed compared to the time before the pandemic. Digital meetings remain the most common way to meet, but it has also been valuable to visit holding companies and partners once again. 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 invention 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 means significantly lower financing of Solvatten.

Alecta sends a considerable number of letters to our customers. Following changed procedures in 2019, with more digital mailings and reduced paper mail, we have continuously increased the proportion of digital mailings. In 2022, the full proportion of digital mailings was 81 (75) per cent.

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)

	2022	2021	2020	2019	2018
Customer complaints, total	429	542	447	550	360
Customer complaints about processing data and customer privacy	2	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. The 429 complaints received during the year can be seen in the context of Alecta managing occupational pensions for 2.6 million individuals and during particularly intensive periods, handles 700–800 calls in one day.

In 2022, Alecta registered two 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. Alecta has also not submitted any report of a personal data breach to the Swedish Authority for Privacy Protection for other reasons.

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

	2022	2021	2020	2019	2018
Fines or sanctions following shortcomings in regulatory compliance, number and amount	0	0	0	0	0

No fines or sanctions were imposed on Alecta in 2022. There have also been no incidents of corruption.

Whistle-blower function

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

In order to uphold the integrity of the process and protect the whistle-blower, Alecta has chosen to report the number of reported cases as an interval. The policy was updated when a new system was introduced halfway through 2022. Whistleblowing cases have since been reported through an external service at WhistleB. Cases that are reported must be investigated and handled in accordance with the Board's whistleblowing policy.

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

During 2022, all of Alecta focused on the ethical guidelines in the annual training session for governing documents, which includes all departments and groups in the business. Several of the groups in asset management have undergone a special web-based training on the meaning of the prudent-investor principle in investment activities.

During 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: handling of insider information, handling of personal data, ethics, whistle-blowing, conflicts of interest, information security, complaints handling, crisis and continuity, business entertainment, private transactions by employees, handling the risk of corruption and operational risks.

Suppliers' data

	2022	2021	2020	2019	2018
Total number of suppliers	559	531	548	642	627
– of whom in Sweden	450	469	486	574	565
– of whom in other EU countries	19	23	41	50	41
– of whom outside the EU	44	39	21	18	21
Number of suppliers with contracts including sustainability/Code of Conduct [1]	22	7	–	–	–

[1] Alecta has developed a Code of Conduct, which began to be attached to agreements with suppliers in 2021. Over time it makes more sense to report the percentage of the total, which Alecta plans to do when a new system support is in place.

Alecta's suppliers mainly comprise external parties who operate outsourced IT operations, property management, parties engaged in training contexts, purchase of licences and software, maintenance of equipment, employee canteen, office supplies and research services for asset management. Five suppliers accounted for 89 (76) per cent of the transaction volume. Swedish suppliers accounted for 98 (97) per cent of the transaction volume.

Since 2021, Alecta has developed a Code of Conduct that is to be an addendum to agreements with suppliers. In 2022, the Code of Conduct was an addendum to 14 new agreements and a total of 22 registered suppliers have the Code of Conduct as an addendum to agreements. A new purchasing function was established in 2022 and in early 2023 a new system support for contract management will be introduced, which will facilitate handling of the Code of Conduct in new agreements and follow-up.

Employees and development

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

FORMS OF EMPLOYMENT	2022		2021		2020		2019		2018	
Group	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Number of employees at 31 December	227	167	220	146	213	142	223	147	217	148
Permanent employees	227	167	218	146	212	142	219	145	215	146
of whom full-time	*211*	*161*	*199*	*142*	*184*	*139*	*186*	*139*	*178*	*137*
of whom part-time	*16*	*6*	*19*	*4*	*28*	*3*	*33*	*6*	*37*	*9*
Temporary employees	–	–	2	–	1	–	4	2	2	2
Number of consultants (FTE)	16	37	3	21	9	25	11	24	10	22

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

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

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

EMPLOYEE STATISTICS

Group	2022	2021	2020	2019	2018
Number of employees at 31 December	394	366	355	370	365
Average age of all employees	47	48	49	48	48
Percentage of female employees	58 %	60 %	60 %	60 %	59 %
Percentage of female managers	57 %	57 %	61 %	58 %	52 %
Percentage of women in executive management [1]	33 %	33 %	44 %	44 %	33 %
Percentage of women on the Board [1]	36 %	36 %	45 %	42 %	38 %
Parent Company					
Employee turnover	6.6 %	11.1 %	3.9 %	7.9 %	7.9 %
Percentage covered by collective bargaining agreements [2]	100 %	100 %	100 %	100 %	100 %
Age distribution employees [3]					
– 20–39 years, (W/M)	38/28	34/28	34/28	36/28	–
– 40–49 years, (W/M)	52/33	49/29	48/36	49/36	–
– 50– years, (W/M)	98/76	101/71	111/73	115/76	–
Percentage of female employees	58 %	59 %	59 %	59 %	58 %
Percentage of female managers	55 %	54 %	61 %	57 %	53 %

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

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, mainly in IT and Customer Relations but also within Asset Management. All vacancies 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 vacancies or functions requiring new skills. We continuously review the need for expertise to ensure succession in the event of staff retirement. 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 group 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 stimulating work environment.

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

Parent Company	2022	2021	2020	2019	2018	TARGET
Hours of training, average per employee [1]	n/a	19	32	42	22	–
– average, women	n/a	n/a	35	53	27	–
– average, men	n/a	n/a	29	26	14	–
Employee performance reviews	100 %	78 %	81 %	– [2]	90 %	100 %

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

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

All employees at Alecta take part in an annual performance review, and managers are offered support by the HR organisation to plan and conduct these reviews in a clear process. To be registered in the system, both employees and managers must go through and approve the performance review.

In 2022, we examined how employees at Alecta view their skills development and if employees feel that they are getting the skills development required to develop in their work and role at Alecta. We see the result of 76 out of 100 as a very good score. Another measure of skills development is to ensure internal mobility within the company. The number of positions recruited for internally amounted to four for both 2022 and 2021. Alecta's goal is that all employees will have a skills development plan that includes skills development needs and planned training programmes.

The training offered to all employees includes Alecta as a company, the customer offer and areas that include governance documents, such as information security, ethics and diversity and inclusion. We also offer in-depth training opportunities in self-leadership, collective intelligence, agile working techniques and methods for more effective day-to-day work. Each department is responsible for managing more professional training, which often takes place externally. We provide information about training opportunities on the intranet and through Kompassen, our support tool for training and development.

Sick leave

Parent Company	2022	2021	2020	2019	2018
Sick leave [1]	3.3 %	3.2 %	3.3 %	4.5 %	3.4 %
– Women	3.5 %	3.6 %	3.9 %	4.8 %	–
– Men	3.1 %	2.7 %	2.6 %	4.0 %	–

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

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

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

GRI Content Index

About the sustainability reporting

Alecta's sustainability report covers the 2022 financial year and has been prepared according to guidelines from the Global Reporting Initiative (GRI), GRI Standards. The statutory sustainability report covers pages 12–33, the full scope of the sustainability report in Alecta's Annual and Sustainability Report is described on pages 34–35. It is an annual report and the previous annual and sustainability report was published on 31 March 2022.

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

Scope and boundaries

Alecta manages collectively agreed occupational pension schemes in Sweden. Alecta's asset management activities comprise investments in equity, fixed-income securities and real assets. Alecta's directly owned real estate holdings exist only in Sweden and the Swedish properties are managed through the wholly owned subsidiary, Alecta Fastigheter. There have been no significant changes in the organisation's size, structure, ownership or suppliers during the reporting period.

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 is reported for the Group. Description of Alecta's direct environmental impact and suppliers refers to the parent company and environmental indicators for the directly owned properties managed by Alecta Fastigheter are reported according to the standing portfolio approach, which is described in definitions. The reporting of information connected with governance is reported in accordance with the split financial year to reflect the work cycle of the nomination committee and AGM season. Other exceptions, boundaries or corrections are indicated throughout the report.

Calculation methods and definitions

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

The absolute footprint shows the total carbon dioxide emissions of the portfolio in scopes 1 and 2. This metric is a total of Alecta's share of the holding companies' footprint calculated as the value of the shareholding in relation to the holding company's debt-free market value (enterprise value) multiplied by the holding company's carbon 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.

Employees and consultants: 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). Consultants are recalculated to full-time equivalents (FTEs) for a more accurate picture of operations.

Standing portfolio: To be able to compare the environmental performance of directly owned properties over time, each year we report key performance indicators for a portfolio of properties that have been part of the portfolio for the entire reporting period (three years). Project properties during the period were excluded.

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

APPLICATION	Alecta Tjänstepension Ömsesidigt has reported in accordance with GRI Standards for the calendar year 2022.
GRI 1 applied	GRI 1: Foundation 2021
Relevant GRI Sector Standard(s)	GRI G4 Financial Services Sector Disclosures 2014

GRI STANDARD / other source	Disclosure	Page	Deviation/not reported		
			Omitted information	Reason	Comment
General information					
GRI 2: General information 2022	2-1 Business information	45			
	2-2 Entities included in the organisation's sustainability report	33			
	2-3 Reporting period, frequency and contact point	33			
	2-4 Corrections to previously reported information	33			
	2-5 External assurance	33, 36, 38, 39			
	2-6 Business, value chain and other business relationships	30, 45			
	2-7 Employees	30	Employees by region	Not applicable	Alecta only operates in Sweden
	2-8 Other workforce	30			
	2-9 Structure of corporate governance and board composition	14, 15, 38–39, 42–43	Independent	Not applicable	Alecta is a mutual company
	2-10 Nomination and appointment of board of directors	14, 38	Shareholder info	Not applicable	Alecta is a mutual company
	2-11 Board chair	39, 43			
	2-12 The role of the board chair in follow-up of sustainability work	14, 15, 38–41			
	2-13 Work delegation sustainability work	14			
	2-14 The board's role in the sustainability report	105			
	2-15 Conflicts of Interest	15, 104	Shareholder info	Not applicable	Alecta is a mutual company
	2-16 Whistleblowing or other reporting of criticism	13, 29–30	Other channels to the board	Not applicable	Whistleblowing is the board's formal channel
	2-17 Board sustainability competence	14			
	2-18 Board evaluation	39			
	2-19 Compensation guidelines	39, 41, 102	Sustainability	Incomplete information	Reported on alecta.se (for the business) The board receives fixed fees.
	2-20 Compensation process	39			
	2-21 Relative compensation	99–102	Median compensation	Incomplete information	Not reported for 2022
	2-22 Sustainability strategy commitment	6–7			
	2-23 Policy commitments	15	HR DD	Incomplete information	Described in the SFDR section at the back of the publication.
	2-24 Establishment of policy commitments	14–15			
	2-25 Negative impact management processes	13, 19, 25, 29–30	Stakeholders (external)	Not applicable	The whistle-blowing function is for internal stakeholders
	2-26 Communication channels and whistle-blowing functions	13, 16	Stakeholders (external)	Not applicable	The whistle-blowing function is for internal stakeholders
	2-27 Regulatory compliance	29–30			
	2-28 Membership	19–20			
	2-29 Stakeholder relations	16			
	2-30 Collective Agreement	31			
List of material topics					
GRI 3: Material Topics 2021	3-1 Process for defining material topics	17			
	3-2 List of material topics	17–18			

GRI STANDARD / other source	Disclosure	Page	Deviation/not reported		
			Omitted information	Reason	Comment
Economic performance					
GRI 3: Material Topics 2021	3-3 Governance of material topics	15, 17, 19, 39–40, 55			
GRI 201: Economic Performance 2016	201-1 Economic value generated and distributed	24			
	201-2 Financial implications and other risks and opportunities related to climate change	(25–26)	Description and quantification of financial consequences	Information unavailable/ incomplete	Alecta annually publishes a separate climate report for the investment portfolio in accordance with TCFD, which describes financial consequences.
Corruption					
GRI 3: Material Topics 2021	3-3 Governance of material topics	14–15, 18, 19			
GRI 205: Anti-corruption 2016	205-1 Activities assessed for risk of corruption risks	19			
	205-2 Information and training regarding corruption policies and procedures	30			
	205-3 Confirmed corruption incidents and actions taken	29			
Training and education					
GRI 3: Material Topics 2021	3-3 Governance of material topics	14–15, 16, 18, 31–32			
GRI 404: Training and Education 2016	404-1 Average number of training hours per employee and year	(31–32)	Number of hours per employee	Information not available	Alecta does not record the number of skills development hours
	404-3 Percentage of employees receiving regular evaluation and performance reviews	31–32			
Diversity and equality					
GRI 3: Material Topics 2021	3-3 Governance of material topics	14–15, 16, 18, 22			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity in governance body and among employees	30–31			
Customer Integrity					
GRI 3: Material Topics 2021	3-3 Governance of material topics	14–15, 18			
GRI 418: Customer Privacy 2016	418-1 Complaints related to violation of customer privacy or loss of customer data	29			
Financial Services Sector Disclosure - Sector standard for financial actors					
GRI 3: Material Topics 2021	3-3 Governance of material topics	14–15, 17, 21			
GRI G4: FSS	FS10 Percentage and number of companies in the company's portfolio with which the company has had a dialogue on environmental or social issues	25–26			
GRI G4: FSS	FS11 Percentage of managed assets subject to environmental or social screening	25			

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

Auditor's 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. If there are differences, the Swedish original have precedence.
To the Council of Administration of Alecta pensionsförsäkring, ömsesidigt, org. no. 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 2022. The scope of the sustainability report has been defined on pages 34–35. The statutory sustainability report is defined on page 33. Statutory sustainability disclosures in accordance with the EU Sustainable Finance Disclosure Regulation are presented on pages 111–128.

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 and to prepare statutory sustainability disclosures in accordance with the EU Sustainable Finance Disclosure Regulation. The criteria for the sustainability report are defined on page 33, 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. The Board of Directors' and Executive Management's 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 and the statutory sustainability disclosures. 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 (revised) Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the sustainability report, and applying analytical and other limited assurance procedures. Our examination regarding the statutory sustainability report and the statutory sustainability disclosures 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 and statutory sustainability disclosures have been provided.

Stockholm, date indicated by our electronic signature.
Ernst & Young AB

Mona Alfredsson
Authorized Public Accountant

Outi Alestalo
Expert member of FAR

Corporate Governance Report 2022

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

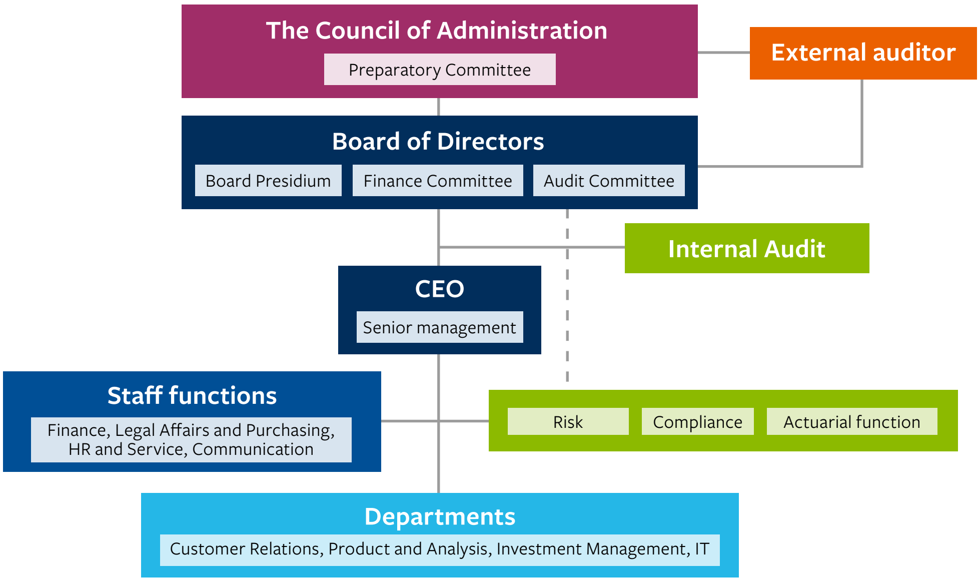
Corporate governance at Alecta

Alecta is a mutual occupational pension company that is owned by the employers who 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 that are not adapted to the fact that the company is a mutual insurance company are not applied. Another deviation from the Code is that the interim report is not reviewed annually by the company's auditor.

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

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

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

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

External auditors

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

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 2022 annual meeting of the Council of Administration, from then on with 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.

In addition to its external audit assignment, during the 2022 financial year Ernst & Young performed other assignments for Alecta, such as tax consultations and inquiry assignments. For more information on external auditor fees, refer to Note 47 Disclosures of auditors' fees.

Board of Directors

The Board of Directors is responsible for the organisation and administration of Alecta. The Board decides on Alecta's strategies and long-term targets and is responsible for ensuring

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

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 evaluation are reported to the Preparatory Committee for the Council of Administration.

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

Board Presidium

The main duties of the Board Presidium are to administer and adopt decisions on those matters which the Board delegates to the Board Presidium, to advise the CEO in the day-to-day management of the company and, prior to the Board 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 Board Chair. The Board Presidium held four meetings during 2022, 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 that are not within the remit of the CEO. The Finance Committee held seven meetings during 2022, 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. The Committee held five meetings during 2022, all of which were scheduled.

Work of the Board of Directors in 2022

The Board held eight meetings during 2022, of which seven 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:

- Alecta's 2028 strategy,
- refunds and premium setting, and
- Alecta's offer in the ITP procurement regarding defined contribution retirement pensions for the period 2023–2028.

Risk management and internal control

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

Operational risk management

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

Central functions

As support for the Board, CEO and the business, within Alecta there are the central functions specified in the Occupational Pension Companies Act, Risk, Compliance, the Actuarial function and Internal Audit. These functions use a risk-based approach and therefore give priority to activities and follow-ups in those areas where Alecta's risks are greatest. Risk management is an integral part of Alecta's governance. To protect its customers and other stakeholders, Alecta applies strict standards for how risks are controlled and managed. More information on risks and risk management is provided in the Administration Report on page 55 and in Note 3 Risks and risk management.

Risk

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

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

Compliance

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

The Compliance function's mission is to:

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

Actuarial function

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

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

Internal Audit

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

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

Governance documents and monitoring

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

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

Business follow-up

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

Internal control over financial reporting

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

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

The external auditors attended three of the Audit Committee's meetings in 2022, whereby different matters related to the audit were subject to discussion between the auditors and members of the committee. During the year, the Audit Committee also examined and evaluated the work of the external auditors.

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

The external auditors have submitted written reports to the Board of Directors concerning the year's examination, which are an audit plan, a status report and the year-end report. They have also attended a Board meeting to verbally present a report on the 2022 audit and on the evaluation of the work of senior management.

Guidelines for remuneration of Senior Management

The Council of Administration established the following guidelines for remuneration and other terms of employment for Alecta's senior management at its meeting on 21 April 2022:

Remuneration for 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 eight individuals who along with the CEO, currently 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 to either the CEO or to any other senior executives.

Provision for pensions

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

Severance pay and other benefits

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

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

Process and decision-making

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

For information on remuneration and incentive programmes for 2022, refer to Note 46.

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

Margita Gunnarsson, Stockholm

Jonas Hagelqvist, Stockholm

Mats Hedenström, Stockholm (2022–2023)

Johan Lindström, Stockholm

Staffan Lindquist, Helsingborg

Carina Malmgren Heander, Stockholm

Anna Nordin, Saltsjö-Boo

Yvonne Pernodd, Enskede (2022–2023)

Charlott Richardson, Sollentuna

Henrik van Rijswijk, Stockholm

Pontus Sjöstrand, Danderyd

Ulrik Wehtje, Malmö [1]

Klas Wåhlberg, Västerås [2]

Ann Öberg, Vaxholm (2022–2023)

Deputy Members

Anders Canemyr, Nacka

Stefan Koskinen, Stockholm

Jonas Siljhammar, Jönköping

Tomas Torstensson, Bromma

[1] Member of the Preparatory Committee

[2] Deputy member of the Preparatory Committee

The Council of Administration's 19 members and four deputies elected by Unionen, the Association of Managerial and Professional Staff (Ledarna), Swedish Association of Graduate Engineers and the Council for Negotiation and Cooperation (PTK) for the period 2021–2023.

Members

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

Christina Balder (Unionen), Trollhättan

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

Johan Lif (PTK), Västerås (2022–2023)

Hans Lindau (Unionen), Sandared

Andreas Miller (Ledarna), Uppsala [2]

Maria Nassikas (Unionen), Österskär

Kristina Rådkvist (PTK), Enköping

Therese Sysimetsä (Unionen), Stockholm

Anders Åhlin (Unionen), Vällingby (2022–2023)

Vacant

Deputy Members

Vacant

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

Board of Directors

Ingrid Bonde

Position: Chair

Born: 1959

Elected: 2019

Committee: The Finance Committee (Chair),

Board of Directors' Presidium (Chair)

Other board appointments: Apoteket AB (Chair), Securitas AB, Telia Company AB (Vice Chair), Husqvarna AB, Tbd 30 AB (Chair), Royal Swedish Academy of Engineering Sciences and Ersta Diakoni

Other appointments: –

Other: –

Attendance Board Meetings: 8/8

Committee attendance: 11/11

Jan-Olof Jacke

Position: First Vice Chair

Born: 1965

Elected: 2019

Committee: Board Presidium

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

Other appointments: –

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

Attendance Board Meetings: 6/8 [1]

Committee attendance: 4/4

Martin Linder

Position: Second Vice Chair

Born: 1973

Elected: 2016

Committee: Board Presidium

Other board appointments: PTK (Chair) and TCO

Other appointments: –

Other: Unionen (President)

Attendance Board Meetings: 7/8 [1]

Committee attendance: 4/4

Hanna Bisell

Position: Member of the Board

Born: 1969

Elected: 2016

Committee: Audit Committee (Chair)

Other board appointments: Medlemsförsäkring AB (Chair)

Other appointments: –

Other: –

Attendance Board Meetings: 8/8

Committee attendance: 5/5

Marcus Dahlsten

Position: Member of the Board

Born: 1974

Elected: 2020

Committee: Audit Committee

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

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

Other: –

Attendance Board Meetings: 8/8

Committee attendance: 5/5

Markus Granlund

Position: Member of the Board

Born: 1975

Elected: 2019

Committee: Audit Committee

Other board appointments: Several Semcon subsidiaries, Börssällskapet i Göteborg, Squeed AB, Squeed Göteborg AB, Squeed Stockholm AB, Tedsys AB, Walkgrove Solutions AB and Goodpoint AB

Other appointments: Swedish Fair Foundation and Royal Swedish Academy of Engineering Sciences

Other: CEO Semcon AB

Attendance Board Meetings: 7/8

Committee attendance: 5/5

Ann Grevelius

Position: Member of the Board

Born: 1966

Elected: 2020

Committee: Finance Committee

Other board appointments: Optise AB (Chair), Hallvarsson & Halvarsson Group AB, Slättö Förvaltning AB, Stenvalvet AB, OX2 AB, The European Smaller Companies Trust PLC and Stena Sessan AB

Other appointments: Chair of the Foundation for Strategic Research Asset Management Committee

Other: –

Attendance Board Meetings: 8/8

Committee attendance: 7/7

Petra Hedengran

Position: Member of the Board

Born: 1964

Elected: 2017

Committee: Finance Committee

Other board appointments: Electrolux AB

Other appointments: 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: 8/8

Committee attendance: 7/7

Martin Fridolf

Position: Member of the Board

Born: 1964

Elected: 2021

Committee: Audit Committee

Other board appointments: –

Other appointments: –

Other: CEO Ledarna

Attendance Board Meetings: 7/8

Committee attendance: 5/5

Magnus von Koch

Position: Member of the Board

Born: 1962

Elected: 2010

Committee: Finance Committee

Other board appointments: Klara Norra Fastigheter AB (Chair)

Other appointments: –

Other: Unionen (asset manager)

Attendance Board Meetings: 8/8

Committee attendance: 7/7

Richard Malmborg

Position: Member of the Board

Born: 1961

Elected: 2003

Committee: Audit Committee

Other board appointments: PTK and Akademikertjänst AB (Chair)

Other appointments: –

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

Attendance Board Meetings: 6/8 [1]

Committee attendance: 4/4

Birgitta Pernkrans

Position: Employee representative Forena

Born: 1969

Elected: 2015

Committee: –

Other board appointments: –

Other appointments: –

Other: –

Attendance Board Meetings: 8/8

Committee attendance: –

Mikael Persson

Position: Employee representative SACO

Born: 1962

Elected: 2008

Committee: –

Other board appointments: –

Other appointments: –

Other: –

Attendance Board Meetings: 7/8

Committee attendance: –

[1] Did not attend the extraordinary Board meeting on ITP procurement due to disqualification.

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 appointments: Insurance Sweden, Employers' Organisation for the Swedish Insurance Industry, and Stockholm Environment Institute

Other appointments: SNS Board of Trustees, the Swedish Financial Reporting Board

Henrik Gade Jepsen [1)]

Position: Deputy CEO, Head of Asset Management

Born: 1963

Employed since: 2022

Education: Finance candidate

Previous experience: Senior Advisor Qblue Balanced, Head of Asset Management Danske Bank A/S, Head of Asset Management ATP, Economist International Monetary Fund, Economist Denmark National Bank

Katarina Thorslund

Position: Deputy CEO, Head of Customer Relations

Born: 1962

Employed since: 2003

Education: B.Sc. in Mathematics

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

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

Martin Hedensiö

Position: Head of Communication

Born: 1964

Employed since: 2016

Education: MSc. in Accounting and Auditing

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

Ulrika Hellmark [2)]

Position: Head of Business Development

Born: 1979

Employed since: 2019

Education: Economist and Bachelor of Arts. Humanities

Previous experience: Senior Manager at EY (Ernst & Young) Financial Services Advisory as well as a number of roles including business development at Swedbank and Skandia

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 & Purchasing

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 Product and Analysis

Born: 1976

Employed since: 2013

Education: M.Sc. in Mathematical Statistics

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

Maria Wahl Burvall

Position: Head of HR

Born: 1964

Employed since: 2014

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

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

Camilla Wirth

Position: Chief Financial Officer

Born: 1970

Employed since: 2017

Education: M.Sc. in Business and Economics

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

[1)] Henrik Gade Jepsen took over as Head of Asset Management on 1 December 2022, succeeding Hans Sterte, who had been Head of Asset Management for the past four years.

[2)] Ulrika Hellmark has been part of the management since 1 January 2023.

Administration Report

The Board of Directors and the Chief Executive Officer (CEO) of Alecta Tjänstepension Ömsesidigt hereby present the Annual and Sustainability Report for 2022.

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

Ownership and structure

As of 1 January 2022, Alecta became a mutual occupational pension company. A mutual 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 policyholders and the insured parties.

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

Operations and products

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

Alecta's primary task is to manage the different parts of the ITP occupational pension plan on behalf of the Confederation of Swedish Enterprise and the Council for Negotiation and Cooperation (PTK), which are parties to collective bargaining agreements. Alecta thereby manages both defined benefit and defined contribution pensions, as well as risk insurance in the form of disability pension, survivor protection and premium waiver. Defined contribution retirement pensions are offered through the Alecta Optimal Pension product, which for ITP 1 is both the default option and a selectable option.

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

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

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

Employees

In 2022, the average number of employees in the Alecta Group was 378 people (356), which is 374 on a full-time equivalent basis (348).

At year-end 2022, the total number of employees in the Group was 394 people (366), of whom 325 were in the parent company (313). The proportion of female employees was 58 per cent (60) and the average age of all employees was 47 years of age (48).

Information on the average number of employees, salaries and benefits is provided in Note 46. 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 24.1 billion (211.4). Comments on financial outcome and financial position are presented in the following report.

Premiums written

Premiums written in 2022 totalled SEK 66.2 billion (55.8), see Note 4. Premiums written can be divided into invoiced premiums and guaranteed refunds.

Invoiced premiums totalled SEK 47.9 billion (50.0). The decrease compared to the preceding year was primarily due to reduced one-off premiums in the form of PRI redemption, as well as higher premium reductions.

Guaranteed refunds totalled SEK 18.3 billion (5.7) 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 increase in guaranteed refunds is largely due to the 2.51 per cent adjustment of paid-up policy values implemented in January, on the basis of the change in the consumer price index between September 2020 and September 2021 being higher than that implemented one year earlier (0.39).

Capital return

The financial markets

It has been an eventful year for the financial markets to say the least, which began with growing concerns about rising global inflation and was soon followed by the Russian invasion of Ukraine in February. In addition to great human suffering, the war led to soaring energy prices, especially in Europe. Inflation gained further momentum and spread around the world, prompting central banks to adjust and launch a significantly more restrictive monetary policy, resulting in sharply increased policy rates. In the United States where the inflation wave first hit, the Federal Reserve raised its policy rate seven times during the year, from 0.25 per cent to 4.5 per cent. The Riksbank and the ECB took longer to raise policy rates during the year but increased key interest rates from zero to 2.5 per cent at the end of the year when inflation reached over 10 per cent.

Rising energy prices and market interest rates have meant that households' consumption capacity has been eroded, which has also meant that most forecasting institutes have significantly reduced their growth forecasts. In addition, the Chinese government continued to stubbornly maintain its tough restrictions, which has meant lower growth in China and continued disruptions to the supply chains of many companies. This has had an impact on economic statistics during the year and a gradual increase in concern about an impending recession.

In a world with rising inflation, increasing interest rates and geopolitical unrest, financial markets have experienced considerable volatility. The performance of global stock markets was negative for the year and the weakest since the 2008 financial crisis. The performance of the Swedish stock market (MSCI Sweden) was worse than most European stock markets, although it regained some lost ground in the last quarter. For the full year, the Swedish stock market was down 16.7 per cent, which was 5 percentage points worse than the European stock markets (MSCI Europe) combined. The US stock markets also performed poorly, returning –20.4 per cent (MSCI USA), all measured in local currency.

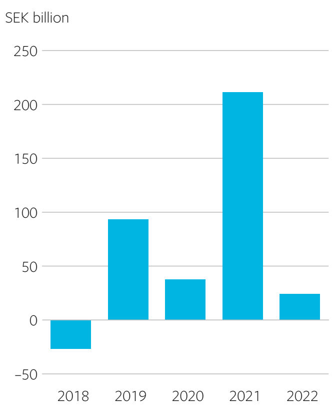
The performance of interest rate assets has also been very volatile and the value of interest rate assets has been negatively affected by the sharp rise in market interest rates following inflationary concerns. Long interest rates in the US rose by almost 230 basis points and in Sweden and Germany, the rise in interest rates stopped at 220 and 240 basis points respectively. However, the value of the Alecta pension obligations on the liabilities side has also decreased, with the rise in interest rates contributing to an increasingly strong solvency ratio for Alecta.

As usual, uncertainty and reduced risk appetite have not been a favourable environment for the Swedish krona, which continued to perform weakly. Since the beginning of the year, the Swedish krona has depreciated by 15 per cent against the dollar and 8 per cent against the Euro. Even the British pound has performed weakly and is almost unchanged against the Swedish krona.

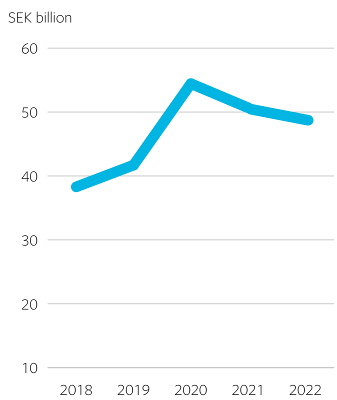
Return

The total return on Alecta's investments in 2022 was –7.9 per cent (16.6). The negative return is mainly attributable to falling share prices but rising market interest rates have also resulted in negative returns for interest rate assets. Real assets such as real estate have contributed positively to the return. Alecta's average annual return over the past five years is 4.9 per cent

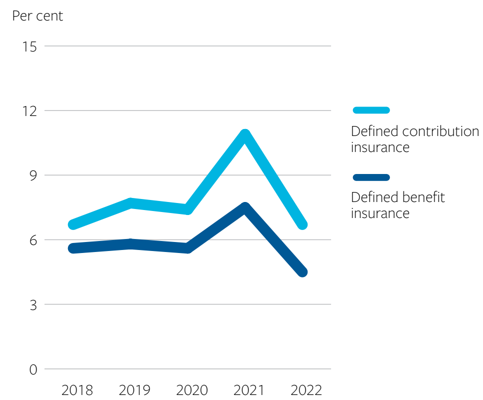
PROFIT/LOSS FOR THE YEAR



INVOICED PREMIUMS



TOTAL RETURN, FIVE-YEAR AVERAGE



(8.0). The return on shares for the year was –15.3 per cent (40.6), debt securities had a return of –7.7 per cent (–0.8) and the return on alternative investments was 8.9 per cent (13.2). At the end of the year, the alternative investments consisted of 67 per cent (77) real estate and the remaining part of mainly alternative credits, i.e. interest-bearing instruments with higher credit and market risk, as well as infrastructure investments.

The return on Alecta's defined contribution savings product, Alecta Optimal Pension, was –9.8 per cent (24.1). Over the past five years, Alecta Optimal Pension has generated an average annual return of 6.7 per cent (10.9).

The return on the Alecta defined benefit insurance was –7,4 per cent (15.2). The average annual return over the past five years was 4.5 per cent (7.5). In the income statement, return on capital for the Group including unrealised value changes was SEK –99.0 billion (173.3). At year-end 2022, the market value of total investment assets amounted to SEK 1,152.7 billion (1,230.6), refer to the total return table. Of these, the Alecta Optimal Pension accounted for SEK 207.9 billion (211.0).

Changes in the portfolio

At year-end, the proportion of shares of the portfolio was 39.6 per cent (40.4). The proportion of shares varied during the year as a result of market events but was also due to the active selection of upward and downward weighting of the proportion of shares during the year The country allocation remained largely unchanged compared to the previous year.

At year-end, the proportion of alternative investments was 21.5 per cent (14.3). The increase is explained by net investments in real estate, so-called alternative credits and infrastructure investments, as well as a decrease in the value of the other asset classes and that the base has decreased. The composition of the portfolio is presented on page 48.

Insurance claims incurred

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

During 2022 insurance claims paid that consist primarily of benefits incurred in retirement pensions, disability and life insurance increased to SEK 24.3 billion (23.6). 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 2022 these totalled SEK 173 million (177) – see also Notes 7 and 8. The change in the provision for claims outstanding was SEK –1.2 billion (1.1).

Total return table for investments, total	Market value 31/12/2022		Market value 31/12/2021		Total return, per cent		
	SEK million	%	SEK million	%	2022	2021	Average 2018–2022
Shares	456,777	39.6	497,502	40.4	–15.3	40.6	10.3
Debt securities	448,010	38.9	556,758	45.2	–7.7	–0.8	–0.7
Alternative investments [1]	247,959	21.5	176,350	14.3	8.9	13.2	7.2
Total investments	**1,152,747**	**100.0**	**1,230,610**	**100.0**	**–7.9**	**16.6**	**4.9**

Total return for each year and asset class for the period 2018–2022, which are included in the average total return are presented in the five-year summary on page 56.

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 available in Note 45.

Total return table for investments, defined contribution insurance (Alecta Optimal Pension)	Market value 31/12/2022		Market value 31/12/2021		Total return, per cent		
	SEK million	%	SEK million	%	2022	2021	Average 2018–2022
Shares	126,629	60.9	125,842	59.6	–15.3	40.6	10.3
Debt securities	36,176	17.4	54,696	25.9	–9.2	–1.8	–1.2
Alternative investments [1]	45,108	21.7	30,487	14.4	8.9	13.2	7.2
Total investments	**207,913**	**100.0**	**211,025**	**100.0**	**–9.8**	**24.1**	**6.7**

The proportion of shares in Alecta Optimal Pension is higher than in other Alecta products. The table above refers to the portfolio that constitutes Alecta's default option, which has a 60 per cent share component. The market value of the total Alecta Optimal Pension portfolio, i.e. including all asset classes is SEK 225.4 billion (227.4).

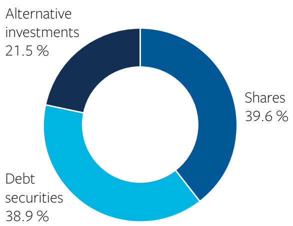
Total return table for investments, defined benefit insurance	Market value 31/12/2022		Market value 31/12/2021		Total return, per cent		
	SEK million	%	SEK million	%	2022	2021	Average 2018–2022
Shares	322,705	34.8	364,656	36.3	–15.3	40.6	10.3
Debt securities	405,588	43.7	495,062	49.3	–7.5	–0.7	–0.7
Alternative investments [1]	199,057	21.5	143,498	14.3	8.9	13.2	7.2
Total investments	**927,351**	**100.0**	**1,003,215**	**100.0**	**–7.4**	**15.2**	**4.5**

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.

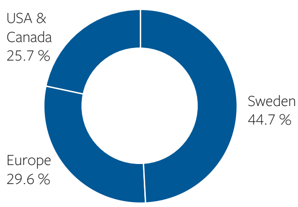
[1] Alternative investments include real estate, infrastructure investments, private equity and so-called alternative credits that are subject to higher market risk than traditional debt securities.

Alecta portfolio composition as at 31/12/2022

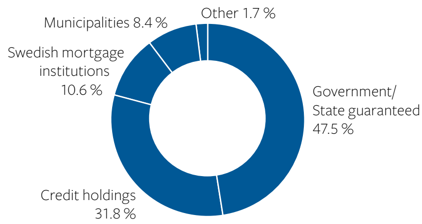
TOTAL INVESTMENT PORTFOLIO



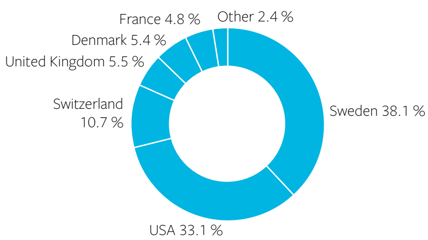
DEBT SECURITIES, geographic distribution



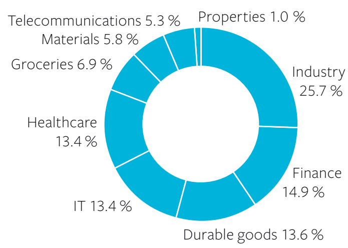
DEBT SECURITIES, type of issuer



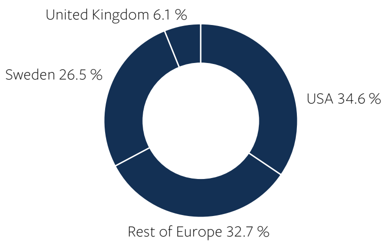
SHARES, geographic distribution



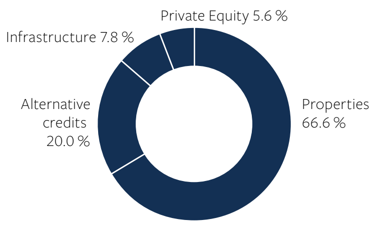
SHARES, sector distribution



ALTERNATIVE INVESTMENTS, geographic distribution



ALTERNATIVE INVESTMENTS, category



Alecta's five largest shareholdings as at 31/12/2022

Shares	Sector	Market value, SEK million
Investor	Finance	23,840
Microsoft	IT	23,716
Novo Nordisk	Healthcare	23,342
Atlas Copco	Industry	23,243
Alphabet	Telecom	18,187

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.

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 529.5 billion on 31 December 2022. This is a decrease of SEK 84.3 billion (8.2) for 2022, which was due to the following reasons:

- Premiums and payments resulted in an increase in technical provisions SEK 42.1 billion (32.4), of which SEK 10.3 billion (1.6) refers to guaranteed refunds of earned pension entitlements, as well as premium reductions for defined benefit savings insurance of SEK 3.0 billion (–).
- The difference between underlying premiums and assumptions in the calculation of technical provisions reduced the provisions by SEK 23.7 billion (24.1) for savings insurance.
- The results from disability and waiver of premium reduced the provisions by SEK 2.3 billion (1.2).
- Higher market interest rates in 2022 meant that the yield curve used in the valuation increased, which reduced provisions by SEK 113.4 billion (33.3). The average cash flow-weighted interest rate decreased from 1.92 to 3.25 per cent in 2022.
- Cumulative return after deduction for released tax and operating expenses meant that the technical provisions increased by SEK 14.8 billion (14.7).
- Minor changes in assumptions in disability insurance reduced provisions by SEK 315 million.
- Other changes and results led to an overall decrease in technical provisions of SEK 1.4 billion.

For further information, see Notes 35 and 36.

Operating expenses

Operating expenses for the insurance business, which are referred to as operating expenses in the income statement, totalled SEK 571 million (625).

In 2022, a larger share of joint costs has been allocated to our asset management as its operations have increased, which has led to reduced costs in the insurance business. In addition, IT development consulting costs have decreased as the Alecta 2023 Strategy Programme has now been completed. Invoicing of administrative costs from Collectum was slightly lower compared to the previous year. Our PRI income increased as we are developing an IT solution for management of AGI (individual level employer declaration) on behalf of PRI.

Management expense ratio

The total management expense ratio for the Group has decreased to 0.06 (0.07) compared to the previous year. The key performance indicator for defined contribution insurance has decreased to 0.04 (0.05), while the key performance indicator for defined benefit insurance has decreased to 0.07 (0.08). It was mainly an effect of reduced costs in insurance operations that contributed to the lower management expense ratio in 2022.

Tax

In 2022, the yield tax net of foreign tax credits was SEK 492 million (379). Yield tax is payable on pension products and family cover.

The income tax expense, which comprises current and deferred tax was SEK 1,020 million (–1,236). The deferred tax expense is net of income and expenses In addition to Swedish income tax, the item also includes withholding tax and foreign income tax. In the parent company, the business segments disability pension, waiver of premium and TGL are subject to income tax.

Distribution of surplus

A surplus arises when the return on Alecta's assets exceeds the financial cost of its guaranteed obligations but can also arise when the discount rate used to value the guaranteed obligations is higher than the agreed premium rate. In addition, a surplus can also arise in other situations, for example when Alecta's actual outcomes for mortality, morbidity and operating expenses are positive. A more detailed presentation of how the surplus arises is provided in the alternative income statement on pages 57–58. 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 (2008–2022), Alecta has distributed SEK 130 billion in refunds. The refunds have been distributed to policyholders and insured parties in the form of pension supplements, increases in earned pension entitlements and premium reductions.

For Alecta's defined contribution insurance product, Alecta Optimal Pension any surplus or deficit is allocated directly to the insured parties on a monthly basis, 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 2022, the Board approved an upward adjustment of defined benefit pensions of 2.51 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 2020 and September 2021. The Board also resolved to adopt a premium reduction for defined benefit age and family pensions of 30 per cent in relation to the 2021 premium bases for ongoing premiums. It also resolved to increase the premium reductions for disability insurance from 65 per cent to 90 per cent, premium waiver insurance from 65 per cent to 70 per cent and that collective final payment is no longer covered by premium reductions. The premium reductions for family cover was maintained at 40 per cent. For TGL, the premium reduction was SEK 12 per insured party and month.

For more information on surplus distribution, see Note 33.

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 2022, the collective funding ratio for the Group's defined benefit insurance products was 172 per cent (172). The collective funding capital totalled SEK 385.6 billion (418.3).

The solvency ratio at year-end 2022 was 218 (201) per cent.

PERFORMANCE IN 2022	SOLVENCY RATIO	COLLECTIVE FUNDING RATIO, defined benefit insurance
Opening balance	**200.9 %**	**172.5 %**
Return	–15.9 %	–12.7 %
Cumulative return, TP	–5.5 %	–5.3 %
Changed discount rate	42.5 %	35.9 %
Premiums	–0.6 %	–0.1 %
Guaranteed pension paid	4.7 %	3.8 %
Pension supplement paid	–0.6 %	–9.2 %
Adjustment of paid-up policy values	–3.3 %	–10.1 %
Premium reductions risk	–1.9 %	–1.6 %
Premium reductions savings	–1.1 %	–0.9 %
Disability result	0.9 %	1.0 %
Other	–1.9 %	–1.1 %
Closing balance	**218.2 %**	**172.2 %**

Proposed appropriation of profits

The Board of Directors and Chief Executive Officer propose to the Council of Administration that the parent company profit of SEK 22,075,364,542 for 2022 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 page 49 and the section, Index-linked pension and premium reductions, page 51.

Significant events

Conversion to a mutual occupational pension company

On 1 January 2022, Alecta converted from a mutual insurance company under the Swedish Insurance Business Act to a mutual occupational pension company under the Swedish Occupational Pension Undertakings Act (2019:742). As part of the conversion, Alecta pensionsförsäkring ömsesidigt also changed its name to Alecta Tjänstepension Ömsesidigt.

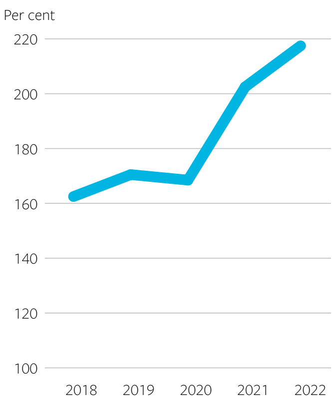
The regulatory amendment has affected the discount rate curve applied by Alecta after year end, which led to a reduction in Alecta's technical provisions of SEK 9.2 billion and of the net capital value of pension supplements by SEK 300 million.

Increased age limits and ceilings are introduced in the ITP plan

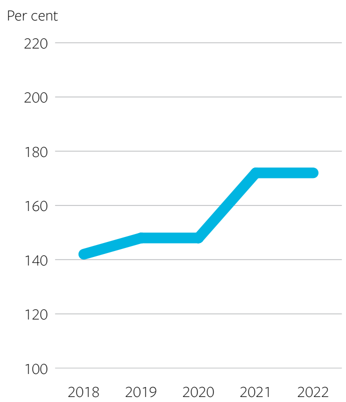
In June, the Confederation of Swedish Enterprise and PTK agreed on certain changes to the ITP plan. The main changes to ITP 1 are an increase in the age limit by one year to 66 years for the retirement pension, disability pension, premium waiver insurance and family cover. A ceiling for earning retirement pension (30 income base amounts) is also introduced to ITP 1. In ITP 2, the age limit is increased by one year to 66 years for disability pension. The entry into effect of all contractual amendments is 1 January 2023. One main objective of the parties' negotiations was to adapt the ITP plan to a longer work life, as well as to the new age limits in the general pension and insurance system.

The contractual amendments have had major consequences for Alecta's operations during the year, with extensive system

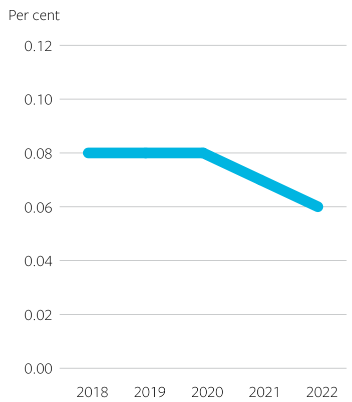
SOLVENCY RATIO



COLLECTIVE FUNDING RATIO, defined benefit insurance



MANAGEMENT EXPENSE RATIO, total



development as a result. It was particularly challenging that ITP 2 can no longer be fully managed as a benefits package in which all included benefits can be terminated at the same age as before. This had particularly significant consequences for the operations and administrative management. The development work has also involved several dependencies towards Collectum, which has required consistency in application and co-testing. There has also been a need for close contact between the parties to bring further clarity to various issues related to the contractual amendments. Despite the complexity and scope of the work and the time constraints, we succeeded well in reprioritising our development agenda and in producing the year-end contractual amendments as requested by the parties.

Index-linked pension and premium reductions

In autumn 2022, the Alecta board of directors resolved to index-link defined benefit pensions by 10.84 per cent for 2023, 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 a premium reduction for 2023 for defined benefit retirement and family pension of 40 per cent in relation to the 2022 unreduced premium level.

In addition to the premium reduction for retirement and family pensions, the Board has also decided to continue to provide premium reductions for risk insurance in 2023. The Board decided on a premium reduction for disability insurance of 90 per cent, as well as 60 per cent for premium waiver in the event of illness and parental leave. The premium for occupational group life insurance TGL remains unchanged at SEK 26 per month and employee.

In total, the premium reductions on risk premiums and savings premiums amount to approximately SEK 7.9 billion, corresponding to approximately 1.5 per cent of the total salary amount for one year of the ITP companies. In addition, costs for companies decreased by another SEK 3.3 billion as an effect of the upward adjustment of earned pensions that have not yet begun to be paid out. In total, the company costs are reduced by SEK 11.2 billion as a result of the resolution by the Board.

Furthermore, in December the Alecta Board resolved to reduce the employer one-off premiums with the redemption of defined benefit retirement pensions (PRI redemption). The premium reduction is effective from and including 1 January 2023 and is due to rising market interest rates in 2022. For an average PRI redemption, the measure means that the premium is reduced by approximately 7 per cent.

Alecta Fastigheter AB

During the year, the company took over management and development of its real estate portfolio in Gothenburg and is preparing to take over management of the portfolio in Nacka from and including February 2023. During the year, the company also took over the property and management of Solna Centrum and Campus Södermalm in Stockholm.

Alternative investments

During spring, Alecta invested USD 450 million in two reinsurance funds for natural disasters. Investments in reinsurance funds mean that we get investments with good earning capacity and at the same time very good diversification properties from the perspective of the entire investment portfolio. Creating a more robust portfolio is the primary driving force behind our increased interest in so-called alternative investments.

In spring, Alecta invested USD 75 million in a blue bond that contributes to a better marine environment in Belize. The blue bond in Belize demonstrates the power of mixing private with public venture capital. A United States government guarantee enables the refinancing of the national debt of Belize via private capital, which not only benefits the country's residents but also provides additional long-term resources to protect unique marine biotops.

Furthermore, in spring Alecta invested over SEK 1 billion in the largest climate-neutral office property in the UK via a co-investment. This means that when the building is completed, it should not have a negative impact on the climate through greenhouse gas emissions. To become climate neutral, innovative building technologies are used that contribute to minimal emissions.

During the year, Alecta purchased nine additional bonds for which the underlying risk is credit insurance. The counterparties are large well-known banks in Canada, the UK, Switzerland, Germany, France and Sweden. The total investment amount for these amounts to around SEK 10 billion. One of the credit risk deals for this year was recognised internationally by being awarded "Innovation of the Year" by the industry magazine, Structured Credit Investor. In an environment in which banks have to deal with new capital adequacy rules under Basel IV while recession risks are increasing, the ability and capacity of banks to manage their balance sheets will be crucial. The increasing interest in these risk-sharing deals with banks should be viewed against this backdrop. We consider that this business niche will continue to grow in the future.

In November, Alecta acquired 10 per cent of the shares in the unlisted company, Polarium Energy Systems (Polarium). Polarium is a Swedish company that was founded in 2015 and provides solutions for energy storage and energy optimisation using the company's advanced software and lithium-ion batteries. The products are already widely used in telecommunications but the company is now expanding into other customer segments. Polarium products offer customers electricity storage capacity while reducing customers' electricity costs and climate footprint. Energy storage and energy optimisation are an important piece of the puzzle for enabling the transition to renewable energy sources in society. Polarium has grown significantly in a short period while maintaining profitability and is now a leading player in the field. The main owner of Polarium is Vargas (the initiator of Northvolt and H2 Green Steel) and other owners include founder Stefan Jansson and AMF. The purchase price totalled approximately SEK 950 million.

The war in Ukraine

Russia's aggressive invasion of Ukraine in February has caused global unrest in the financial markets and 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 total Alecta investments has fallen sharply in conjunction with the start of the war. The stock markets recovered the big drop in spring, but the war and geopolitical uncertainty have continued to weigh on investors' minds throughout the year, in particular by contributing to the continued rise in food and energy prices, which fed inflation during the year.

Impact of the COVID-19 pandemic

With an increasing proportion of the population fully vaccinated and a lesser burden on health services, on 3 February 2022 the Swedish Parliament decided that COVID-19 should no longer be classified as a public and socially dangerous disease. Like the rest of the Western world, in spring Sweden therefore decided to start phasing out infection control measures and easing restrictions. Economies have been able to fully open up again, which has had a positive effect on industries that were previously severely affected by restrictions.

However in parts of Asia, the infection has been more widespread, which has meant that the World Health Organisation (WHO) has not declared the pandemic threat over. In particular, the zero-COVID policy of the Chinese authorities has involved severe restrictions to minimise the risk of spreading the virus, which has led to some lingering logistical problems. The shortage of components and goods has partially contributed to the rapid rise in inflation. At the end of the year, there were widespread protests in China against the restrictions, which have led to some relaxation of the COVID-19 rules but also to a greater spread of infection.

The impact of inflation

Inflation in Sweden and in much of the world started growing during the pandemic but has risen sharply to historically high levels during the year. In Sweden, the broad measure of CPI inflation reached over 12 per cent – the highest level in over 30 years. Even the underlying inflation, which excludes energy prices rose 10 per cent at the end of the year. This increases the risk of inflation lingering in 2023. The central banks, which only a year ago considered inflation to be temporary have therefore reversed course and now see inflation as the absolute primary target to be combated, with policy rates being raised sharply and the phasing out of bond buy-back programmes. Like the other central banks, the Riksbank has pursued an increasingly restrictive monetary policy, which has led to historically large interest rate increases. From May when the key interest rate was zero per cent, the Riksbank has raised the rate to 2.5 per cent and forecasts a further increase in early 2023.

The hard-line monetary policy, which has led to rising market interest rates, has led to significant cooling in the world's stock markets along with concerns about the forward-term growth and has also had an adverse effect on the performance of interest-rate assets. At the end of the year, the value of Alecta's total investments had fallen by 7.9 per cent.

Interest rates also have significant impact on the present value of nominal and real obligations that are many years away, such as Alecta's pension obligations. The average discount rate has increased from 1.92 at the beginning of the year to 3.25 per cent at the end of the year. As a result, technical provisions have decreased by SEK 113 billion. Overall, this has strengthened Alecta's financial position during the year 2022 and Alecta's solvency ratio is 218 per cent. The high consolidation has meant that Alecta has been able to index-link pensions in line with the high inflation, which meant a refund for the defined benefit insurance of SEK 57 billion. This has affected the funding ratio of 172 per cent, which is on par with the previous year. A high funding ratio is a prerequisite for compensating defined benefit pensions for the negative effects of inflation, see more information above under the section, Index-linked pension and premium reductions.

Organisational changes

Henrik Gade Jepsen assumed a position as the new head of Alecta Investment Management in December 2022. Henrik, who joins from a role as senior advisor at QBlue Balanced, succeeds Hans Sterte who has been Head of Investment Management for the past four years. Henrik previously worked at Danske Bank A/S as Head of Investment Management and spent 17 years at Denmark's largest pension fund ATP, five years of which were as Head of Investment Management. In mid-December, the Board resolved to appoint Henrik as Deputy CEO.

Ulrika Hellmark, Head of Business Development has been co-opted for all management meetings since January 2022. From 1 January 2023, Ulrika is a new ordinary member of the board. Business development is high on Alecta's agenda, which is why it is a natural step for Ulrika, as responsible for facilitating business development work at Alecta, to be a member of the management team.

Significant events after the balance sheet date

In March, a spectacular crisis unfolded in the banking sector, particularly in the US where Alecta had an exposure that led to losses of around SEK 20 billion. Starting from 2016, we have invested in three banks in the US with completely different business models and with operations in different parts of the country. These investments performed well in the early years but in 2022, the situation deteriorated as interest rates rose. Although we saw that there were challenges ahead, our assessment was that they could be resolved. Like most research houses and credit rating agencies, we misjudged the rapid negative development of US banks that took place in March 2023. This is a failure on our part.

We fully understand and respect that our customers and other stakeholders are angry and disappointed with us. However, it is also important, and perhaps especially so in difficult times, to consider the proportions and the actual impact on Alecta's customers. What has now occurred has virtually no impact on either Alecta's customers or Alecta's financial position. Alecta remains financially stable as a result of many years of good returns. The impact on the pensions is small, firstly because the loss corresponds to less than 2 per cent of our assets under management and secondly, because of how our pensions are designed.

The Board has commissioned CEO Magnus Billing along with external resources to evaluate Alecta's investment strategy and publicly share the conclusions.

In autumn 2022, Alecta submitted a tender for the ITP procurement. At the end of March, Collectum announced that in competition with other Swedish pension companies and banks, Alecta had been appointed as the default company to manage the defined contribution retirement pension under the ITP plan for a further five years, i.e. both ITP 1 and ITPK for private-sector employees. For those pension savers participating in the ITP plan who do not make an active choice, the occupational pension is thus managed by Alecta. Alecta has also been designated one of the active choices that a pension saver participating in the ITP plan can make in traditional management, a so-called cross-choice.

Expected future outlook

Financial markets

2022 marks the end of an era of extensive and generous monetary policy stimulating measures. Since the financial crisis of 2008/09, central banks have supported the financial system globally with abundant liquidity at ever lower interest rates. In several countries including Sweden, central banks have even offered loans at negative interest rates. Until then, this had been considered impossible. As the economy's resources became increasingly strained, the energy price shock following Russia's war of aggression against Ukraine, eventually brought an end to this monetary policy and ushered in a period of rampant inflation. Now we have a situation in which growth is falling but inflation remains high. In this environment, central banks will continue to maintain a tight stance meaning that economic stimulus must now come from fiscal policy. This has become increasingly expansionary after the pandemic but there are limits to how large the deficits and borrowing needs can be. This was experienced by the UK in autumn. However, the willingness of politicians to stimulate in order to keep the economy alive until the next election should never be underestimated. The current situation involves a delicate balance between too much fiscal policy and an overly tight monetary policy. Both areas involve the risk of mistakes – mistakes that historically involved major revaluations of financial assets. This is the backdrop against which we are facing 2023.

The stock market is putting a turbulent year behind it. Despite significant macroeconomic challenges ahead, profit expectations remain at seemingly high levels. However, a significant slowdown without profits falling is unlikely. By contrast, the stock market has in a broad perspective absorbed the higher interest rates and adjusted earnings multiples accordingly, so that adjustment seems to have taken place. Credit margins have risen for all companies, solid and less creditworthy. In addition, the general interest rate situation has risen significantly, which means that for many companies new borrowing today is several times higher than just one year ago. If companies cannot compensate themselves with higher prices, there will be pressure on profit margins. At the same time, the higher interest rates mean that we are seeing an increasingly attractive credit market and we will most likely have a larger share of credits at the end of 2023 than at the beginning. One sector affected in this environment is real estate. When both real and nominal interest rates rise rapidly and substantially, real estate valuations come under pressure and real estate companies face problems covering debt and interest. Credit rating companies have also announced an increased risk of downgrading the property companies' credit ratings. However, the revaluation of real estate holdings seems to be a slow process but is likely to take place in 2023. This can then enable transactions as the market has largely stagnated as sellers and buyers have very different views on value.

The labour market and pensions market

After a decade of low interest rates, low inflation and stock market upturns, the landscape changed abruptly in 2022. Inflation and interest rates rose and the stock market fell. In the business world, recovery continued after the pandemic and employment has risen during the year but in autumn forecasters started talking about an approaching economic downturn.

Demand for labour, which has been strong throughout 2022, may be dampened in the future. A contributing factor is inflation, which dampens consumption-driven growth. However the landscape is fragmented. There are skills shortages in many parts of the business sector, especially in data-driven development. The experience of the pandemic has driven the transition to a more digitalised work environment on a broad front. The development of technology is fast, especially in the field of artificial intelligence (AI) which is expected to affect the labour market for highly educated people to a greater extent than the automation and robotics we have seen so far.

Persistently high long-term unemployment combined with strong demand for some types of labour are signs of matching problems largely as a result of digitalisation, which increases the need for skills renewal and transition. This is where the agreement on transition support from the state and the social partners can prove to be important, not least in an economic downturn. When the new transition support was launched in 2022, there were significantly more employees than expected who applied to receive the support.

The fact that many older people are also showing an interest in renewing their skills is important, both for themselves and for increased flexibility in the labour market and a sustainable pension system. More people need to participate in production, even at higher ages. And we can see that more people are doing so, in slightly different ways. Among people over the age of 60, labour force participation has increased over a number of years. This applies both to older people who only have income from work and to those who combine pension withdrawals with income from work, known as working retirees.

This is a positive development, which needs to be further supported going forward. Transition support and favourable taxation of older people's income from work are already in place, but attitudinal changes and innovations in individual workplaces are also needed to make proper use of older people's skills and counteract "ageism".

The pension system is the subject of much debate, particularly with regard to the balance between basic protection, which guarantees everyone a decent level of income and the income-related state pension, which is intended to make work pay – at least at salary levels up to a ceiling of 7.5 income base amounts. The recent reinforcement of the basic protection raises the requirements for higher contributions to the income-related pension.

Something that rarely comes up in the debate is how increased resources for the pension system relate to the needs of younger generations. A sustainable pension system is based on the cohesion of the whole society. In the future, the size of pension payments will vary increasingly as both the premium pension and occupational pensions are based on the performance of the financial market. With increased visible differences between people's pensions, the fairness aspect is given greater weight in the pension debate, perhaps with demands for more defined benefit pensions. The national pension system is currently being criticised for failing to deliver the supposedly promised pension in relation to the final salary.

It is probable that in 2023 a series of investigations will be launched into the field of pensions. However, politicians would be wise to first review the behavioural changes resulting from reforms already introduced before making new decisions based on guesswork and opinion. It is also currently unclear whether there is a group of politicians who can take a long-term holistic approach to the pension issue.

Both the national 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.

Occupational pensions are growing in importance. Today younger employees are showing greater interest in employers offering occupational pensions than was the case a few years ago. Union-by-union agreements on flexible or part-time pensions that complement the central pension agreements increase overall pension provisions, which contributes to the increasing importance of occupational pensions for a growing group of employees.

For a long time, the part of the occupational pension market that is not based on collective agreements has been a growth area for the high-earner market. New high-earner solutions are still being chosen instead of ITP 2, but the number has fallen since 2019. However, that the high-earner market for the life insurance industry has now begun to shrink is mainly due to the combination of large increases in the income base amount and the fact that Alecta has reduced the premiums for ITP 2. Many employers still have the link to Alecta's premium pricing in their high-earner solutions. In 2023, there is growing pressure on companies to opt for some form of premium scale instead.

In the shadow of the high-earner market, salary exchange has become an increasingly important source of premiums in the occupational pension market – despite the fact that salary exchange is more about private savings than occupational pensions. Salary exchange has become increasingly common and the premium volume was estimated at SEK 5–9 billion in 2021 (according to the report from the Swedish Social Insurance Inspectorate (ISF), March 2022). However, the opportunity for salary exchange is negatively affected by increases in the base amount. The combination of higher base amounts and lower private savings capacity due to inflation means that salary exchange will also decrease in 2023.

The part of the occupational pension market that has the best conditions for growth is occupational pensions via the selection centres of the collective agreement – and in particular ITP 1.

Product reporting

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

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

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

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

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

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.

The remaining capital contribution was settled at the end of 2022, which in relation to the Alecta Optimal Pension assets under management was a negligible amount and thus only marginally affects the collective consolidation of the product. The collective consolidation for Alecta Optimal Pension will then still amount to the expected 100 per cent.

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 2022, the solvency ratio was 276 per cent (272), compared to 218 per cent (201) 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 as describing the methods and principles to be used for actuarial assumptions. The CEO determines the basis for actuarial calculations, which contains more detailed calculation models, as well as the assumptions to be applied in the actuarial calculations. The Chief Actuary is responsible for the management and ongoing monitoring of Alecta's insurance risks, which involves a responsibility to continuously adapt actuarial guidelines and the bases for actuarial calculations by submitting proposals for amendments that should be made.

Financial risks

The Board 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 Risk and Compliance Managers are also recipients of whistleblowing cases.
- The Data Protection Officer assists in ensuring that Alecta complies with the General Data Protection Regulation, GDPR.
- The Complaints Officer is tasked with assisting in the management of customer complaints.
- Risk and Portfolio Analysis, an independent function within Asset Management, is responsible for the day-to-day control of financial risks.
- 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.

Corporate governance

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

Sustainability reporting

In accordance with Chapter 6, Section 1 of the 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. The sustainability statement has been submitted to the auditors along with the annual report and includes pages 12–32. The auditor's report on the review of the sustainability report, the scope of which is defined by the content index of the Global Reporting Initiative (GRI) on pages 33–35, and opinion on the statutory sustainability statement, can be found on page 36. Feedback on the Alecta pension products in accordance with the EU disclosure regulation (SFDR) is available on pages 111–128.

Five-year summary

GROUP, SEK MILLION	2022	2021	2020	2019	2018
Profit/loss					
Premiums written	66,200	55,759	62,749	52,776	48,184
Invoiced premiums	*47,897*	*50,043*	*53,823*	*41,081*	*37,674*
Guaranteed refunds	*18,303*	*5,716*	*8,926*	*11,695*	*10,510*
Claims incurred	–23,037	–24,633	–21,424	–18,148	–21,238
Net return on capital	–99,012	173,292	50,033	125,031	–18,043
Profit/loss before tax	23,598	212,646	38,332	97,651	–26,118
Profit/loss for the year	24,126	211,410	37,662	93,306	–26,839
Financial position					
Assets under management [1]	1,155,313	1,233,221	1,039,949	964,029	828,572
– of which is defined contribution insurance	*225,980*	*227,532*	*168,047*	*141,132*	*103,045*
Technical provisions	529,531	613,809	621,962	570,634	513,149
Collective funding capital	385,615	418,346	278,344	263,282	210,613
Capital base [2]	625,762	619,312	410,551	385,722	308,585
Required solvency margin [3]	218,716	–	–	–	–
Minimum capital requirement [2] [4]	22,187	25,612	25,923	23,887	21,536
Key performance indicators					
Total return for the Group, per cent [5]	–7.9	16.6	5.0	14.8	–2.2
– of which is shares	*–15.3*	*40.6*	*10.9*	*32.8*	*–6.9*
– of which is debt securities	*–7.7*	*–0.8*	*2.3*	*2.6*	*0.3*
– of which is alternative investments	*8.9*	*13.2*	*0.2*	*7.6*	*6.6*
Total return, defined contribution insurance, per cent [6]	–9.8	24.1	6.6	20.3	–3.5
Total return, defined benefit insurance, per cent [6]	–7.4	15.2	4.7	14.1	–2.0
Direct return for the Group, per cent	2.9	1.9	1.6	2.1	2.2
Management expense ratio [7]	0.06	0.07	0.08	0.08	0.08
Management expense ratio, defined contribution insurance [7]	0.04	0.05	0.06	0.07	0.09
Management expense ratio, defined benefit insurance [7]	0.07	0.08	0.08	0.08	0.08
Investment management expense ratio [8]	0.02	0.02	0.02	0.02	0.02
Collective funding ratio, defined contribution insurance, per cent [9]	100	100	100	100	100
Collective funding ratio, defined benefit insurance, per cent	172	172	148	148	142
Solvency ratio, per cent	218	201	167	169	161

1) Defined as equity, provisions for life insurance and claims outstanding.
2) Information refers to parent company and Group.
3) The key performance indicator is a new requirement from 2022 (according to FFFS 2019:23) as Alecta is a mutual occupational pension company as of 1 January 2022 according to the Occupational Pension Companies Act (2019:742).
4) Up to and including 2021 required solvency margin.
5) Information refers to the Group defined benefit and defined contribution retirement pensions and risk insurance. Calculated for all years in accordance with the recommendations of Insurance Sweden.
6) Calculated for all years in accordance with the recommendations of Insurance Sweden. Total return for defined contribution insurance refers to the portfolio constituting Alecta's default option, which has a 60 per cent share component.
7) Calculated as operating expenses and claims settlement expenses relative to average assets under management.
8) Calculated as operating expenses for asset management relative to average assets under management.
9) 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.

Alternative income statement

Group

It can be difficult to obtain an understanding from the income statement of how the profit of an occupational insurance company was achieved. The main reason for this is that the changes made to the technical provisions (TP) 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 24.1 billion (211.4).

ALTERNATIVE INCOME STATEMENT (SEK MILLION)	2022	2021
Administration result	113	11
Risk result	3,979	–2,229
Financial result	18,224	214,683
Tax result	1,810	–1,055
Profit/loss for the year	**24,126**	**211,410**

Administration result

The administration result was SEK 113 million (11) 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)	2022	2021
Income	914	867
of which is released operating expenses	*856*	*813*
of which is other income	*58*	*54*
Expenses	–801	–856
Total administration result	**113**	**11**

Risk result

The risk result was SEK 4.0 billion (–2.2) 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.

RISK RESULT (SEK MILLION)	2022	2021
Annual mortality result	301	180
Annual morbidity result	2,348	1,186
Insurance options	–850	487
Changes in methods and assumptions used in calculating TPs	315	–
Other	1,865	–4,082
Total risk result	**3,979**	**–2,229**

Financial result

The financial result was SEK 18.2 billion (214.7). The financial result is largely dependent on the performance of financial markets and normally accounts for most of the profit for the year. A longer description of Alecta's return on capital is provided in the Capital return section of the Administration Report.

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

FINANCIAL RESULT (SEK MILLION)	2022	2021
Return on capital result	–99,012	173,292
of which is investment management expenses	*–264*	*–219*
Released operating expenses for investment management	72	70
Cumulative return on TPs	–17,508	–16,568
Other profit sources	24,273	24,596
Premium reduction defined benefit savings	–3,021	–
Changes in TPs as a result of changed market interest rates	113,420	33,293
Total financial result	**18,224**	**214,683**

Tax result

The tax result totalled SEK 1.8 billion (–1.1). 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)	2022	2021
Result, yield tax	790	181
Income tax	1,020	–1,236
Total tax result	**1,810**	**–1,055**

Financial Statements Contents

Reports

Note

Note

Income Statement

Group

SEK MILLION	NOTE	2022	2021
TECHNICAL ACCOUNTS, LIFE INSURANCE BUSINESS			
Premiums written	4	66,200	55,759
Invoiced premiums		*47,897*	*50,043*
Guaranteed refunds		*18,303*	*5,716*
Capital return, income	5	66,768	52,854
Unrealised gains on investment assets	6	843	132,081
Insurance claims incurred		–23,037	–24,633
Insurance claims paid	7	*–24,276*	*–23,554*
Change in provision for claims outstanding		*1,239*	*–1,079*
Change in other technical provisions		83,039	9,232
Provision for life insurance		*83,039*	*9,232*
Refunds and discounts		–3,021	–
Operating expenses	8	–571	–625
Capital return, expenses	9	–9,406	–1,233
Unrealised losses on investment assets	10	–157,217	–10,410
Life insurance, total balance on the technical account		**23,598**	**213,025**
NON-TECHNICAL ACCOUNT			
Life insurance, balance on the technical account		23,598	213,025
Profit/loss before tax		**23,598**	**213,025**
Tax on profit for the year	11, 12	528	–1,615
PROFIT/LOSS FOR THE YEAR		**24,126**	**211,410**

Statement of Comprehensive Income

Group

SEK MILLION	2022	2021
Profit/loss for the year	**24,126**	**211,410**
Items that can subsequently be reclassified to income statement		
Foreign exchange difference that can subsequently be reclassified to profit or loss	948	393
Other comprehensive income	**948**	**393**
COMPREHENSIVE INCOME FOR THE YEAR	**25,075**	**211,803**

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

Balance Sheet

Group

SEK MILLION	NOTE	31/12/2022	31/12/2021
ASSETS			
Intangible assets			
Intangible assets	13	20	100
		20	**100**
Investment assets			
Land and buildings	15	42,890	35,942
Investments in associated companies and joint ventures			
Shares and participations in associated companies and joint ventures	18, 19, 22, 23	80,066	69,006
Loans to associated companies and joint ventures	18, 19	430	402
Other financial investment assets			
Shares and participations	19, 22, 23, 24	598,706	642,976
Bonds and other debt securities	19, 22, 23, 25, 41, 42	401,658	462,425
Loans secured by real estate	19, 22, 26	5,999	4,627
Other loans	19, 22, 23, 27	23,116	17,922
Derivatives	19, 22, 28, 29	14,305	3,419
		1,167,170	**1,236,719**
Receivables			
Receivables related to direct insurance operations	19, 30	1,724	4,828
Other receivables	12, 19, 31	13,738	3,765
		15,462	**8,593**
Other assets			
Tangible fixed assets	14	12	16
Cash and bank balances	19, 42	3,672	3,923
		3,684	**3,939**
Prepaid expenses and accrued income			
Accrued interest and rental income	19, 32	3,948	8,516
Other prepaid expenses and accrued income		137	73
		4,085	**8,589**
TOTAL ASSETS		1,190,421	1,257,940

Balance Sheet, *cont.*

Group

SEK MILLION	NOTE	31/12/2022	31/12/2021
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Surplus fund	33	589,918	400,354
Translation reserve	33	1,129	381
Retained earnings		10,408	7,267
Profit/loss for the year		24,126	211,410
		625,782	**619,412**
Technical provisions			
Provision for life insurance	35	516,503	599,542
Claims outstanding	36	13,028	14,267
		529,531	**613,809**
Other provisions			
Provisions for taxes	12	2,330	1,974
Other provisions	37	6	8
		2,336	**1,982**
Liabilities			
Liabilities related to direct insurance operations	19, 38	847	805
Derivatives	19, 22, 28, 29	20,488	14,909
Other liabilities	19, 39	9,573	864
		30,908	**16,578**
Accrued expenses and prepaid income			
Other accrued expenses and prepaid income	19, 40	1,864	6,159
		1,864	**6,159**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**1,190,421**	**1,257,940**

Statement of Changes in Equity

Group

	Surplus fund 1)						
		Discretionary participations	Other reserves				
SEK MILLION	Collective surplus	Allocated refunds to insured parties and policyholders 2)	Special indexation funds 3)	Translation reserve 4)	Retained earnings	Profit/loss for the year	Total
OPENING EQUITY AS AT 01/01/2021	**233,637**	**129,518**	**10,021**	**–11**	**7,160**	**37,662**	**417,987**
Appropriation of profit from previous year	37,555	–	–	–	107	–37,662	–
Allocated refunds							
Defined benefit plan	–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
Collective risk premium 5)	–	–	–129				–129
Other changes							
Fees	–71	–	71	–	–	–	–
Interest	–242	235	7	–	–	–	–
Effect of changes in market interest rates	793	–793	–	–	–	–	–
Research grants 6)	–2	–	–	–	–	–	–2
Other 7)	101	–1,605	–	–	–	–	–1,504
Profit/loss for the year	–	–	–	–	–	211,410	211,410
Other comprehensive income							
Exchange rate fluctuations for the period	–	–	–	393	–	–	393
Comprehensive income for the year	**–**	**–**	**–**	**393**	**–**	**211,410**	**211,803**
CLOSING EQUITY AS AT 31/12/2021	**199,895**	**190,490**	**9,969**	**381**	**7,267**	**211,410**	**619,412**
OPENING EQUITY AS AT 01/01/2022	**199,895**	**190,490**	**9,969**	**381**	**7,267**	**211,410**	**619,412**
Effect of changed accounting principle	–	–	–	–	1,531	–	1,531
OPENING EQUITY AS AT 01/01/2022	**199,895**	**190,490**	**9,969**	**381**	**8,798**	**211,410**	**620,943**
Appropriation of profit from previous year	209,799	–	–	–	1,611	–211,410	–
Allocated refunds							
Defined benefit plan	–57,872	57,872	–	–	–	–	–
Defined contribution plan	–2,961	2,961	–	–	–	–	–
Guaranteed refunds							
Pension supplements, defined benefit plan	–	–3,075	–	–	–	–	–3,075
Supplementary amounts, defined contribution plan	–	–460	–	–	–	–	–460
Adjustment of paid-up policy values, defined benefit plan	–2,928	–7,378	–	–	–	–	–10,306
Premium reduction	–	–4,977	–	–	–	–	–4,977
Collective risk premium 5)	–	–	–134	–	–	–	–134
Other changes							
Fees	–23	–	23	–	–	–	–
Interest	–557	557	–	–	–	–	–
Effect of changes in market interest rates	4,045	–4,045	–	–	–	–	–
Research grants 6)	0	–	–	–	–	–	0
Other 7)	201	–1,483	–	–	–	–	–1,281
Profit/loss for the year	–	–	–	–	–	24,126	24,126
Other comprehensive income							
Exchange rate fluctuations for the period	–	–	–	948	–	–	948
Comprehensive income for the year	**–**	**–**	**–**	**948**	**–**	**24,126**	**25,075**
CLOSING EQUITY AS AT 31/12/2022	**349,600**	**230,461**	**9,858**	**1,329**	**10,408**	**24,126**	**625,782**

1) See accounting principles in Note 33.
2) Funds that have been allocated to Alecta's insured parties and policyholders under different discretionary resolutions. These funds constitute part of Alecta's risk capital and are not guaranteed until assigned. Formally, Alecta can claw back the funds. SEK 1,395 million (1,468) of a total of SEK 230,461 million (190,490) 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. See accounting principles in Note 33.
3) Funds contributed to Alecta for indexation of pensions or for other pension promotion purposes or alternatively, to be transferred to a foundation designed for indexation of pensions. The Council of Administration decides how the funds should be used. See accounting principles in Note 33.
4) Refers to the exchange rate change for the period, see accounting principles in Note 33.
5) Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increased employers' expenses arising from the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.
6) Research grants to Karolinska Institute and Swedish House of Finance.
7) The item consists of cumulative return, inheritance gains and portfolio changes.

Income Statement

Parent company

SEK MILLION	NOTE	2022	2021
TECHNICAL ACCOUNTS, LIFE INSURANCE BUSINESS			
Premiums written	4	66,200	55,759
Invoiced premiums		*47,897*	*50,043*
Guaranteed refunds		*18,303*	*5,716*
Capital return, income	5	66,409	52,114
Unrealised gains on investment assets	6	–	130,564
Insurance claims incurred		–23,037	–24,633
Insurance claims paid	7	*–24,276*	*–23,554*
Change in provision for claims outstanding		*1,239*	*–1,079*
Change in other technical provisions		83,039	9,232
Provision for life insurance		*83,039*	*9,232*
Refunds and discounts		–3,021	–
Operating expenses	8	–571	–625
Capital return, expenses	9	–9,197	–859
Unrealised losses on investment assets	10	–158,623	–10,410
Life insurance, total balance on the technical account		**21,200**	**211,142**
NON-TECHNICAL ACCOUNT			
Life insurance, balance on the technical account		21,200	211,142
Profit/loss before tax		**21,200**	**211,142**
Tax on profit for the year	11, 12	875	–1,343
PROFIT/LOSS FOR THE YEAR		22,075	209,799

Statement of Comprehensive Income

Parent company

SEK MILLION	2022	2021
Profit/loss for the year	22,075	209,799
Other comprehensive income	–	–
COMPREHENSIVE INCOME FOR THE YEAR	22,075	209,799

Performance Analysis

Parent company 2022

SEK MILLION	Total	DIRECT INSURANCE OF SWEDISH RISKS				
		Occupational pension insurance				Other life insurance
		Defined benefit insurance	Defined contribution traditional insurance	Occupational disability insurance	Waiver of premium insurance	Group life and occupational group life insurance
LIFE INSURANCE, BALANCE ON THE TECHNICAL ACCOUNT						
Premiums written	66,200	34,955	24,039	3,190	3,741	276
Capital return, income	66,409	48,924	15,220	1,459	771	35
Unrealised gains on investment assets	–	–	–	–	–	–
Insurance claims incurred	–23,037	–18,736	–1,271	–261	–2,600	–169
Insurance claims paid	*–24,276*	*–18,738*	*–1,271*	*–1,337*	*–2,759*	*–171*
Change in provision for claims outstanding	*1,239*	*2*	–	*1,076*	*159*	*2*
Changes in other technical provisions	83,039	81,121	1,918	–	–	–
Provision for life insurance	*83,039*	*81,121*	*1,918*	–	–	–
Refunds and discounts	–3,021	–3,021	–	–	–	–
Operating expenses	–571	–281	–69	–136	–66	–19
Capital return, expenses	–9,197	–6,785	–2,098	–202	–107	–5
Unrealised losses on investment assets	–158,623	–116,860	–36,355	–3,485	–1,840	–83
Life insurance, total balance on the technical account	**21,200**	**19,317**	**1,384**	**565**	**–101**	**35**
TECHNICAL PROVISIONS						
Provision for life insurance	516,503	434,649	81,854	–	–	–
Claims outstanding	13,028	22	–	7,921	5,059	26
Total technical provisions	**529,531**	**434,671**	**81,854**	**7,921**	**5,059**	**26**
Surplus fund						
Total operating expenses, excluding property management expenses						
Operating expenses (administrative expenses in the insurance business)	–571	–281	–69	–136	–66	–19
Claims settlement expenses (included in Insurance claims paid)	–173	–89	–24	–48	–7	–5
Investment management expenses (included in Capital return, expenses)	–257	–199	–49	–6	–3	0
Total operating expenses, excluding property management expenses	**–1,001**	**–569**	**–142**	**–190**	**–76**	**–24**

Balance Sheet

Parent company

SEK MILLION	NOTE	31/12/2022	31/12/2021
ASSETS			
Intangible assets			
Intangible assets	13	20	100
		20	**100**
Investment assets			
Land and buildings	15	12,327	12,589
Investment in Group companies, associated companies and joint ventures			
Shares and participations in Group companies	16	9,567	8,456
Debt securities issued by and loans to Group companies	17, 19	18,635	13,075
Shares and participations in associated companies and joint ventures	18, 19, 22, 23	69,584	62,002
Loans to associated companies and joint ventures	18, 19	430	402
Other financial investment assets			
Shares and participations	19, 22, 23, 24	597,851	642,440
Bonds and other debt securities	19, 22, 23, 25, 42, 43	401,658	462,425
Loans secured by real estate	19, 22, 26	5,128	4,112
Other loans	19, 22, 23, 27	23,116	17,922
Derivatives	19, 22, 28, 29	14,305	3,419
		1,152,599	**1,226,842**
Receivables			
Receivables related to direct insurance operations	19, 30	1,724	4,828
Other receivables	19, 31	14,311	4,393
		16,035	**9 221**
Other assets			
Tangible fixed assets	14	4	7
Cash and bank balances	19, 42	3,468	3,692
		3,471	**3,699**
Prepaid expenses and accrued income			
Accrued interest and rental income	19, 32	3,950	8,517
Other prepaid expenses and accrued income		62	19
		4,012	**8,536**
TOTAL ASSETS		**1,176,138**	**1,248,398**

Balance Sheet, *cont.*

Parent company

SEK MILLION	NOTE	31/12/2022	31/12/2021
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Surplus fund	33	589,918	400,354
Profit/loss for the year		22,075	209,799
		611,994	**610,153**
Technical provisions			
Provision for life insurance	35	516,503	599,542
Claims outstanding	36	13,028	14,267
		529,531	**613,809**
Other provisions			
Provisions for taxes		–	–
Other provisions	37	2	2
		2	**2**
Liabilities			
Liabilities related to direct insurance operations	19, 38	847	805
Derivatives	19, 22, 28, 29	20,488	14,909
Other liabilities	19, 39	11,810	2,856
		33,145	**18,570**
Accrued expenses and prepaid income			
Other accrued expenses and prepaid income	19, 40	1,466	5,864
		1,466	**5,864**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		1,176,138	1,248,398

Statement of Changes in Equity

Parent company

SEK MILLION	Surplus fund [1]: Collective surplus	Surplus fund [1]: Discretionary participations: Allocated refunds to insured parties and policyholders [2]	Surplus fund [1]: Other reserves: Special indexation funds [3]	Profit/loss for the year	Total
OPENING EQUITY AS AT 01/01/2021	**233,637**	**129,518**	**10,021**	**37,555**	**410,731**
Appropriation of profit from previous year	37,555	–	–	–37,555	–
Allocated refunds					
Defined benefit plan	–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
Collective risk premium [4]	–	–	–129		–129
Other changes					
Fees	–71	–	71	–	–
Interest	–242	235	7	–	–
Effect of changes in market interest rates	793	–793	–	–	–
Research grants [5]	–2	–	–	–	–2
Other [6]	101	–1,605	–	–	–1,504
Profit/loss for the year	–	–	–	209,799	209,799
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**209,799**	**209,799**
CLOSING EQUITY AS AT 31/12/2021	**199,895**	**190,490**	**9,969**	**209,799**	**610,153**
OPENING EQUITY AS AT 01/01/2022	**199,895**	**190,490**	**9,969**	**209,799**	**610,153**
Appropriation of profit from previous year	209,799	–	–	–209,799	–
Allocated refunds					
Defined benefit plan	–57,872	57,872	–	–	–
Defined contribution plan	–2,961	2,961	–	–	–
Guaranteed refunds					
Pension supplements, defined benefit plan	–	–3,075	–	–	–3,075
Supplementary amounts, defined contribution plan	–	–460	–	–	–460
Adjustment of paid-up policy values, defined benefit plan	–2,928	–7,378	–	–	–10,306
Premium reduction	–	–4,977	–	–	–4,977
Collective risk premium [4]	–	–	–134	–	–134
Other changes					
Fees	–23	–	23	–	–
Interest	–557	557	–	–	–
Effect of changes in market interest rates	4,045	–4,045	–	–	–
Research grants [5]	0	–	–	–	0
Other [6]	201	–1,483	–	–	–1,282
Profit/loss for the year	–	–	–	22,075	22,075
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**22,075**	**22,075**
CLOSING EQUITY AS AT 31/12/2022	**349,600**	**230,461**	**9,858**	**22,075**	**611,994**

[1] See accounting principles in Note 33.
[2] Funds that have been allocated to Alecta's insured parties and policyholders under different discretionary resolutions. These funds constitute part of Alecta's risk capital and are not guaranteed until assigned. Formally, Alecta can claw back the funds. SEK 1,395 million (1,468) of a total of SEK 230,461 million (190,490) 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 Alecta's Board of Directors, provided that the Board unanimously agrees that the designated use is consistent with Alecta's interests as an insurance company. See accounting principles in Note 33.
[3] Funds contributed to Alecta for indexation of pensions or for other pension promotion purposes or alternatively, to be transferred to a foundation designed for indexation of pensions. The Council of Administration decides how the funds should be used. See accounting principles in Note 33.
[4] Premiums for waiver of premium insurance and collective final payments have been reduced as a result of the increased employers' expenses arising from the rules for coordination and calculation of pensionable salaries introduced by the parties to ITP 2 in 2008.
[5] Research grants to Karolinska Institute and Swedish House of Finance.
[6] The item consists of cumulative return, inheritance gains and portfolio changes.

Notes

NOTE 1 Group and Parent Company Accounting Principles

The 2022 annual and sustainability report for Alecta Tjänstepension 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 30 March 2023 and will be presented to the Council of Administration for adoption on 20 April 2023.

The amounts indicated in the notes refer to Swedish kronor in millions (MSEK) unless otherwise stated. Due to rounding, the sum of the figures shown in the tables above may differ from the totals. Figures in brackets refer to the previous year.

Presentation

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

Basis of Preparation of Financial Statements

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

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

Consolidated Financial Statements

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

Basis of measurement

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

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

The preparation of financial statements in compliance with ÅRFL 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 a business or an asset for each individual acquisition. As at 31 December 2022, 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

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

depends on changes in the pension capital, which in turn reflect the actual outcomes for the returns, tax, mortality and operating expenses for the relevant defined contribution insurance collective. The Company allocates surpluses and deficits by calculating the 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 a technical provision.

Changes in accounting principles

New and amended IASB accounting standards applied from 2022:

There are no new accounting standards from IASB nor any amended accounting standards applicable from 2022 that affected the Alecta financial statements.

New and amended regulations from the Financial Supervisory Authority to be applied from 2022:

Legally restricted IFRS in the 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 these companies can instead choose to apply so-called legally restricted IFRS to the consolidated financial statements. Alecta has chosen to apply legally restricted IFRS from 2022. The amendment involves a change in accounting principles. As the effects are not material, comparative figures for 2021 have not been adjusted.

With the transition to legally restricted IFRS, the consolidated financial statements have become more similar to the accounts in legal entities. The differences that remain are presented under the section Parent Company accounting principles.

Below are the amendments that have been identified in connection with the transition to legally restricted IFRS in the Group. Only the differences that affected Alecta's financial statements are described.

Presentation of the financial statements

The transition to legally restricted IFRS in the consolidated financial statements has not had any significant impact on the form of the consolidated income statement and balance sheet, with the exception that individual items have been reclassified or renamed.

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. From the transition to legally restricted IFRS, Alecta has chosen to no longer prepare a cash flow statement for the Group. The requirement to prepare a cash flow statement was previously removed for unlisted insurance and occupational pension companies in legal entities. Alecta's financial statements will therefore not contain any cash flow statement from 2022.

Yield tax

The transition to legally restricted IFRS in the consolidated financial statements means that the tax on return has been reclassified and is included in Tax on profit for the year, which is the same as in the parent company.

Owner-occupied properties

With the transition to legally restricted IFRS, Alecta has chosen to value the owner-occupied properties at fair value according to the ÅRFL instead of at acquisition value after deduction of accumulated depreciation according to IAS 40/IAS 16. As the effect is not material, comparison figures for 2021 have not been adjusted. If Alecta had measured 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 and 0.2 per cent of equity.

The change means that as of 2022, the owner-occupied properties are presented at fair value in both the parent company and the Group.

Leases

According to FFFS 2019:23, there is no longer a requirement to apply IFRS 16 Leases in the Group. In connection with the transition to legally restricted IFRS, Alecta has chosen not to voluntarily apply IFRS 16 in the consolidated financial statements. As the effect is not material, the comparative figures for 2021 have not been adjusted.

Alecta previously applied IFRS 16 Leases in the Group for leases and site-leases. As of 31 December 2021, the right of use and debt for site-leaseholds and leases amounted to only SEK 29 million. The balance sheet total in 2021 had decreased by only 0.02 per thousandth in an adjustment but had no effect on equity.

Following the transition to legally restricted IFRS in the Group, as a lessee Alecta expenses lease payments on a straight-line basis over the lease period instead of recognising them as an asset and financial liability on the balance sheet in accordance with IFRS 16, which is the same as in the parent company.

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 and replaced IAS 39 Financial Instruments: Recognition and Measurement. Alecta previously applied a temporary exemption from IFRS 9, which is granted via supplements to IFRS 4. As mentioned above, Alecta has chosen to transition to legally restricted IFRS from 2022. The transition means that the exemption in IFRS 4 is no longer applicable to Alecta and thus IFRS 9 is applied from 2022. The transition to IFRS 9 has not involved any material effects as Alecta has already measured the majority of financial instruments at fair value with changes through the income statement. In accordance with the transitional rules in IFRS 9, comparative figures for 2021 have not been adjusted.

Classification and measurement

Under IFRS 9, all recognised financial assets 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.

The introduction of the new standard has not resulted in any significant change in the classification and measurement of Alecta's financial assets and liabilities, as most of the company's financial instruments have already been measured at fair value through profit or loss. Only loans to associated companies and jointly managed companies and certain loans secured by real estate had been previously measured at amortised cost. As the effect is not material, the comparative figures for the loans in 2021 have not been adjusted. Loans measured at amortised cost in 2021 amounted to only approximately SEK 1.9 billion, which would have been the same in a fair value valuation. From the transition to IFRS 9, Alecta measures all loans at fair value through profit or loss.

Impairment (Recognition of expected credit losses)

Under IFRS 9, provisions for credit losses should be recognised for loans and

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

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 instead of incurred credit losses.

In terms of recognising expected credit losses, the introduction of IFRS 9 has not had any material impact on Alecta's financial reporting. Comparison figures for 2021 have not been adjusted because the effect is not material. All loans are measured from 2022 at fair value through the income statement and therefore are not hit by impairment testing.

Hedge accounting

As Alecta does not apply hedge accounting, this part of the standard has not had any impact on the financial statements.

New and amended IASB accounting standards to be applied from 1 January 2023 or later:

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.

As mentioned under Basis of Preparation of Financial Statements, Alecta has transitioned to legally restricted IFRS from 2022. The 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 and an equivalent realised profit or loss is reported. Both realised and unrealised changes in value for the year are recognised through the income statement in the period in which they arise. Capital return is presented in Notes 5, 6, 9 and 10.

Investment assets

General information

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

Reporting of business events

Financial assets at fair value are recognised at fair value after the acquisition date. The cost of investment assets excludes transaction costs related to financial instruments. Purchases and sales of financial assets are recognised on the balance sheet on the transaction date. Transactions that 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 the income statement and included in net capital gain or loss in the items Capital return, income or Capital return, expenses. Transaction costs attributable to purchases and sales of land and buildings and assets measured at amortised cost are reported as an increase in acquisition value or a decrease in capital gain or loss.

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

Other financial investment assets

Alecta identifies and classifies its financial investment assets at initial recognition in the category of financial assets measured at fair value through the income statement. Derivatives are also reported in the category, financial assets at fair value through the income statement. The categorisation is based on Alecta's financial investment assets held for trade. 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 amortised cost valuation category. Cash and cash equivalents are termed cash and bank balances in the Group, as well as the parent company.

Technical provisions

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

Pensions in the Alecta Group

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

Parent company accounting policies

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

Shares and participations in Group companies

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

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

Debt securities issued by and loans to Group companies
Intracompany loans and receivables are recognised at amortised cost in the parent company but are eliminated in the consolidated financial statements.

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

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

NOTE 2 Significant estimates and judgements

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

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

Significant estimates and judgements	Note	
Technical provisions [1]	3, 35, 36	Provision for life insurance, Provision for claims outstanding
Financial Instruments [2]	3, 22	Valuation categories for financial instruments measured at fair value
Investment properties	15	Land and buildings
Intangible assets	13	Intangible assets
Income tax	12	Tax
Deferred tax	12	Tax

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

2) The measurement of financial instruments is described in the accounting principles in the respective notes. 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 page 55 of the Administration Report. In this note, Alecta's different risk categories are described in greater detail.

Risk of loss

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

Insurance risks

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

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

Mortality risk

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

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

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

A 20 per cent decrease in assumed mortality means that the life expectancy of people aged 65 today will increase by 1.5 (1.5) years and the Alecta life insurance provision will increase by approximately 5 per cent (4).

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, which means that the expected duration of cases of illness increases, while the level of working capacity increase by 20 per cent, the technical provisions for disability pension and premium waiver would increase by approximately 32 per cent (36).

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 74. 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 2022, 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 by the function.

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	2022	2021	2022	2021
Shares	456,777	497,502	39.6 %	40.4 %
Debt securities	448,010	556,758	38.9 %	45.2 %
Alternative investments [1]	247,959	176,350	21.5 %	14.3 %
Total	**1,152,747**	**1,230,610**	**100.0 %**	**100.0 %**

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

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

To ensure that Alecta is able to meet its solvency requirements by a comfortable margin even in adverse market conditions, the investment policy establishes limits for risk levels. Different derivative instruments, such as interest rate futures, equity futures, forward exchange contracts and interest rate and currency swaps, are used to reduce the risks in the event of major price fluctuations and to increase the cost-effectiveness of Alecta's asset management activities. 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 8.9 per cent (18.5) of the investments at year-end. Without currency hedging, 51.8 per cent (47.9) of the assets would have been exposed to exchange rate fluctuations.

Currency exposure after currency hedging	Exposure		Share of investment portfolio	
	2022	2021	2022	2021
CHF	12,324	30,308	1.1 %	2.5 %
DKK	24,745	19,024	2.1 %	1.5 %
EUR	2,573	17,751	0.2 %	1.4 %
GBP	3,784	7,421	0.3 %	0.6 %
USD	55,479	148,076	4.8 %	12.0 %
Other	3,091	4,682	0.3 %	0.4 %
Net exposure	**101,995**	**227,263**	**8.9 %**	**18.5 %**

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	
	2022	2021	2022	2021
Rating Aaa/AAA	177,010	253,300	39.4 %	51.2 %
Rating Aa/AA	92,182	105,847	20.5 %	21.4 %
Rating A/A	38,463	24,855	8.6 %	5.0 %
Rating Baa/BBB	39,974	21,911	8.8 %	4.4 %
Rating Ba/BB	33,974	18,574	7.6 %	3.8 %
Unrated	68,301	70,644	15.2 %	14.3 %
of which securities issued by state-owned issuers	*8,469*	*1,518*	*1.9 %*	*0.3 %*
Total	**449,279**	**495,131**	**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 90 per cent have a maturity in excess of five years, see Notes 35 and 36. Alecta's financial liabilities are limited to the derivative contracts used 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 496.9 billion of Alecta's investments consist of shares in listed companies that normally 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 is unfavourable for Alecta. Information on the maturities of the commitments, as well as fixed-rate terms for the asset portfolio is available in Notes 35 and 36 and 25 respectively.

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

Solvency risk

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

Sensitivity Analysis	Impact on			
	Solvency ratio (% points)		Profit/loss for the year	
Group	2022	2021	2022	2021
Interest rate decrease 1 % point	–15.8%	–11.3 %	–31,651	–26,812
Share price decrease 10 %	–8.6 %	–8.1 %	–45,678	–49,750
Share price decrease 10 % alternative investments	–4.7 %	–2.9 %	–24,796	–17,635
Exchange rate decrease 10 %	–1.9 %	–3.7 %	–10,202	–22,714

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 50.8 billion (47.5) and the value of its debt securities by SEK 19.1 million (20.7).

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 39.

Operational risks

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

Risk Self-Assessment

Using a central self-assessment method, all departments at Alecta identify and assess their risks and controls in different risk categories on an annual basis. Areas 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 the day-to-day operations also helps to reduce the risks.

Incident management

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

NOTE 4 Premiums written

Group and Parent Company	2022	2021
Current premiums	42,872	42,949
One-off premiums	5,136	7,200
Premium tax [1]	–111	–105
Invoiced premiums	**47,897**	**50,043**
Adjustment of paid-up policy values	10,306	1,581
Premium reduction	4,977	4,135
Premier reduction defined benefit savings	3,021	–
Guaranteed refunds	**18,303**	**5,716**
Total premiums written	**66,200**	**55,759**

[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	
	2022	2021	2022	2021
Rental income from land and buildings	2,134	1,772	585	528
Dividends received	22,993	15,995	23,396	15,808
of which are Group companies	–	–	*1,299*	*295*
of which are associated companies and joint ventures	*8,813*	*2,150*	*8,813*	*2,150*
Interest income, etc.	10,531	5,198	11,050	5,476
bonds and other debt securities	*10,150*	*4,950*	*10,150*	*4,950*
loans secured by real estate	*159*	*101*	*159*	*102*
other interest income	*223*	*147*	*210*	*146*
other interest expenses, Group companies	–	–	*531*	*278*
Reversal of impairment	11	–	313	432
shares in Group companies	–	–	*313*	*432*
Loans to associated companies and joint ventures	*11*	–	–	–
Net foreign exchange gains	8,861	3,249	8,861	3,249
Net capital gains	22,214	26,628	22,203	26,619
land and buildings	–	*261*	–	*252*
shares and participations	*22,160*	*24,218*	*22,149*	*24,218*
bonds and other debt securities	–	*2,149*	–	*2,149*
other loans	*54*	–	*54*	–
Other income [1]	24	12	–	2
Total capital return, income	**66,768**	**52,854**	**66,409**	**52,114**

[1] The amount includes revenue relating to government grants of SEK 0.8 million (6.3) in the Group and SEK – million (2,0) million 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	
	2022	2021	2022	2021
Land and buildings	843	1,085	–	90
Shares and participations	–	130,766	–	130,244
Other loans	–	230	–	230
Total unrealised gains on investment assets	**843**	**132,081**	**–**	**130,564**

NOTE 7 Claims paid

Group and Parent Company	2022	2021
Base amount paid before indexation	–20,689	–19,845
Waiver of premium paid	–2,759	–2,755
Cancellations and repurchases [1]	–656	–777
Operating expenses for claims management	–173	–177
Total claims paid	**–24,276**	**–23,554**

[1] The item includes transferred capital of SEK 653 million (775).

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	
	2022	2021	2022	2021
Administrative expenses	–571	–625	–571	–625
Total operating expenses in insurance business	**–571**	**–625**	**–571**	**–625**
Claims management [1]	–173	–177	–173	–177
Investment management [2]	–264	–219	–257	–217
Property management [3]	–254	–155	–57	–43
Total operating expenses	**–1,263**	**–1,176**	**–1,057**	**–1,062**
Specification of total operating expenses				
Staff costs	–436	–418	–436	–418
Premises costs	–21	–19	–21	–19
Amortisation/depreciation	–80	–81	–80	–81
IT costs	–255	–266	–255	–266
Property management costs	–254	–155	–57	–43
Selection centre costs	–174	–182	–174	–182
Other costs [4]	–98	–106	–90	–104
Administration fees	55	51	55	51
Total operating expenses	**–1,263**	**–1,176**	**–1,057**	**–1,062**

1) Recognised in Claims paid in the 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.

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 expense item related to property management is external costs, as a part of the management of Alecta's real estate has been outsourced to external service providers. 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	
	2022	2021	2022	2021
Operating expenses for land and buildings	–947	–690	–307	–250
Investment management expenses [1]	–264	–219	–257	–217
Interest expenses, etc.	–6,123	–252	–6,140	–251
bonds and other debt securities	*–6,074*	*–236*	*–6,074*	*–236*
other interest expenses	*–48*	*–16*	*–48*	*–15*
other interest expenses, Group companies	*–*	*–*	*–17*	*-*
Custodian expenses	–23	–30	–23	–30
Depreciation/amortisation and impairment	–	–3	–421	–99
shares in Group companies	*–*	*–3*	*–421*	*–99*
Owner-occupied properties [2]	*–*	*–25*	*–*	*–*
Net foreign exchange losses	–	–	–	–
Net capital losses	–2,049	–12	–2,049	–12
land and buildings	*–*	*–*	*0*	*-*
bonds and other debt securities	*–2,049*	*–*	*–2,049*	*–*
other loans	*–*	*–12*	*–*	*–12*
Other	0	–2	–	–
Total capital return, expenses	**–9,406**	**–1,233**	**–9,197**	**–859**

1) In addition to these costs, Alecta's unlisted investments have been charged with approximately SEK 675 million (383) 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 10.
2) With the transition to legally restricted IFRS in the Group from 2022, owner-occupied properties are measured at fair value. However, the comparison year has not been adjusted as the effect is not material. In the Group, owner-occupied properties were previously measured at cost less accumulated depreciation. For further information, see Note 15.

NOTE 10 Unrealised losses on investment assets

	Group		Parent Company	
	2022	2021	2022	2021
Land and buildings	–	–	–639	–
Shares and participations	–108,454	–	–109,221	–
Bonds and other debt securities	–48,291	–10,403	–48,291	–10,403
Loans secured by real estate	–298	–7	–298	–7
Other loans	–174	–	–174	–
Total unrealised losses on investment assets	**–157,217**	**–10,410**	**–158,623**	**–10,410**

NOTE 11 Yield tax

Group and Parent Company	2022	2021
Yield tax [1]	–492	–379
Total yield tax	**–492**	**–379**

[1] Yield tax		
Capital base [2]	1,193,514	1,003,315
Tax base [3]	5,968	5,017
Yield tax before tax credit [4]	–895	–752
Tax credit for paid withholding tax and income and property tax (foreign properties) in previous years	403	373
Yield tax after tax credits	**–492**	**–379**

Sensitivity analysis	Effect on yield tax before tax credit	
Group	2022	2021
Capital base +/– 10 %	–/+ 90	–/+ 75
Allocation percentage +/– 1 % point	–/+ 9	–/+ 8
Average government borrowing rates +/– 1 % point	–/+ 1,790	–/+ 1,505

[2] Calculation of the capital base for yield tax is based on the value of all assets at the beginning of 2022 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 10,792 million (8,629) refers to such excess values. The capital base for yield tax, which includes Alecta's pension products and family cover represents 96.66 per cent (96.35) 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.

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

NOTE 12 Tax

	Group		Parent Company	
	2022	2021	2022	2021
Current tax				
Swedish tax on profit for the year [1]	–49	–63	–	–
Foreign tax on directly and indirectly owned properties	–221	–97	–220	–97
Withholding tax	–623	–530	–623	–530
Total current tax	**–893**	**–690**	**–843**	**–627**
Deferred tax				
Change in deferred tax assets/liabilities	1,914	–546	2,210	–337
Total deferred tax	**1,914**	**–546**	**2,210**	**–337**
Income tax	**1,020**	**–1,236**	**1,367**	**–964**
Yield tax				
Yield tax [2]	–492	–379	–492	–379
Total yield tax	**–492**	**–379**	**–492**	**–379**
Tax on profit for the year	**528**	**–1,615**	**875**	**–1,343**

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

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

	Group		Parent Company	
Reconciliation of theoretical tax expense and reported tax	2022	2021	2022	2021
Profit before yield tax and income tax according to the income statement	23,598	213,025	21,200	211,142
Less: Profit/loss from operations subject to yield tax, including consolidation adjustments	–21,393	–204,809	–20,702	–204,404
Profit from operations subject to income tax	**2,205**	**8,216**	**499**	**6,738**
Tax at applicable tax rate, 20.6 %	**–454**	**–1,692**	**–103**	**–1,388**
Difference in tax rate [1]	–13	1	–	–
Non-deductible expenses	–160	–117	–4	–1
Non-taxable income	336	183	66	54
Taxable income not included in profit	–3	–1	–3	–2
Guaranteed premium reduction	1,015	843	1,015	843
Effect of initial recognition of properties	–52	–18	–	–
Other	–	–1	–	–
Tax attributable to previous years [2]	406	–415	407	–415
Creditable foreign tax [3]	781	612	826	576
Foreign income tax	–219	–97	–220	–97
Deduction for foreign income tax during the year	6	–4	6	–4
Withholding tax	–623	–530	–623	–530
Reported income tax	**1,020**	**–1,236**	**1,367**	**–964**
Effective tax	**46 %**	**–15 %**	**274 %**	**–14 %**

[1] Refers to the USA.

[2] Of which SEK 800 million (24) relates to the reversal of a deferred tax asset for foreign tax and SEK 403 million (379) to the utilisation of a previously recognised tax asset for foreign tax against yield tax.

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

NOTE 12 Tax, *cont.*

	Group				Parent Company			
	2022		2021		2022		2021	
	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	–	–2,167	–	–1,743	–	–31	–	–33
Land and buildings abroad	–	–144	–	–166	–	–	–	–
Other financial investment assets	–	–1,230	–	–2,182	–	–1,230	–	–2,182
Excess depreciation	–	–26	–	–33	–	–	–	–
Loss carry-forwards [1]	212	–	172	–	189	–	164	–
Creditable foreign tax [2]	4,694	–	3,486	–	4,554	–	3,324	–
Deferred tax assets and liabilities	**4,906**	**–3,567**	**3,658**	**–4,124**	**4,743**	**–1,261**	**3,488**	**–2,215**
Offsetting of assets and liabilities	–1,287	1,287	–2,213	2,213	–1,261	–1,261	–2,215	2,215
Net deferred tax assets and liabilities	**3,619**	**–2,280**	**1,445**	**–1,911**	**3,483**	**0**	**1,273**	**0**
of which are expected to be settled after more than 12 months, amount before offsetting	*3,324*	*–3,567*	*3,285*	*–4,124*	*3,184*	*–1,261*	*2,921*	*–2,215*

[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	2022	2021	2022	2021
Opening balance	–466	81	1,272	1,609
Recognised in profit or loss for the year	1,914	–546	2,210	–337
Foreign exchange differences	–1	–1	–	–
Change through business combinations/disposal	–97	0	–	–
Effect of changes in accounting principles	–11	–	–	–
Closing balance	**1,339**	**–466**	**3,483**	**1,272**

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	
	2022	2021	2022	2021
Cost				
Opening balance, cost	683	683	683	683
Closing balance, cost	**683**	**683**	**683**	**683**
Accumulated depreciation and impairment				
Opening balance, depreciation	–469	–388	–469	–388
Depreciation for the year	–80	–81	–80	–81
Closing balance, depreciation	**–549**	**–469**	**–549**	**–469**
Opening balance, impairment	–114	–114	–114	–114
Closing balance, impairment	**–114**	**–114**	**–114**	**–114**
Carrying amount, intangible assets	**20**	**100**	**20**	**100**

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

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 in 2021 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 Tangible fixed assets

	Group		Parent Company	
	2022	2021	2022	2021
Cost				
Opening balance, cost	71	78	42	41
Purchases during the year	2	3	–	1
Disposals for the year	–	–10	–	–
Closing balance, cost	**72**	**71**	**42**	**42**
Accumulated depreciation				
Opening balance, depreciation	–55	–59	–35	–31
Depreciation for the year	–5	–6	–3	–4
Disposals for the year	–	10	–	–
Closing balance, depreciation	**–60**	**–55**	**–38**	**–35**
Carrying amount, tangible fixed assets	**12**	**16**	**4**	**7**

Accounting principle

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

NOTE 15 Land and buildings

Investment and owner-occupied properties

Specification of change in fair value

Group	2022	2021
Opening balance	**35,942**	**33,431**
Effect of changed accounting principle [1]	1,510	–
Carrying amount at the beginning of the year	**37,452**	**33,431**
New builds, extensions and conversions	619	749
Acquisitions	3,947	675
Sales	–4	–280
Change in value	876	1,365
Closing balance	**42,890**	**35,942**

Parent Company	2022	2021
Opening balance	**12,589**	**11,998**
New builds, extensions and conversions	377	510
Sales	–	–261
Change in value	–639	342
Closing balance	**12,327**	**12,589**

Fair value per property type	Group		Parent Company	
	2022	2021	2022	2021
Investment properties	40,328	34,982	9,764	10,090
Owner-occupied properties [1] [2]	2,563	960	2,563	2,500
Total	**42,890**	**35,942**	**12,327**	**12,589**

[1] As of 2022, legally restricted IFRS is applied in the Group, which means that Alecta's owner-occupied properties are measured at fair value instead of at amortised cost in the Group. Comparison figures have not been recalculated. Carrying amount for owner-occupied properties in the Group in 2021 amounted to SEK 960 million. Fair value in 2021 amounted to SEK 2,500 million.

[2] In the parent company, which was already applying legally restricted IFRS before 2022, the owner-occupied properties are measured at fair value for both 2021 and 2022.

Fair value by sector	Group		Parent Company	
	2022	2021	2022	2021
Office [1]	28,865	24,440	8,816	8,510
Residential	301	–	–	–
Retail	8,114	7,308	2,857	3,478
Other	5,611	4,193	654	601
Total	**42,890**	**35,942**	**12,327**	**12,589**

Cost per property type	Group		Parent Company	
	2022	2021	2022	2021
Investment properties	30,214	25,653	8,164	7,787
Owner-occupied properties	520	520	520	520
Total	**30,734**	**26,173**	**8,684**	**8,307**

Lettable floor area by sector, m^2	Group	
	2022	2021
Office	519,498	498,413
Residential	8,013	–
Retail	318,480	257,058
Other	106,571	90,965
Total	**952,562**	**846,436**

Future rental income by maturity	Group	
	2022	2021
Within one year	1,998	1,532
Later than one year but within five years	4,771	3,800
Later than five years	3,739	2,840
Total	**10,508**	**8,173**

NOTE 15 Land and buildings, *cont.*

Accounting principle

Investment properties

Properties held in the Group for rental income, capital appreciation or a combination of both are classified and reported as investment properties in accordance with IAS 40. After the transition to legally restricted IFRS in the consolidated financial statements, the investment properties are reported on the line, Buildings and land on the consolidated balance sheet, similar to the parent company balance sheet. All investment properties are located in Sweden.

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

All rental agreements for the Group investment properties are classified as operating leases according. 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 transitioned to legally restricted IFRS in the Group from 2022. This means inter alia, that Alecta has chosen to cease applying IAS 16 in the Group and instead measure the owner-occupied properties at fair value in line with the parent company, according to FFFS 2019:23 and the ÅRFL. As the transition effect is not material, the comparison year 2021 has not been adjusted. Actual operating and maintenance expenses for Alecta's owner-occupied properties are recognised in operating expenses in the income statement.

Significant estimates and judgements

Valuation method

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

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

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

Significant valuation assumptions

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

Valuation assumptions, weighted	2022	2021
Market rent per square metre	SEK 2,748	SEK 2,688
Long-term vacancy rate	5.47 %	5.48 %
Required rate of return, initial	3.96 %	3.74 %
Required rate of return, exit	4.48 %	4.51 %

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	2022	2021
Market rent	+/– 10 %	+/– 4,473	+/– 4,906
Property costs	+/– SEK 50/m^2	–/+ 958	–/+ 826
Long-term vacancy rate	+/– 2 %	–/+ 869	–/+ 873
Required rate of return, exit	+/– 0.25 %	+/– 2,095	+/– 2,188

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, 2022	Carrying amount, 2021
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 %	1,380	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 Hönsfodret AB [2)]	559158-4080	Stockholm	50,000	100 %	–	–
Alfab Mimer 7 AB	559122-1477	Stockholm	500	100 %	–	–
Alfab Nacka 4 AB	559006-0892	Stockholm	1,000	100 %	–	–
Alfab Nacka 12 AB	559006-1015	Stockholm	1,000	100 %	–	–
Alfab Solna Centrum AB [2)]	556051-3268	Stockholm	5,000	100 %	–	–
– Alfab Solna Parkering AB [2)]	556482-7797	Stockholm	1,000	100 %	–	–
Alfab Solna Garage AB [2)]	556340-1941	Stockholm	1,000	100 %	–	–
Alfab Värmdö 1 AB	556687-7071	Stockholm	1,000	100 %	–	–
Alfab Värmdö 2 AB.	556743-0102	Stockholm	100,000	100 %	–	–
Lidingö Hotellfastighets AB	556701-7099	Stockholm	1,000	100 %	–	–
Solna Kasernen 8 Fastighets AB	556162-0393	Stockholm	10,000	100 %	–	–
Alecta Retail Holding AB	556660-2594	Stockholm	1,000	100 %	–	–
Alfab Järfälla 1 AB	556664-7599	Stockholm	1,000	100 %	–	–
Alfab Jönköping 1 AB	556692-9385	Stockholm	1,000	100 %	–	–
Alfab Jönköping 4 AB	556188-6127	Stockholm	1,000	100 %	–	–
Alfab Jönköping 5 AB	556658-9783	Stockholm	1,000	100 %	–	–
Alfab Valutan 13 AB	556708-2713	Stockholm	100,000	100 %	–	–
Fastighetsaktiebolaget Åkersberga Österåker Runö	556785-6389	Stockholm	1,000	100 %	–	–
Fyrfast AB	556604-5513	Stockholm	1,000	100 %	–	–
Kabelverket Holding AB	556587-1075	Stockholm	1,000	100 %	–	–
Alfab Göteborg 3 AB	556913-5717	Stockholm	500	100 %	–	–
Alfab Göteborg 4 AB	556718-6654	Stockholm	1,000	100 %	–	–
Alfab Göteborg 5 AB	556690-0386	Stockholm	1,000	100 %	–	–
Alfab Stockholm 1 AB	556660-5530	Stockholm	1,000	100 %	–	–
Alfab Vällingby 1 AB	556892-7858	Stockholm	500	100 %	–	–
Alfab Vällingby 2 AB	556892-7882	Stockholm	500	100 %	–	–
Alfab Västerport 1 AB	556690-0378	Stockholm	1,000	100 %	–	–
Alfab Västerport 2 AB	556946-8944	Stockholm	500	100 %	–	–
Fastighets AB Kablaget	556577-4642	Stockholm	1,000	100 %	–	–
– Alecta Fastighetsutveckling AB	556577-4618	Stockholm	1,000	100 %	–	–
– Fastighets AB Kabelverket	556577-4568	Stockholm	1,000	100 %	–	–
Vasaterminalen AB	556118-8722	Stockholm	2,022,000	100 %	–	–
– World Trade Center Stockholm AB	556273-0803	Stockholm	1,000	100 %	–	–
– WTC Parkering AB	556424-3920	Stockholm	1,000	100 %	–	–
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 %	1,029	1,005
Fastighetsbolaget Båthamnen KB	916626-5711	Stockholm	–	99.9 %	58	56
Fastighetsbolaget Ellensvik KB	916625-6991	Stockholm	–	99.9 %	234	221
Fastighetsbolaget Grönkulla KB	969782-1115	Stockholm	–	99.9 %	0	0
Fastighetsbolaget Gustafshög KB	916625-6983	Stockholm	–	99.9 %	16	16
Fastighetsbolaget Klaraberg KB	916625-6975	Stockholm	–	99.9 %	530	508
Fastighetsbolaget Mässan KB	916626-5653	Stockholm	–	99.9 %	104	95
Fastighetsbolaget Oljekällaren KB	916626-5638	Stockholm	–	99.9 %	220	197
Fastighetsbolaget Philipin KB	916626-5679	Stockholm	–	99.9 %	396	375
Fastighetsbolaget Saluhallen KB	916626-5695	Stockholm	–	99.9 %	54	55
Nacka Strand Event & Möten KB	969646-7225	Stockholm	–	99.9 %	–17	–5
Morgonen 1 i Lund KB	969784-9975	Stockholm	–	99.9 %	41	34
Naraden Göteborg 1 KB	969697-7892	Stockholm	–	99.9 %	325	324
SoliFast Finansiering KB	969787-1292	Stockholm	–	99.9 %	–2	–1
2 Kilo i Halmstad KB	969784-9967	Stockholm	–	99.9 %	5	5
Total Sweden [3)]					**4,692**	**4,384**

1) As all shares are unlisted, market values are not indicated. Carrying amounts are not indicated for subsidiaries of subgroups.
2) The company was acquired in 2022.
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 12,345 million (9,950) for the Swedish Group companies.

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

Foreign Group companies, USA , Parent Company	Organisation no.	Registered office	Number of shares	Share of equity	Carrying amount, 2022	Carrying amount, 2021
Alecta Real Estate USA, LLC	–	Delaware	–	100 %	898	1,002
Alecta Real Estate Investment, LLC	–	Delaware	–	100 %	–	–
Alecta Value Add Investments, LLC	–	Delaware	–	100 %	–	–
Boylston Street Investors, LLC	–	Delaware	–	100 %	–	–
PMAK MOB ALECTA REIT FEEDER, LTD.	–	Delaware	–	100 %	3,977	3,070
Total USA					**4,875**	**4,072**
Total shares and participations in Group companies [2]					**9,567**	**8,456**

1) As all shares are unlisted, market values are not indicated. Carrying amounts are not indicated for subsidiaries of subgroups.
2) Excess values refer to the difference between the carrying amount and the fair value of shares and participations in Group companies and these are estimated as amounting to SEK 2,019 million (680) for the foreign Group companies.

Parent Company	Carrying amount, 2022	Carrying amount, 2021
Cost		
Opening balance, cost	18,051	16,686
Purchases during the year	–5	–3
Shareholder contributions during the year	1,108	1,286
Divestments for the year	–	–
Share of profit for the year	115	82
Closing balance, cost	**19,269**	**18,051**
Accumulated impairment		
Opening balance, impairment	–9,595	–9,928
Impairment for the year	–421	–99
Reversal of impairment for the year	313	432
Closing balance, impairment	**–9,702**	**–9,595**
Total shares and participations in Group companies	**9,567**	**8,456**

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, 2022	Carrying amount, 2021
Cost		
Opening balance, cost	13,075	11,666
Change for the year	5,560	1,409
Total debt securities issued by and loans to, Group companies	**18,635**	**13,075**

Accounting principle

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

NOTE 18 Investments in associated companies and joint ventures

31/12/2022 Parent Company – Joint ventures	Country	Organisation no.	Share of equity	Fair value, shares	Fair 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 %	2,103	–	–
Ankhiale Topco AB (Stockholm Exergi)	Sweden	559317-8741	15.00 %	3,676	–	–
Convea AB	Sweden	556912-4505	50.00 %	8	–	–
Global Business Gate JV AB	Sweden	559109-9030	50.00 %	0	–	–
Global Business Gate JV KB	Sweden	969781-4847	49.50 %	147	–	–
Kongahälla Holding AB	Sweden	559126-1903	50.00 %	458	–	–
Midstar Hotels AB	Sweden	559007-7979	49.70 %	2,962	–	–
SoliFast Holding AB JV	Sweden	559149-7770	20.00 %	20	–	–
Sollentuna Stinsen JV AB	Sweden	559085-9954	50.00 %	3	430	28
Stadsrum Fastigheter AB	Sweden	559028-9624	49.40 %	3,062	–	–
Swedish Airport Infrastructure Holding AB	Sweden	559012-5182	50.00 %	0	–	–
Swedish Airport Infrastructure Holding KB	Sweden	969775-2609	49.90 %	2,032	–	–
Parent Company – Associated companies						
Heimstaden Bostad AB – Pref B	Sweden	556864-0873	41.30 %	39,256	–	–
Heimstaden Bostad AB – Ordinary share	Sweden	556864-0873	25.70 %	11,097	–	–
Bain Capital Credit CLO Management Ltd	Jersey	–	24.35 %	1,108	–	–
Bain Capital Credit CLO Management II Ltd [1]	Jersey	–	20.63 %	281	–	–
SR Energy AB	Sweden	556711-9549	20.00 %	3,359	–	–
Total Parent Company [2]				**69,584**	**430**	**28**
Group company – Joint ventures						
ARE-LEI Venture, LLC	USA	–	95.00 %	1	–	–
Boylston Street Associates LLC	USA	–	95.00 %	3	–	–
KACORE JV, LLC	USA	–	39.10 %	3,110	–	–
KAGR Master JV LLC	USA	–	47.50 %	1,770	–	–
KAGR2 Master JV LLC [1]	USA	–	47.50 %	2,772	–	–
PMAK MOB JV REOC, LLC	USA	–	48.13 %	2,826	–	–
Total Group [2]				**80,066**	**430**	**28**

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

31/12/2021 Parent Company – Joint ventures	Country	Organisation no.	Share of equity	Fair value, shares	Carrying amount, 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 (Stockholm Exergi)[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
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	–	–
SR Energy AB [1]	Sweden	556711-9549	20.00 %	1,602	–	–
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, LLC	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).

Accounting principle

Alecta owns shares and participations in companies that are categorised as either 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 the income statement. On the balance sheet, shares and participations are recognised in the investment assets category. Changes in value are accounted for in the income statement as unrealised gains or losses. Dividends are reported as dividends received in the item, Capital return, income Note 5.

Loans in joint ventures Loans in joint ventures refer to shareholder loans that are measured at fair value via the income statement at first recognition. The balance sheet shows loans in joint ventures in the investment assets category. Changes in value are accounted for in the income statement as unrealised gains or losses. Interest income is recognised as interest income in the item, Capital return, income Note 5. Valuation techniques for shares and participations, as well as loans in joint ventures are described in Note 22. Information on transactions between Alecta and the above joint ventures is provided in Note 49, Related party disclosures.

NOTE 19 Classification of financial assets and liabilities

Group, 31/12/2022	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	Financial assets and liabilities valued at amortised cost	Total carrying amount	Fair value
Financial assets					
Shares and participations in associated companies and joint ventures	80,066	–	–	80,066	80,066
Loans to associated companies and joint ventures	430	–	–	430	430
Shares and participations	598,706	–	–	598,706	598,706
Bonds and other debt securities	401,658	–	–	401,658	401,658
Loans secured by real estate	5,999	–	–	5,999	5,999
Other loans	23,116	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305	14,305
Receivables related to direct insurance operations	–	–	1,724	1,724	1,724
Other receivables	–	–	8,550	8,550	8,550
Cash and bank balances	–	–	3,672	3,672	3,672
Accrued interest and rental income	–	–	3,948	3,948	3,948
Total	**1,109,975**	**14,305**	**17,894**	**1,142,174**	**1,142,174**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	13	13	13
Derivatives	–	20,488	–	20,488	20,488
Other liabilities	–	–	9,494	9,494	9,494
Other accrued expenses	–	–	1,248	1,248	1,248
Total	**–**	**20,488**	**10,755**	**31,243**	**31,243**

Group, 31/12/2021	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	Financial assets and liabilities valued at amortised cost	Total carrying amount	Fair value
Financial assets					
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**

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

Parent Company, 31/12/2022	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	Financial assets and liabilities valued at amortised cost	Total carrying amount	Fair value
Financial assets					
Debt securities issued by and loans to Group companies	–	–	18,635	18,635	18,635
Shares and participations in associated companies and joint ventures	69,584	–	–	69,584	69,584
Loans to associated companies and joint ventures	430	–	–	430	430
Shares and participations	597,851	–	–	597,851	597,851
Bonds and other debt securities	401,658	–	–	401,658	401,658
Loans secured by real estate	5,128	–	–	5,128	5,128
Other loans	23,116	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305	14,305
Receivables related to direct insurance operations	–	–	1,724	1,724	1,724
Other receivables	–	–	9,318	9,318	9,318
Cash and bank balances	–	–	3,468	3,468	3,468
Accrued interest and rental income	–	–	3,950	3,950	3,950
Total	**1,097,767**	**14,305**	**37,095**	**1,149,167**	**1,149,167**
Financial liabilities					
Liabilities related to direct insurance operations	–	–	13	13	13
Derivatives	–	20,488	–	20,488	20,488
Other liabilities	–	–	11,749	11,749	11,749
Other accrued expenses	–	–	1,231	1,231	1,231
Total	**–**	**20,488**	**12,993**	**33,481**	**33,481**

Parent Company, 31/12/2021	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	Financial assets and liabilities valued at amortised cost	Total carrying amount	Fair value
Financial assets					
Debt 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**

NOTE 20 Net profit by class of financial assets and liabilities

	Group		Parent Company	
	2022	2021	2022	2021
Financial assets measured at fair value through profit or loss				
Shares and participations	–31,370	188,310	–34,495	186,681
Debt securities	–22,189	2,051	–22,189	2,051
Loans secured by real estate	259	61	259	61
Other loans	1,941	1,040	1,941	1,040
Financial assets and liabilities held for trade				
Derivatives	–48,616	–20,036	–48,616	–20,036
Financial assets and liabilities valued at amortised cost				
Loans and receivables	–1	46	1,731	537
Other liabilities	–49	–21	–49	–21
Total net profit [1]	**–100,025**	**171,451**	**–101,418**	**170,313**
Land and buildings, net	2,978	2,473	–339	1,043
Investment management and custodian expenses	–287	–249	–279	–246
Other, net	–1,678	–383	625	299
Total return on capital as reported in income statement	**–99,012**	**173,292**	**–101,411**	**171,409**

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

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**

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

NOTE 22 Valuation categories for financial instruments measured at fair value

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

The three levels of valuation categories are:

Level 1: Measurement using prices quoted in an active market

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

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

Level 2: Measurement based on observable inputs

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

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

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

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

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

Level 3: Measurement based on unobservable inputs

Financial assets that are measured at fair value without access to observable market inputs are classified to Level 3. 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 valuation technique used 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 into one of the three valuation categories at acquisition and then normally retain that classification until they are sold. However, under certain circumstances a financial asset may be reclassified to another level after the acquisition date. The following principles apply to such reclassification:

Principle for reclassification between Level 1 and Level 2

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

In 2022, one financial instrument was transferred from Level 1 to Level 2 but none from Level 2 to Level 1. In 2021, there was no transfer from Level 1 to Level 2 or from Level 2 to Level 1.

Principle for reclassification between Level 2 and Level 3

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

In 2022, a financial instrument was transferred from Level 2 to Level 3 as observable market information was no longer available. However, no financial instrument was transferred from Level 3 to Level 2. 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.

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 are insufficient market inputs 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 2022 or 2021. However, three instruments have been re-designated at fair value in Level 3 from the previous amortised cost.

Sensitivity analysis for Level 3 financial instruments

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

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

As we are unable to fully inspect the unobservable inputs used by external price providers, fund managers, counterparties 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	139,732	Return requirement increase of 0.5 percentage points	–15,526
Interest-related holdings	65,569	Interest-rate increase of 1 percentage point	–1,277
Share-related holdings	60,290	Share price decrease of 10 per cent	–6,029
Total Level 3	**265,591**		**–22,831**

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

	Fair values of financial instruments, 31/12/2022			
Group	Measurement using prices quoted in an active market Level 1	Measurement based on observable inputs Level 2	Measurement based on unobservable inputs Level 3	Carrying amount 31/12/2022
Assets				
Shares and participations	496,892	–	101,815	598,706
Shares and participations in associated companies and joint ventures	–	–	80,066	80,066
Loans to associated companies and joint ventures	–	–	430	430
Bonds and other debt securities	186,313	161,180	54,165	401,658
Loans secured by real estate	–	–	5,999	5,999
Other loans	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305
Total assets	**683,205**	**175,485**	**265,591**	**1,124,280**
Liabilities				
Derivatives	–	20,488	–	20,488
Total liabilities	**–**	**20,488**	**–**	**20,488**
Parent Company				
Assets				
Shares and participations	496,892	–	100,959	597,851
Shares and participations in associated companies and joint ventures	–	–	69,584	69,584
Loans to associated companies and joint ventures	–	–	430	430
Bonds and other debt securities	186,313	161,180	54,165	401,658
Loans secured by real estate	–	–	5,128	5,128
Other loans	–	–	23,116	23,116
Derivatives	–	14,305	–	14,305
Total assets	**683,205**	**175,485**	**253,382**	**1,112,072**
Liabilities				
Derivatives	–	20,488	–	20,488
Total liabilities	**–**	**20,488**	**–**	**20,488**

	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**

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

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

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

Group	Fair value at year-end 2021					
	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.

NOTE 24 Shares and participations

Group	2022 Fair value	2022 Cost	2021 Fair value	2021 Cost
Swedish listed shares	203,776	101,368	244,052	99,109
Swedish unlisted shares	2,245	2,030	1,296	1,081
Foreign listed shares	293,125	197,863	330,152	164,792
Foreign unlisted shares	99,560	89,149	67,476	61,515
Total	**598,706**	**390,410**	**642,976**	**326,497**
Parent Company				
Swedish listed shares	203,776	101,368	244,052	99,109
Swedish unlisted shares	2,245	2,030	1,296	1,081
Foreign listed shares	293,125	197,863	330,152	164,792
Foreign unlisted shares	98,705	88,710	66,940	61,133
Total	**597,851**	**389,971**	**642,440**	**326,115**

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

Accounting principle

Shares and participations are measured at fair value through income statement 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

Group and Parent Company	2022 Fair value	2022 Amortised cost	2021 Fair value	2021 Amortised cost
The Swedish Government	33,506	35,161	49,227	47,207
Swedish mortgage bonds	48,913	49,165	90,475	90,272
Other Swedish issuers	88,329	92,319	88,519	88,158
Foreign governments	103,076	125,310	116,311	112,634
Other foreign issuers	127,834	136,976	117,893	116,631
Total	**401,658**	**438,931**	**462,425**	**454,902**

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

Group and Parent Company	2022	2021
Fixed-rate term		
0–1 year	139,460	178,633
> 1–5 years	130,482	129,392
> 5–10 years	91,337	90,634
> 10 years	40,378	63,766
Total	**401,658**	**462,425**

Accounting principle

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

NOTE 26 Loans secured by real estate

Group	2022 Fair value	2022 Cost	2021 Fair value	2021 Cost
Swedish loans secured by real estate	4,893	5,186	2,591	2,577
Foreign loans secured by real estate	1,106	1,093	2,036	2,032
Total	**5,999**	**6,280**	**4,627**	**4,609**
Parent Company				
Swedish loans secured by real estate	4,022	4,316	2,076	2,063
Foreign loans secured by real estate	1,106	1,093	2,036	2,032
Total	**5,128**	**5,409**	**4,112**	**4,095**

Accounting principle

Loans secured by real property are measured at fair value through profit or loss at initial recognition. Changes in value are recognised in the income statement as unrealised gains or losses. Valuation techniques are described in Note 22. Interest income is reported as interest income in the item Capital return, income Note 5.

NOTE 27 Other loans

Group and Parent Company	2022 Fair value	2022 Cost	2021 Fair value	2021 Cost
Other loans, Swedish	5,474	5,498	7,168	5,194
Other loans, foreign	17,642	17,300	10,754	10,258
Total	**23,116**	**22,798**	**17,922**	**15,452**

Accounting principle

Loans with collateral received other than real estate, such as profit share loans are reported here. Shares and participations are measured at fair value through profit or loss at initial recognition. Changes in value are recognised in the income statement as unrealised gains or losses. Valuation techniques are described in Note 22. Interest income is reported as interest income in the item Capital return, income Note 5.

NOTE 28 Derivatives

	2022			2021		
		Fair value			Fair value	
Group and Parent Company	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
Equity-related instruments	**–43,515**	**–**	**–**	**–81,859**	**–**	**–**
Futures	*–43,515*	*–*	*–*	*–81,859*	*–*	*–*
Interest-related instruments	**291,354**	**3,480**	**15,116**	**186,253**	**2,917**	**4,645**
Swaps	*220,923*	*3,478*	*15,116*	*151,298*	*2,917*	*4,625*
Futures	*70,217*	*–*	*–*	*35,127*	*–*	*–*
CDS	*214*	*2*	*–*	*–172*	*–*	*20*
Currency-related instruments	**449,695**	**10,825**	**5,372**	**335,792**	**502**	**10,264**
Futures/swaps	*449,695*	*10,825*	*5,372*	*335,792*	*502*	*10,264*
Total	**697,534**	**14,305**	**20,488**	**440,186**	**3,419**	**14,909**

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 income statement. Derivatives with positive fair values are recognised as financial investment assets while derivatives with negative fair values are recognised as liabilities on the balance sheet. Derivatives are reported in the income statement along with the underlying instrument and the net gain or loss is presented in Note 20. Alecta does not apply hedge accounting.

NOTE 29 Financial instruments subject to master netting agreements

Group and Parent Company 31/12/2022	Financial assets recognised on the balance sheet	*of which amounts are not offset but which are subject to master netting agreements or similar agreements in the event of insolvency*	Financial collateral received	Cash collateral received	Net amount [3]
Assets					
Derivatives [4]	15,720	–10,124	–	–3,324	2,272
Securities lending [1]	19,738	–	–20,471	–	0

	Financial assets recognised on the balance sheet	*of which amounts are not offset but which are subject to master netting agreements or similar agreements in the event of insolvency*	Financial collateral pledged [2]	Cash collateral pledged	Net amount [3]
Liabilities					
Derivatives [4]	21,971	–10,124	–8,578	–7,361	0

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

1) Lending of debt securities is described in Note 43 Transfer of financial assets.
2) Collateral pledged is also reported in Note 42 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 1,415 million (5,916) and accrued interest expenses of SEK 1,483 million (5,741).

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 15,720 million and derivatives with a negative value of SEK 21,971 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 2022 or the corresponding period in 2021.

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 3,324 million in cash where the sum of all derivative contracts is positive. Similarly, Alecta has pledged SEK 8,578 million in debt securities in the form of Swedish mortgage bonds and French government bonds, as well as SEK 7,361 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	2022	2021
Receivables from policyholders	1,724	4,828
Total	**1,724**	**4,828**

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	2022	2021
Payment receivables from sale of investment assets	677	38
Tax in Sweden	85	85
Foreign tax	1,468	1,222
Deferred tax [2)]	3,619	1,445
Approved dividend	67	66
Value Added Tax	18	11
Receivable, PRI Pensionsgaranti	204	194
Collateral pledged for derivatives [2)]	7,361	379
Other	241	325
Total	**13,738**	**3,765**
Parent Company		
Payment receivables from sale of investment assets	677	38
Tax in Sweden	42	38
Foreign tax	1,468	1,222
Deferred tax [2)]	3,483	1,273
Approved dividend	67	66
Receivable from subsidiary	935	1,014
Receivable, PRI Pensionsgaranti	204	194
Collateral pledged for derivatives [2)]	7,361	379
Other	75	169
Total	**14,311**	**4,393**

1) See also Note 12.
2) See also Note 29.

Accounting principle

Other receivables are recognised at amortised cost. For rent and receivables, the simplified model is used for credit reservations. Continual assessments are done for credit reservations based on historic and current and forward-looking factors.

NOTE 32 Accrued interest and rental income

	Group		Parent Company	
	2022	2021	2022	2021
Accrued interest income subsidiaries	–	–	2	–
Accrued interest income	3,948	8,516	3,948	8,516
Total	**3,948**	**8,516**	**3,950**	**8,516**

Accounting principle

Prepaid expenses and accrued income

Prepaid expenses and accrued income refer to expenditure for future financial years and income earned during the financial year that has not been received or invoiced on the balance sheet date. Alecta's prepaid expenses and accrued income consist primarily of interest income not yet due for investment assets.

NOTE 33 Equity

For specification of the Group's changes in equity, refer to page 63 and for parent company changes in equity, refer to page 68.

Accounting principle

Surplus fund

Life insurance companies and occupational pension companies that do not have the right to distribute profits are required to maintain a surplus fund to which funds are allocated and used to cover losses. If permitted under the Articles of Association, the fund may also be used for other purposes. The surplus fund consists of collective funding, discretionary elements and special indexation funds.

Collective funding

Collective funding includes other risk capital, which is not allocated.

Discretionary participation reserve

The discretionary participation reserve in equity consists of refunds to policyholders and insured parties that have been allocated on a preliminary basis. Allocated refunds to the insured parties include pension supplements and adjustments of paid-up policy values for defined benefit pension products, as well as refunds for defined contribution insurance that have been allocated on a preliminary basis. Allocated refunds to policyholders consist of a premium reduction for risk insurance. Allocated refunds to policyholders and the insured parties also include funds intended to cover the cost of measures forming part of the ITP plan, under which the parties to the collective agreement have been given the right to indicate how the funds should be used. The decision on the final use of the funds is made by Alecta's Board of Directors, provided that the Board unanimously agrees that the designated use is consistent with Alecta's interests as an insurance company. The allocation of surpluses is regulated in the Company funding policy in the actuarial guidelines. As the surplus is preliminary and not guaranteed, it is regarded as risk capital and is included in the surplus fund. The surplus is allocated in conjunction with payment under the applicable internal regulations and is recognised directly in equity.

Special indexation funds

Special indexation funds are funds contributed to Alecta for indexation of pensions in payment and for other pension-promoting purposes or alternatively, to be transferred to a foundation designed for indexation of pensions. Decisions on the use of the funds for these purposes are made by the Council of Administration. Special indexation funds are not included in collective surplus capital. Change items are recognised directly in equity.

Translation reserve (Group)

Balance sheets of foreign subsidiaries are converted at the closing rates on the balance sheet date and income statements of foreign subsidiaries are converted at the average exchange rate for the year. Foreign exchange differences arising on conversion are recognised in Other comprehensive income and transferred to the Group's translation reserve. Currencies that have been converted are US dollars.

NOTE 34 Proposed appropriation of profits

The Board of Directors and Chief Executive Officer propose to the Council of Administration that the parent company profit for 2022 of SEK 22,075,364,542 be transferred to the surplus fund. The Board and CEO propose that the Council of Administration approve the resolution of the Board regarding refunds as set out in the section, Distribution of surplus in the Administration Report on page 49 and the section, Index-linked pension and premium reductions, page 51.

See also Proposed appropriation of profits in the Administration Report on page 50.

NOTE 35 Provision for life insurance

Group and Parent Company	2022	2021
Opening balance	599,542	608,774
Change for the year	52,673	47,920
Premiums	*59,269*	*49,427*
Payments	*–20,062*	*–19,376*
Interest	*17,269*	*16,496*
Released operating expenses	*–651*	*–620*
Yield tax	*–1,774*	*–940*
Mortality result	*–301*	*–180*
Other changes	*–1,077*	*3,113*
Change in interest rate assumption	–112,009	–33,012
Difference between premium and TP assumptions	–23,703	–24,140
Closing balance	516,503	599,542

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.

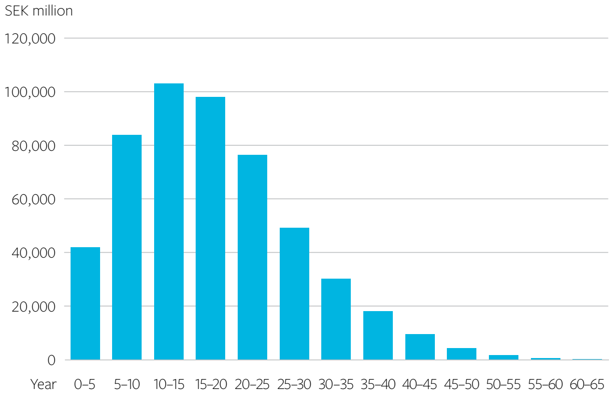
The following assumptions have been applied in calculating the provision for life insurance as at 31 December 2022:

- Interest rate assumption: The average interest rate was 3.25 per cent (1.93) as at 31 December 2022. The method of determining this rate is described in Note 3.
- Family pension assumption: Gender-dependent assumptions on family composition have been applied.
- Operating expense assumption: Future operating expenses are considered to consist of the present value of future expected expenses including cost increases due to inflation. Operating expenses are also recognised in connection with premium payments.
- Deduction for yield tax: Future yield tax is considered to consist of the present value of the yield tax that Alecta is expected to pay on assets representing the present value of guaranteed commitments. The loading for yield tax is 0.45 per cent, corresponding to 15 per cent of the discount rate with a maturity of 15 years.

Interest rate sensitivity

- For longer terms, a fixed forward rate has been applied, which means that the average interest rate does not fluctuate as much as long-term market rates. If market rates were to fall by 1 percentage point, the average interest rate would fall by 0.6 percentage points and the provision for life insurance would increase by SEK 53.1 billion (37.8).

EXPECTED DISCOUNTED NET CASH OUTFLOW FOR RETIREMENT PENSION, FAMILY PENSION AND ORIGINAL ITPK



Accounting principle

Provision for life insurance

The provision for life insurance is calculated as the capital value of expected guaranteed future pension payments, operating expenses, yield tax and contracted future premiums.

Change in provision for life insurance

The change in the provision for life insurance reflects actual events during the period, such as premium payments received or outgoing payments made in conjunction with an insured event. The provision for life insurance is also adjusted by the interest for the period, assumed operating expenses, mortality results and the exercising of the right to switch pension providers, as well and by the amount of paid-up policies. In addition, the provision for life insurance is affected by any changes to the method of calculation and the assumptions applied. Examples of assumptions used in calculating the provision for life insurance are the discount rate, mortality and operating expenses. Changes in the provisions are recognised as an income and expense item in the income statement.

NOTE 36 Provision for claims outstanding

Group and Parent Company	2022	2021
Opening balance	**14,267**	**13,188**
Change for the year	487	1,359
Provision for new claims	*5,161*	*5,192*
Discontinuation profit/loss	*–1,645*	*–1,145*
Payments	*–3,359*	*–3,213*
Interest	*238*	*72*
Released operating expenses	*–52*	*–50*
Other changes	*144*	*503*
Change in interest rate assumption	–1,411	–280
Changed assumption for morbidity	–315	–
Closing balance	**13,028**	**14,267**

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 2022 and which comprise the dominant portion of the provision:

- Interest rate assumption: The interest rate was 3.06 per cent (0.75) on 31 December 2022. The method of determining this rate is described in Note 3.

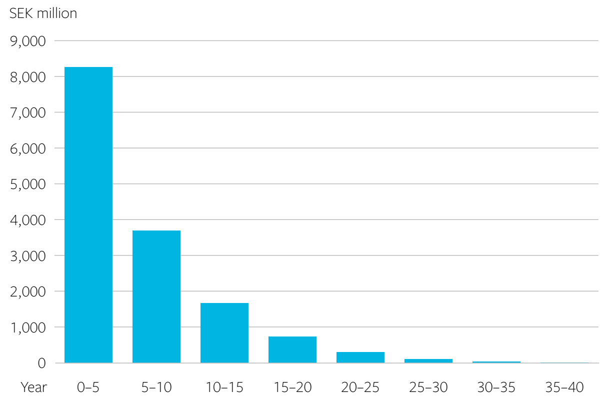
- Operating expense assumption: Future operating expenses are considered in the form of a supplement for expected pension payments. Operating expenses are also recorded in conjunction with premium payments.
- Indexation: It is assumed that benefits linked to changes in the price base amount and income base amount (guaranteed indexation) will increase annually by 2 per cent and 3 per cent.

Discontinuation income decreased by 44 per cent in 2022.

Interest rate sensitivity

- If market rates fall by 1 percentage point, the provision increases by SEK 549 million (303).

EXPECTED DISCOUNTED NET CASH OUTFLOW FOR DISABILITY INSURANCE AND WAIVER OF PREMIUM INSURANCE



Accounting principle

Provision for claims outstanding

The provision for claims outstanding is intended to cover future costs for insurance claims arising due to incapacity to work. The technical provision is determined when the right to compensation arises. A portion of the provision for claims outstanding relates to claims incurred but not reported and is based exclusively on the company's experience of the backlog of reported cases of illness. The backlog of reported cases of illness is usually limited to one year.

Change in provision for claims outstanding

The calculation of the provision for claims outstanding is based on Alecta's insurance portfolio and on actuarial assumptions made on the basis of Alecta's actuarial calculation data. Changes in the portfolio or in the assumptions lead to a change in the provision for claims outstanding. Such changes are recognised as an income or expense item in the income statement.

NOTE 37 Other provisions

	Group		Parent Company	
	2022	2021	2022	2021
Indexation of pensions for former employees	2	–	2	–
Provision for real estate	4	8	–	2
Total	**6**	**8**	**2**	**2**

Accounting principle

A provision is a liability that is uncertain in terms of its due date and/or amount. A provision is recognised on the balance sheet when an existing obligation arises as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. An obligation can be legal or constructive. If these criteria are not met, no provision is recognised on the balance sheet. Instead, a contingent liability will arise if the criteria for such are met. Provisions are reviewed on each closing date. Provisions are used only for the expenditure for which the provision was originally intended.

NOTE 38 Liabilities related to direct insurance operations

Group and Parent Company	2022	2021
Liabilities to policyholders	13	12
Preliminary tax, pensions	826	784
Other	9	9
Total	**847**	**805**

Accounting principle

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

NOTE 39 Other liabilities

Group	2022	2021
Payment liability on purchase of investment assets	5,848	56
Collateral received for derivatives [1]	3,324	377
Accounts payable	257	263
Property tax	59	50
Value added tax	20	–
Lease liability [2]	–	32
Other	65	86
Total	**9,573**	**864**

All liabilities mature earlier than one year after the balance sheet date.

Parent Company	2022	2021
Liabilities to subsidiaries	2,338	2,096
Payment liability on purchase of investment assets	5,848	56
Collateral received for derivatives [1]	3,324	377
Accounts payable	217	226
Property tax	55	49
Value added tax	6	–
Other	22	52
Total	**11,810**	**2,856**

1) See also Note 28.
2) See also Notes 15 and 48.

NOTE 40 Other accrued expenses and prepaid income

	Group		Parent Company	
	2022	2021	2022	2021
Accrued interest expense	1,214	5,654	1,214	5,653
Accrued property costs	145	131	52	50
Accrued staff costs	61	71	59	69
Prepaid rental income	410	291	122	83
Other	33	12	17	9
Total	**1,864**	**6,159**	**1,466**	**5,864**

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 41 Assets and comparable collateral pledged for own liabilities and for liabilities reported as provisions

Group and Parent Company	2022	2021
Assets registered on behalf of policyholders	1,121,914	1,172,182
in addition to required pledge	*593,041*	*454,803*
	1,121,914	**1,172,182**
Land and buildings	42,890	26,217
Equities and participations in associated companies and joint ventures	69,584	62,002
Loans to associated companies and joint ventures	430	402
Equities and participations	597,851	625,612
Bonds and other debt securities	385,585	443,502
Loans secured by real estate	5,163	4,132
Other loans	23,194	17,937
Derivatives	–6,251	–11,314
Cash and bank balances	3,468	3,692
Total	**1,121,914**	**1,172,182**

The table above shows assets that have been registered for debt coverage under the regulations of the Swedish Financial Supervisory Authority.

NOTE 42 Other pledged assets and comparable collateral

Group and Parent Company	2022	2021
Collateral pledged to clearing houses for derivatives trading		
Bonds and other debt securities	13,762	10,186
Cash and bank balances	4,296	785
Collateral pledged for derivatives trading in accordance with CSA agreements		
Bonds and other debt securities	3,861	11,442
Cash and bank balances	3,550	28
Total	**25,469**	**22,441**

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

NOTE 43 Transfers of financial assets

Group and Parent Company	2022	2021
Loaned debt securities	19,738	20,356
Collateral received for loaned securities	20,471	20,924

Accounting principle

Loaned debt securities consist of Swedish and French government bonds and are reported in accordance with applicable accounting principles on the balance sheet at fair value. Collateral received for loaned debt securities consists of Swedish and Danish covered bonds and is not recognised on the balance sheet. Compensation for loaned debt securities has been recognised as interest income in the item Capital return, income see Note 5.

NOTE 44 Contingent liabilities

Group	2022	2021
Remaining balance to be invested in investment assets	37,110	39,128
Total	**37,110**	**39,128**

Parent Company	2022	2021
Remaining balance to be invested in investment assets	36,865	36,657
Liabilities in limited partnerships	94	81
Total	**36,959**	**36,738**

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 45 Reconciliation of total return table to financial statements

Group	2022	2021
Market value according to total return table [1]	1,152,747	1,230,610
Assets not classified as investments	6,295	5,883
Items from the liabilities side of the balance sheet that have been deducted in the total return table	31,319	21,296
Valuation differences	61	151
Total assets according to balance sheet	1,190,421	1,257,940

Group	2022	2021
Total return according to total return table	–97,021	173,735
Items from the income statement (Notes 5, 6, 9, 10) that are not included in the total return table	217	235
Foreign exchange effects in foreign subsidiaries, recognised in equity in the financial statements	–1,435	–585
Tax included in the total return table, classified as tax in the income statement	–850	–49
Other	77	–44
Net return on capital according to the income statement [2]	–99,012	173,292

[1] See page 47.
[2] Notes 5, 6, 9 and 10 in the income statement.

NOTE 46 Average number of employees, salaries, and remuneration

	2022			2021		
Average number of employees [1]	Number of employees	Of whom women	Of whom men	Number of employees	Of whom women	Of whom men
Parent Company						
Sweden	320	185	135	306	181	125
Total, Parent Company	320	185	135	306	181	125
Subsidiaries						
Sweden	58	30	28	50	33	17
Total, subsidiaries	58	30	28	50	33	17
Total, Group	378	215	163	356	214	142

	2022		2021	
Gender distribution in senior positions	Women	Men	Women	Men
Parent Company				
Board of Directors	4	7	4	7
CEO	–	1	–	1
Other senior executives	3	5	3	5
Total, Parent Company	7	13	7	13
Subsidiaries				
Board of Directors	4	7	3	8
Total, subsidiaries	4	7	3	8
Total, Group	11	20	10	21

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

	2022				2021			
SEK (thousands)	Salaries, fees and other remuneration	Social costs	Pension costs	Total	Salaries, fees and other remuneration	Social costs	Pension costs	Total
Parent Company								
CEO and senior executives [3]	26,070	10,197	8,269	44,536	23,818	9,490	8,270	41,578
Board of Directors [4]	2,990	939	–	3,929	2,916	915	–	3,831
Other employees	248,373	78,463	45,220	372,057	235,542	86,280	42,852	364,674
Total, Parent Company	277,433	89,600	53,489	420,522	262,276	96,685	51,122	410,083
Subsidiaries								
Other employees	59,016	19,900	11,487	90,403	35,644	14,202	8,206	58,052
Total, subsidiaries	59,016	19,900	11,487	90,403	35,644	14,202	8,206	58,052
Total, Group	336,449	109,500	64,976	510,925	297,920	110,887	59,328	468,135

[1] Refers to the average number of employees, both full-time and part-time.
[2] The note reflects expensed salaries, remuneration and fees in each financial year.
[3] Consists of senior management for 2022. For the current composition of senior management, see page 44.
[4] Members of the board receive directors' fees and fees for work on board committees, which are determined by the Council of Administration and in addition, one member receives remuneration for the work on the nominations committee.

NOTE 46 Average number of employees, salaries and remuneration, *cont.*

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

	2022				
SEK (thousands)	Salaries, fees and other remuneration [1]	Benefits [5]	Total remuneration [6]	Social costs	Pension costs
Parent Company					
CEO					
Magnus Billing	6,708	120	6,828	2,753	2,504
Deputy CEO					
Katarina Thorslund	2,610	3	2,613	1,003	750
Hans Sterte [2]	4,658	3	4,661	1,886	1,738
Henrik Gade Jepsen [3]	428	–	428	134	–
Other senior executives					
Senior executives [4]	11,522	18	11,540	4,421	3,277
Total, CEO and senior executives	**25,926**	**144**	**26,070**	**10,197**	**8,269**
Chair of the Board					
Ingrid Bonde	828	–	828	260	–
Other members of the board					
Hanna Bisell	236	–	236	74	–
Marcus Dahlsten	206	–	206	65	–
Martin Fridolf	206	–	206	65	–
Markus Granlund	206	–	206	65	–
Ann Grevelius	206	–	206	65	–
Petra Hedengran	206	–	206	65	–
Jan-Olof Jacke	242	–	242	76	–
Magnus von Koch	206	–	206	65	–
Martin Linder	242	–	242	76	–
Richard Malmborg	206	–	206	65	–
Total, Board	**2,990**	–	**2,990**	**939**	–
Total, Parent Company	**28,916**	**144**	**29,060**	**11,137**	**8,269**

1) Salaries, fees, other remuneration and variable remuneration shown as total salaries, fees and other remuneration expensed in the 2022 financial year. No variable compensation has been paid during 2022.
2) Ended employment on 30 November 2022.
3) Joined 1 December 2022.
4) Other senior executives refers 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 44. The expense refers to those individuals who held a senior executive position at some point during the year.
5) Typical benefits include household services and healthcare insurance.
6) 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 2023.

NOTE 46 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 44. 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) was published on alecta.se in April 2022.

NOTE 46 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 board. 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 2022 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 44.

In accordance with the Swedish Financial Supervisory Authority regulations and general guidelines regarding annual accounts at insurance undertakings and institutions for occupational retirement provisions (FFFS 2019:23), supplementary disclosures on remuneration will be presented on the Alecta website, alecta.se in April 2023.

Pensions, severance pay and other benefits to the CEO, deputy CEO positions and other senior executives

The CEO has a pension agreement under which 35 per cent of the monthly salary is set aside each month for pensions, including provisions for the FTP plan. Any portion of the provision that exceeds the contribution required for the FTP plan may be used for retirement pension, survivor's pension and/or disability pension as decided by the CEO. The pensionable age for the CEO is 65. The CEO employment contract is terminable with six months' notice by the company, in which case the CEO is entitled to severance pay of an amount of twelve months' salary. Full settlement of benefits in the event of any other employment takes place during a period corresponding to the severance pay. The contract can be terminated by the CEO with six months' notice.

Deputy CEO positions are also covered by the FTP plan. One has FTP 1 and one has FTP 2. The Deputy CEO, Katarina Thorslund is covered by a previous contract stipulating a notice period of 18 months by the company, with any benefits received from other employment being fully deductible. The contract can be terminated by the Deputy CEO with six months' notice. Deputy CEO Henrik Gade Jepsen is covered by a mutual notice period of six months. In the event of termination by the company, severance pay of twelve months' salary with any benefits received from other employment being fully deductible from the period corresponding to severance pay.

Other senior executives are covered by the FTP plan, all of which have FTP 1. Their contracts are terminable with six months' notice in case of termination by the Company and provide for severance pay for an amount of twelve months' salary. Full settlement of benefits in the event of any other employment takes place during a period corresponding to the severance pay. Since early 2013, employees of Alecta have had the option of 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 2022, 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 2022, with a maximum outcome of SEK twelve (12) thousand per employee in the form of increased occupational pension premiums. In 2022, 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 3.6 million (4), including 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 assets under management, the pension plan should instead be reported as if it were a defined contribution pension plan. Alecta reports the whole FTP plan as a defined contribution plan, as the criteria for recognising the defined benefit components of the plan in accordance with the main rule in IAS 19 are not met. This means that the expense is recognised when the benefits are earned. The total insurance premium for defined benefit retirement and family pensions in FTP 2 amounted to SEK 12.7 million in 2022 and is expected to reach SEK 12.3 million in 2023. 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 (172). 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. 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 47 Disclosure of auditor fees

	Group		Parent Company	
	2022	2021	2022	2021
Statutory audit	3.2	3.2	3.2	3.2
Audit activities not included in statutory audit	0.4	0.4	0.4	0.4
Tax advisory services [1]	2.1	1.6	–	0.3
Other services	–	1.3	–	1.3
EY	**5.6**	**6.4**	**3.5**	**5.2**
Statutory audit	1.0	0.5	–	–
Audit activities not included in statutory audit	–	–	–	–
Tax advisory services	–	–	–	–
Other services	0.6	0.5	0.6	0.5
KPMG	**1.6**	**1.0**	**0.6**	**0.5**

[1] Of which SEK 2.1 million (1.2) relates to tax advice by EY in the US.

NOTE 48 Leases

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.

	Group		Parent Company	
	2022	2021	2022	2021
Due date				
Within one year	11.3	–	5.7	5.0
Later than one year but within five years	27.2	–	11.5	10.2
Later than five years	–	–	–	–
Total	**38.5**	**–**	**17.2**	**15.2**
Total lease payments during period	**12.8**	**–**	**5.7**	**5.1**
of which minimum lease payments	*12.8*	–	*5.7*	*5.1*

Accounting principle

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.

With the transition to legally restricted IFRS, Alecta has chosen to cease the application of IFRS 16 in the Group. Instead, lease payments are reported as cost linearly over the lease period, similar to the parent company, in accordance with FFFS 2019:23 and the Swedish Act on Annual Accounts in Insurance companies (ÅRFL).

NOTE 49 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 2022.

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 2022.

In 2022 there were no portfolio transfers made.

Transactions with associated companies and joint ventures

Joint ventures are defined as entities in which Alecta exercises joint control together with the other co-owners. Directly or via a subsidiary, Alecta

NOTE 49 Related party disclosures, *cont.*

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 2022, the Group invested SEK 10,498 million (18,574) 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	2022	2021	2022	2021
Group company				
Interest income	531	278	–	–
Interest expenses	–	–	17	–
Share of profit	115	82	–	–
Property management	32	17	63	26
Dividends	1,184	213	–	–
Shareholder contributions provided	–	–	1,108	1,286
Associated companies and joint ventures				
Interest income	28	25	–	–
Dividends	8,813	2,150	–	–
Total	**10,703**	**2,764**	**1,188**	**1,312**

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	2022	2021	2022	2021
Group company				
Non-current receivables	18,635	13,075	–	–
Receivables from/liabilities to Group companies	–	–	1,404	1,083
Accrued interest income	2	0	–	–
Associated companies and joint ventures				
Loans receivable	430	402	–	–
Total	**19,066**	**13,477**	**1,404**	**1,083**

NOTE 50 Significant events after the balance sheet date

In March, a spectacular crisis unfolded in the banking sector, particularly in the US where Alecta had an exposure that led to losses of around SEK 20 billion. Starting from 2016, we have invested in three banks in the US with completely different business models and with operations in different parts of the country. These investments performed well in the early years but in 2022, the situation deteriorated as interest rates rose. Although we saw that there were challenges ahead, our assessment was that they could be resolved. Like most research houses and credit rating agencies, we misjudged the rapid negative development of US banks that took place in March 2023. This is a failure on our part.

We fully understand and respect that our customers and other stakeholders are angry and disappointed with us. However, it is also important, and perhaps especially so in difficult times, to consider the proportions and the actual impact on Alecta's customers. What has now occurred has virtually no impact on either Alecta's customers or Alecta's financial position. Alecta remains financially stable as a result of many years of good returns. The impact on the pensions is small, firstly because the loss corresponds to less than 2 per cent of our assets under management and secondly, because of how our pensions are designed.

The Board has commissioned CEO Magnus Billing along with external resources to evaluate Alecta's investment strategy and publicly share the conclusions.

In autumn 2022, Alecta submitted a tender for the ITP procurement. At the end of March, Collectum announced that in competition with other Swedish pension companies and banks, Alecta had been appointed as the default company to manage the defined contribution retirement pension under the ITP plan for a further five years, i.e. both ITP 1 and ITPK for private-sector employees. For those pension savers participating in the ITP plan who do not make an active choice, the occupational pension is thus managed by Alecta. Alecta has also been designated one of the active choices that a pension saver participating in the ITP plan can make in traditional management, a so-called cross-choice.

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, 30 March 2023

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 4 April 2023.

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 2022. The annual accounts and consolidated accounts of the company are included on pages 45–105 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, 2022 and its financial performance 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, 2022 and their financial performance for the year then ended in accordance with 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, 2022, the Group's provisions for life insurance amounted to SEK 517 billion, equivalent to 92 % of the Group's total liabilities. In the Parent Company, provisions for life insurance amounted to SEK 517 billion, accounting for 92 % of the Parent Company's total liabilities.

Disclosures on provisions for life insurance are provided in Note 1 Accounting principles, Note 2 Significant estimates and judgements, Note 3 Risks and risk management, and Note 35 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 a sample of insurance classes.

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 provisions for life insurance.

Audit report, *cont*

Valuation of investment assets

Description

As of December 31, 2022, the Group's investment assets amounted to SEK 1 167 billion, accounting for 98 % of the Group's total assets. Out of this balance, SEK 43 billion were related to land and buildings. Investment assets in the Parent Company amounted to SEK 1 153 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 total investment assets, SEK 1 167 billion is measured at fair value, where SEK 43 billion relates to land and buildings. SEK 1 153 billion is measured at fair value in the Parent Company, of which SEK 12 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, 2022, there were investment assets of SEK 683 billion which are measured at fair value at Level 1, SEK 175 billion measured at Level 2 and SEK 266 billion measured at Level 3. For the Parent Company, there were investment assets of SEK 683 billion which are measured at fair value at Level 1, SEK 175 billion measured at Level 2 and SEK 253 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. We have independently obtained prices for valuation from external sources and independently valued a sample of financial instruments and other investment assets. With assistance from valuation specialist, we have reviewed a sample of real estate valuations. The results of this valuation have been compared with management's own valuation and differences have been analysed. We have obtained reporting from the auditors' of the subsidiaries.

We have also assessed the disclosures made in the financial statements in respect of investments 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 1–44 and 110–128. 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. 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 conducted in accordance with ISAs and generally accepted auditing standards in

Auditor’s report, *cont.*

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 2022 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.

Auditor's 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 Occupational Pension Companies Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Occupational Pension Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Occupational Pension Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts.

Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Occupational Pension Companies Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Alecta Tjänstepension Ömsesidigt by the Council of Administration on April 21, 2022 and has been the company's auditor since April 10, 2014.

Stockholm on the date as per our electronic signature
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 policyholders, 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 the amount of the pension is determined in advance for example, that it must be a certain amount or a certain percentage of the final salary.

Defined contribution insurance
Defined contribution pension means that the size of the premium is determined in advance. For example, it may be a certain percentage of the salary or a certain amount. The size of the pension depends on the amount of pension capital at retirement.

Discount rate
The interest rate used to calculate the present value of future deposits and payments.

Distributable assets
The total market value of the assets after deductions for financial liabilities and special indexation funds.

Financial position
The relationship between assets and liabilities where the key performance indicators for Alecta are a collective surplus level and solvency ratio.

Guaranteed refunds
A surplus that is guaranteed to
- the policyholders, 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 at market value on the balance sheet including debt securities, equities and real estate.

Investment management expense ratio
Operating expenses for asset management relative to average assets under management.

Management expense ratio
Operating expenses in the insurance business (acquisition and administrative costs) and claims settlement expenses relative to average assets under management. The key performance indicator is calculated in total and for defined contribution and defined benefit insurance respectively.

Occupational group life insurance (TGL)
A life insurance that provides the survivors with a fixed amount in the event of the death of the insured party before retirement. Under the collective agreement, the employer is obliged to take out insurance for its employees.

Original ITPK
Defined premium ITPK was added in 1977 and was then automatically invested in Alecta. From 1990, the individual had to make their own choice. Those who made no choice until 2007 had their ITPK placed in the default option, original ITPK. No additional money has been invested in the original ITPK after 2007.

Pension supplement
Refunds allocated to the insured party in addition to the guaranteed defined benefit pension. Under the applicable actuarial guidelines, the pension supplement must not exceed the increase in the consumer price index for the year concerned, starting from the date on which the first pension payment was made to the insured party. The pension supplement is determined by the Board each year and is allocated in conjunction with the payment.

Policyholder
Anyone who has entered into an insurance contract with an insurance company.

Premium rate
For defined benefit insurance, the size of the premium depends partly on the premium rate applied. The premiums paid including the cumulative return based on the premium rate, must be sufficient to pay the guaranteed benefit during the payment period. This means that the premium will be higher the lower the applied premium rate.

Premium reduction
Reduction of the premium by allocating or assigning a refund.

Premium waiver insurance
Part of the collective risk insurance for the ITP plan, which means that the employer is exempt from premium payment if an insured party is affected by inability to work. In such cases, premiums for the insurance under the ITP plan are paid from the premium waiver insurance and are recognised as an insurance benefit.

Present value
The present value of cash flows that will occur in the future.

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.

Risk insurance
Insurance for which the entire premium is used to cover the risk costs. There is no savings component in this type of insurance.

Solvency margin
The required solvency margin is a minimum requirement for the size of the capital base. The solvency margin represents just over 4 per cent of the technical provisions.

Solvency ratio
Total market-valued assets less intangible assets and financial liabilities relative to the guaranteed commitments.

Special indexation funds
Funds contributed to Alecta and allocated to guarantee the indexation of pensions or for other pension promotion purposes or allocation to a foundation with the purpose of securing pensions. Decisions on the use of the funds for these purposes are made by the Council of Administration. Special indexation funds are 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.

Sustainability-related information

Template relating to periodic disclosures for the financial products referred to in Article 8 paragraphs 1, 2 and 2a of Regulation (EU) 2019/2088 and the first paragraph of Article 6 of Regulation (EU) 2020/852

Product name:
Alecta Optimal Pension

Legal entity identification code:
502014-6865

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contribute to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** The Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:**	☒ It promoted **Environmental/Social (E/S) characteristics** and while it did not have as its objective sustainable investment, it had a proportion of 3.7 per cent (%) of sustainable investments.
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It made **sustainable investments with a social objective:**	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

See description of the promotional characteristics and how they are followed up on the next page. Derivatives are not considered to have contributed to the promotional characteristics.

Sustainability indicators
measure how the environmental or social characteristics promoted by the financial product are attained.

- **How did the sustainability indicators perform?**

Environmental characteristics – Climate

Alecta's overall climate objective is for the investment portfolio to be compatible with the 1.5 degree objective of the Paris Agreement and have a net zero climate footprint by 2050, which means that the underlying assets must also work actively on transition. Alecta considers climate aspects both before investment and under management for asset classes of equities, corporate bonds, lending to states and municipalities, direct and indirect real estate investments and infrastructure. Alecta refrains from investing in or financing companies that receive more than 5 per cent of their revenue from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenue from coal power.

For equities and corporate bonds, Alecta uses data and information from both external data providers in the analysis and directly from the portfolio companies in order to monitor developments in climate efforts. Dialogues with portfolio companies are a tool for increasing transparency and promoting climate efforts. In relevant cases, Alecta may vote for climate-related proposals at the general shareholders' meetings. The directly owned properties have energy efficiency targets and their climate footprint is monitored and reported along with energy use. Alecta environmentally certifies properties where possible. In externally managed funds, climate reporting is subject to negotiation and follow-up. When lending to states, supranational institutions and municipalities, green bonds are encouraged. Starting in 2023, Alecta does not directly finance countries that lack a climate objective.

Alecta does not use an index for comparison but follows a number of indicators for portfolio companies; including the climate footprint of the investments, reporting the climate footprint of the entire value chain (scopes 1-3), science-based climate targets, corporate engagement dialogues on climate, voting at meetings on climate matters and screening of carbon assets. When the underlying holdings report according to the taxonomy's climate indicators, Alecta will also monitor the development of that proportion of investments. Alecta is working to increase available climate data for all investments.

Outcome 2022

Result indicator	Page reference
Climate footprint, equities, corporate bonds, directly owned properties	26–27
Reporting of scopes 1-2, equities and corporate bonds by the portfolio companies	26
Percentage of companies with science-based climate targets, equities and corporate bonds	26
Number of corporate engagement dialogues on climate	25–26
Number of climate resolutions supported at AGMs in 2021–2022	25

Social characteristics – Equality

Alecta aims to promote equal management groups and boards, which is taken into account in investments in equities, corporate bonds and for external managers.

Alecta strives for equal boards and works for this through our participation in nomination committees in Swedish portfolio companies, usually around twenty per season. The objective involves each gender being represented by at least 40 per cent, which is taken into account in the recruitment process of new board members and in succession planning. The results are followed up after each AGM season based on information from the meeting and databases of board composition. No index has been chosen as a reference value but it is monitored as an indicator, as an average of the composition of the boards of the companies concerned against the objective in terms of the proportion of women elected by the AGM on the board in which Alecta participates in the nomination committee.

Alecta's expectation is to also reach the corresponding share in other shareholdings, as well as at management team level. Given changing market developments, the objective applies primarily to our Swedish holdings but over time and no later than 2030, the boards of our international holdings will consist of at least 40 per cent of each gender. With the same time horizon, we want to see the corresponding development in these companies' management teams as well. Dialogue and voting are tools for promoting gender equality. The development of the proportion of women and men on boards and senior management will be reported and monitored. When investing in real estate and infrastructure via external managers, we request information about gender equality and from 2023 will follow up the proportion of women in different decision-making positions on an annual basis.

Outcome 2022

Result indicator	Page reference
Percentage of women on the board where Alecta is a member of nomination committee, average *	24–25
Percentage of women among the new members elected to the board of directors where Alecta participates in the nomination committee *	25

* Refers to the 2021–2022 AGM season.

Good governance characteristics – remuneration

Alecta believes that remuneration should be properly justified, transparent and in line with market conditions. The remuneration is to be designed in such a way as to promote the long-term interest of the company and its shareholders. It should be performance-based and clear. Alecta conducts ongoing dialogue with our listed shareholdings on remuneration programmes. At general meetings, Alecta votes against proposals for remuneration that do not meet our criteria. Alecta's voting decisions are disclosed annually.

Outcome 2022

Result indicator	Page reference
Number of dialogues on remuneration	25–26
Number of proposals on remuneration voted against by Alecta	25

Controversial Weapons, Tobacco and Gambling

Alecta also refrains from investing in or financing companies that develop, manufacture, maintain or distribute components or systems specifically developed for controversial weapons. Alecta does not invest in companies for which the core business involves the production of tobacco or the conduct of gambling activities. This refers to companies that engage in activities involving gambling at casinos, slot machines or poker online. Each new investment is screened for such activities and then followed up quarterly. The requirement is also communicated to external managers and included in agreements.

Outcome 2022

Result indicator	Page reference
All investments meet the requirements *	n/a

* For externally managed assets, the criteria are applied as far as possible with zero tolerance for controversial weapons and as a minimum, the thresholds for other excluded sectors are applied at fund level.

- **... and compared to previous periods?**

For the indicators where there is a history, it is reported on the pages listed in the page references above.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

What Alecta has defined as sustainable investments can contribute to a number of different environmental or social objectives, these are not defined in advance to encourage a wide and growing range of such investments. Alecta makes investments that contribute to two of the EU taxonomy's environmental objectives – the mitigation of or adaptation to climate change. The investments can also contribute to other environmental objectives such as sustainable use and protection of water and marine resources, transition to a circular economy, prevention and mitigation of environmental pollution, protection and restoration of biodiversity and ecosystems. An example of an investment during the period is the Belize Blue Bond, which helps fund conservation projects for biodiversity and marine environment.

The objectives can also be of a social nature, such as promoting health or strengthening equality. Typically, the investment contributes by funding improvements or optimising activities for reduced environmental impact or by funding expansion, for example of social infrastructure. Overall, the objectives of sustainable investments can be said to fit within the global sustainability objectives included in Agenda 2030.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights and anti-corruption and anti-bribery matters.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Examples of sustainable investments include bonds issued under green or social frameworks that clearly state what is to be funded. If these are issued by companies, the company's ESG efforts and any controversy is checked. For government or municipal green bonds, Alecta's country classification applies, which includes corruption, human rights and climate as a basis for selection. Sustainable investments can also be made in equities or bonds of companies for which the main products or services contribute to one or more global sustainability objectives and that are not linked to activities with significant social or environmental harm. Properties that meet high environmental criteria in a sustainability certification can also qualify as sustainable investments and then include more parameters than just the environment.

How were the indicators for adverse impacts on sustainability factors taken into account?

All investments are subject to an overall assessment of negative impacts on sustainability factors. The assessment differs between asset classes depending on the characteristics of the investment such as the maturity of the instrument, as well as on the available information and data.

When sustainable investments are made in instruments issued by companies such as equities or bonds, sustainability indicators linked to the business model are taken into account along with an assessment of ESG risks based on a balancing of different indicators and sustainability management systems.

Alecta's process is reviewed and certified by an independent party, which requires among other things, consideration to be given to a number of environmental, social and corporate governance indicators. Climate is taken into account and documented especially for investments. These investments are continuously reviewed for incidents of non-compliance with international sustainability conventions.

When making sustainable investments in instruments issued by countries or supranational issuers (such as the World Bank), which are mainly green or sustainable bonds the country's corruption and transparency ratings and respect for human rights are taken into account. From 2023, the country's climate objectives are also included in the assessment. Alecta does not directly fund countries that are included on the EU list of non-cooperative countries regarding tax nor does it invest in funds in such jurisdictions.

Sustainable investments in properties take into account key performance indicators linked to climate, waste and energy on an ongoing basis.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

In addition to what is stated under the heading above, ongoing reviews are conducted of these investments for incidents in violation of international conventions for sustainability, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights applicable to companies.

Similar principles are adapted and applied to the selection of other sustainable investments. For example, external managers are asked about their process for whistleblowing and the review of risks related to human rights.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investment must also not significantly harm any environmental or social objectives.

- **How did this financial product consider principal adverse impacts on sustainability factors?**

All investments are subject to an overall assessment of negative impacts on sustainability factors.

Today, Alecta reports among other things, the climate footprint of equities, corporate bonds and properties. Where there is a clear risk of serious negative impacts on sustainable development, such as incidents related to the environment, human rights, working conditions or corruption Alecta acts to influence responsible behaviour of its portfolio companies. If the dialogue is not considered to lead to the desired result, the holding is sold.

For reasons including negative impacts on sustainable development, Alecta refrains from investing in or financing activities in controversial weapons, companies that derive more than 5 per cent of their revenues from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenues from coal power or in companies whose core business is the production of tobacco or commercial gambling, such as casinos.

What were the top investments of the financial product?

For the Alecta Optimal Pension, the planned allocation is 30 per cent fixed income, 60 per cent equities and 10 per cent alternative assets – but with a tolerance for variation within predetermined ranges to cope with rapid changes in the market. From the age of 63, the investment focus changes in terms of the share of equities.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period, which is: 2022

Largest investments	Sector	% assets	Country
Heimstaden Bostad AB	Real estate	4.3	Sweden
Investor AB (publ)	Finance	3.0	Sweden
Microsoft Corp	IT	3.0	USA
Novo Nordisk	Health care	2.9	Denmark
Atlas Copco AB (publ)	Industrials	2.9	Sweden
Alphabet Inc	Communication	2.3	USA
AstraZeneca plc	Health care	2.2	United Kingdom
Nestlé	Consumer staples	2.0	Switzerland
Skandinaviska Enskilda Banken AB	Finance	1.9	Sweden
Epiroc AB	Industrials	1.8	Sweden
TJX COS Inc	Consumer discretionary	1.7	USA
AB Volvo (publ)	Industrials	1.7	Sweden
Roche Holdings	Health care	1.5	Switzerland
Nibe Industrier AB	Industrials	1.4	Sweden
Sandvik AB (publ)	Industrials	1.4	Sweden

What was the proportion of sustainability-related investments?

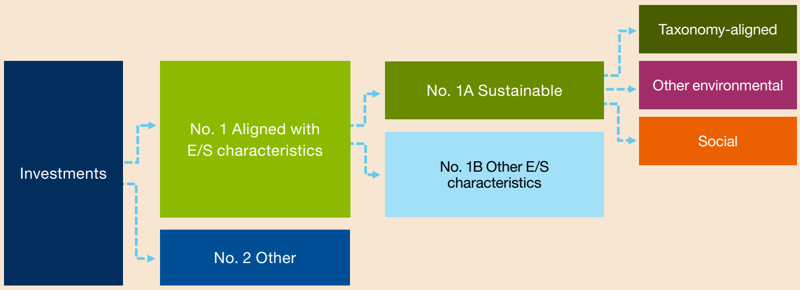
Asset allocation describes the share of investments in specific assets.

- **What was the asset allocation?**

No. 1 – Aligned with environmental and social characteristics: The promotional characteristics are to be applied to all asset classes and assets where possible, representing **99.9 per cent** of the market value of the assets. This includes the so-called exclusion criteria. Climate has been taken into account in all investments except derivatives, currencies and bonds from supranational institutions that are not green. Gender equality has been taken into account in equity holdings and corporate bonds, as well as in the externally managed alternative assets. Sound remuneration is promoted in the management of equities.

No. 1A – Sustainable Investments: Alecta has stated that the Alecta Optimal Pension is to contain more than zero per cent (>zero) sustainable investments. The share of sustainable investments within each asset class is partly governed by the range of investments that meet Alecta's investment criteria, such as volume and risk-adjusted returns. For 2022, the share was **3.7 per cent,** consisting of green and social bonds, as well as several investments classified as 'other sustainable'. Due to the lack of data, assets compliant with the EU taxonomy are not included in the calculation of the share of sustainable assets.

No. 2 – Other: The following assets are not covered by the promotional characteristics: derivatives (such as equity futures), currencies and cash. Derivative exposures lack market value. The purpose of these assets is diversification and risk reduction or to ensure liquidity needs.



No. 1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

No. 2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **No. 1 Aligned with E/S characteristics** covers:

- The sub-category **No. 1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **No. 1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Of the investments belonging to category 'No. 1' in the illustration above, just over **8 per cent** are invested in government, municipal and supranational fixed income investment. Other assets such as equities, bonds to companies or lending institutions, real estate funds or directly owned properties and other real assets, amount to close to **92 per cent** and are distributed by the following different sectors based on the share of the market value of the investment product.

Sector	Share of product market value, %
Industry	16.6
Communication services	3.5
Consumer discretionary	9.5
IT	8.6
Health care	8.7
Real estate	17.9
Materials*	3.9
Consumer staples	4.8
Financials	17.3
Energy**	1.1

* The materials sector includes two holdings in the mining industry. One of these extracts thermal coal corresponding to less than 5 per cent of its revenues. Together, the two holdings were equivalent to a share of 0.6 per cent in the product.

** The energy sector includes four bond holdings with energy production with certain elements of fossil sources. Alecta believes that these have credible and ambitious climate commitments and objectives for transition. Two of these have energy production to some extent from nuclear power. Together, the four holdings are equivalent to a share of 0.5 per cent in the product.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy,** the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-compliant activities are expressed as a proportion of the following:

– **turnover** reflecting the share of revenue from green activities of investee companies.

– **capital expenditure (CapEx)** showing the green investments made by the investmentee companies, e.g. for a transition to a green economy

– **operational expenditure (OpEx)** reflecting green operational activities of the investee companies.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Only a few companies covered by the EU taxonomy that the product invests in have yet started reporting the extent to which their activities are aligned with the EU Taxonomy. Alecta estimates that the product's minimum share in taxonomy-aligned investments will be greater than 0 % (>0 %) but cannot provide a reliable share for 2022 due to a lack of data.

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?** [1)]

☐ Yes:

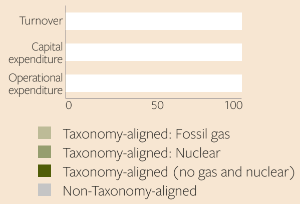
☐ In fossil gas ☐ In nuclear energy

☒ No [see comment above on lack of documentation]

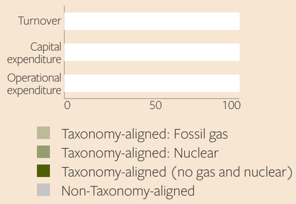
[1)] Fossil gas and/or nuclear-related activities will only comply with the EU taxonomy if it contributes to limiting climate change ("climate change mitigation") and does not cause significant harm to any of the objectives of the EU taxonomy – see explanatory note in the left margin. The full criteria for economic activities for fossil gas and nuclear energy complying with the EU taxonomy are set out in the EU Commission Delegated Regulation (EU) 2022/1214.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignement in relation to all the investments of the financial product, including sovereign bonds, while the second graph shows the Taxonomy alignement only in relation to the investments of the financial product other than sovereign bonds.

1). Taxonomy-aligned investments **including sovereign bonds***



1). Taxonomy compliance of investments **excluding sovereign bonds**



* For the purposes of these graphs, "sovereign bonds" consist of all sovereign exposures.

- **What was the share of investments made in transitional and enabling activities?**

Alecta intends to report this share when the underlying assets are reporting in accordance with the EU taxonomy.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Alecta invests in green bonds and properties with high environmental performance that are not necessarily included in the economic activities that the EU Taxonomy covers or are compliant with the EU Taxonomy criteria. When investing in green bonds, Alecta requires the issuer to have a green bond framework that has been reviewed by a third party. The proportion of green bonds in the product was **2.1 per cent.**

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of socially sustainable investments?

For example, Alecta invests in social bonds and other instruments such as equities from companies that contribute to social objectives through their products and services, such as health. When investing in social bonds, Alecta requires the issuer to have a social bond framework that has been reviewed by a third party.

The proportion of social bonds in the product was **0.3 per cent.** In addition, the product has a proportion of investments that are classified as "other sustainable", which constitute **1.3 per cent.** These include a number of investments with the stated aim of creating a positive sustainability effect, such as green financing in developing markets, wind power, microfinance funds and similar.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

This category "other" includes cash, i.e. the cash used for current payments, such as those to be withdrawn for issued financial commitments or pension payments. In addition, Alecta has a number of hedging instruments to manage financial risks linked to equities, interest rates and currencies. Examples include currency futures or interest rate swaps. For hedging instruments and cash, ESG reviews are not carried out and Alecta does not consider it feasible.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

These measures are described in connection with the results referred to by the sustainability indicators. In brief, they include advanced investment analysis, dialogues with holdings and managers and voting at general meetings.

Sustainability-related information

Template relating to periodic disclosures for the financial products referred to in Article 8 paragraphs 1, 2 and 2a of Regulation (EU) 2019/2088 and the first paragraph of Article 6 of Regulation (EU) 2020/852

Product name:
Defined occupational pension

Legal entity identification code:
502014-6865

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow with good governance practices.

The EU taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:**	☒ It promoted **Evironmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 8.3 per cent (%) of sustainable investment.
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that that qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It made **sustainable investments with a social objective:**	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics of this financial product met?

See description of the promotional characteristics and how they are followed up on the next page. Derivatives are not considered to have contributed to the promotional characteristics.

Sustainability indicators
measure the achievement of the environmental or social characteristics promoted by the financial product are attained.

- **How did the sustainability indicators perform?**

Environmental characteristics – Climate

Alecta's overall climate objective is for the investment portfolio to be compatible with the 1.5 degree objective of the Paris Agreement and have a net zero climate footprint by 2050, which means that the underlying assets must also work actively on transition. Alecta considers climate aspects both before investment and under management for asset classes of equities, corporate bonds, lending to states and municipalities, direct and indirect real estate investments and infrastructure. Alecta refrains from investing in or financing companies that receive more than 5 per cent of their revenue from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenue from coal power.

For equities and corporate bonds, Alecta uses data and information from both external data providers in the analysis and directly from the portfolio companies in order to monitor developments in climate efforts. Dialogues with portfolio companies are a tool for increasing transparency and promoting climate efforts. In relevant cases, Alecta may vote for climate-related proposals at the general shareholders' meetings. The directly owned properties have energy efficiency objectives and their climate footprint is monitored and reported together with energy use. Alecta environmentally certifies properties where possible. In externally managed funds, climate reporting is subject to negotiation and follow-up. When lending to states, supranational institutions and municipalities, green bonds are encouraged. Starting in 2023, Alecta does not directly finance countries that lack a climate objective.

Alecta does not use an index for comparison but follows a number of indicators for portfolio companies; including the climate footprint of the investments, reporting the climate footprint of the entire value chain (scopes 1–3), science-based climate targets, corporate engagement dialogues on climate, voting at meetings on climate matters and screening of carbon assets. When the underlying holdings report according to the taxonomy's climate indicators, Alecta will also monitor the development of that proportion of investments. Alecta is working to increase available climate data for all investments.

Outcome 2022

Result indicator	Page reference
Climate footprint, equities, corporate bonds, directly owned properties	26–27
Reporting of scopes 1–2, equities and corporate bonds by the portfolio companies	26
Percentage of companies with science-based climate targets, equities and corporate bonds	26
Number of corporate engagement dialogues on climate	25–26
Number of climate cases supported at AGMs in 2021–2022	25

Social characteristics – Equality

Alecta aims to promote equal management teams and boards, which is taken into account in the investments in equities, corporate bonds and for external managers.

Alecta strives for equal boards and works for this through our participation in nomination committees in Swedish portfolio companies, usually around twenty per season. The objective involves each gender being represented by at least 40 per cent, which is taken into account in the recruitment process of new board members and in succession planning. The results are followed up after each AGM season based on information from the meeting and databases of board composition. No index has been selected as a reference value but it is followed up as an indicator, as an average of the board composition of the companies concerned against the objective in terms of the proportion of women elected by the AGM on the board where Alecta participates in the nomination committee.

Alecta's expectation is to also reach the corresponding share in other shareholdings, as well as at management team level. Given changing market developments, the objective applies primarily to our Swedish holdings but over time and no later than 2030, the boards of our international holdings will consist of at least 40 per cent of each gender. With the same time horizon, we want to see the corresponding development in these companies' management teams as well. Dialogue and voting are tools for promoting gender equality. The development of the proportion of women and men on boards and senior management will be reported and monitored. When investing in real estate and infrastructure via external managers, we request information about gender equality and from 2023, will follow up the proportion of women in different decision-making positions on an annual basis.

Outcome 2022

Result indicator	Page reference
Percentage of women on the board where Alecta is a member of nomination committee, average *	24–25
Percentage of women among the new members elected to the board of directors where Alecta participates in the nomination committee*	25

* Refers to the 2021–2022 AGM season.

Good governance characteristics – remuneration

Alecta believes that remuneration should be properly justified, transparent and in line with market conditions. The remuneration is to be designed in such a way as to promote the long-term interest of the company and its shareholders. It should be performance-based and clear. Alecta conducts ongoing dialogue with our listed shareholdings on remuneration programmes. At general meetings, Alecta votes against proposals for remuneration that do not meet our criteria. Alecta's voting decisions are reported annually.

Outcome 2022

Result indicator	Page reference
Number of dialogues on remuneration	25–26
Number of proposals on remuneration voted against by Alecta	25

Controversial weapons, tobacco and gambling

In addition, Alecta fully refrains from investing in or financing companies that develop, manufacture, maintain or distribute components or systems specifically developed for controversial weapons. Alecta does not invest in companies for which the core business involves the production of tobacco or the conduct of gambling activities. This refers to companies that engage in activities involving gambling at casinos, slot machines or poker online. Each new investment is screened for such activities and then followed up quarterly. The requirement is also communicated to external managers and included in agreements.

Outcome 2022

Result indicator	Page reference
All investments meet the requirements *	n/a

* For externally managed assets, the criteria are applied as far as possible with zero tolerance for controversial weapons and at a minimum, the thresholds for other excluded sectors are applied at fund level.

- **… and compared to the previous periods?**

For the indicators where there is a history, it is reported on the pages listed in the page references above.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

What Alecta has defined as sustainable investments can contribute to a number of different environmental or social objectives, these are not defined in advance to encourage a wide and growing range of such investments. Alecta makes investments that contribute to two of the EU taxonomy's environmental objectives – the mitigation of or adaptation to climate change. Investments can also contribute to other environmental objectives such as sustainable use and protection of water and marine resources, transition to a circular economy, prevention and mitigation of environmental pollution, protection and restoration of biodiversity and ecosystems. An example of an investment during the period is the Belize Blue Bond, which helps fund conservation projects for biodiversity and marine environment.

The objectives can also be of a social nature, such as promoting health or strengthening equality. Typically, the investment contributes by funding improvements or optimising activities for reduced environmental impact or by funding expansion, for example of social infrastructure. Overall, the objectives of sustainable investments can be said to fit within the global sustainability objectives included in Agenda 2030.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Examples of sustainable investments include bonds issued under green or social frameworks that clearly state what is to be funded. If these are issued by companies, the company's ESG efforts and any controversy is checked. For government or municipal green bonds, Alecta's country classification applies, which includes corruption, human rights and climate as a basis for selection. Sustainable investments can also be made in equities or bonds of companies for which the main products or services contribute to one or more global sustainability objectives and that are not linked to activities with significant social or environmental harm. Properties that meet high environmental criteria in a sustainability certification can also qualify as sustainable investments and then include more parameters than just the environment.

How were the indicators for adverse impacts on sustainability factors taken into account?

All investments are subject to an overall assessment of negative impacts on sustainability factors. The assessment differs between asset classes depending on the characteristics of the investment such as the maturity of the instrument, as well as on the available information and data.

When sustainable investments are made in instruments issued by companies such as equities or bonds, sustainability indicators linked to the business model are taken into account along with an assessment of ESG risks based on a balancing of different indicators and sustainability management systems.

Alecta's process is reviewed and certified by an independent party, which requires among other things, consideration to be given to a number of environmental, social and corporate governance indicators. Climate is taken into account and documented especially for investments. These investments are continuously reviewed for incidents of non-compliance with international sustainability conventions.

When making sustainable investments in instruments issued by countries or supranational issuers (such as the World Bank), which are mainly green or sustainable bonds, the country's corruption and transparency ratings and respect for human rights are taken into account. From 2023, the country's climate objectives are also included in the assessment. Alecta does not directly fund countries that are included on the EU list of non-cooperative countries regarding tax nor does it invest in funds in such jurisdictions.

Sustainable investments in properties take into account key performance indicators linked to climate, waste and energy on an ongoing basis.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?
In addition to what is stated under the heading above, ongoing screenings are conducted of these investments for incidents in violation of international conventions for sustainability, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights applicable to companies.

Similar principles are adapted and applied to the selection of other sustainable investments. For example, external managers are asked about their process for whistleblowing and the review of risks related to human rights.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no signficant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investment must also not significantly harm any environmental or social objectives.

- **How did this financial product consider principal adverse impacts on sustainability factors?**

All investments are subject to an overall assessment of negative impacts on sustainability factors.

Today, among other things Alecta reports the climate footprint of equities, corporate bonds and properties. Where there is a clear risk of serious negative impacts on sustainable development, such as incidents related to the environment, human rights, working conditions or corruption, Alecta acts to influence the responsible behaviour of its portfolio companies. If the dialogue is not considered to lead to the desired result, the holding is sold.

For reasons including negative impacts on sustainable development, Alecta refrains from investing in or financing activities in controversial weapons, companies that derive more than 5 per cent of their revenues from the extraction of thermal coal or unconventional oil and gas or energy companies with more than 5 per cent of their revenues from coal power or in companies for which the core business is the production of tobacco or commercial gambling, such as casinos.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period, which is: 2022

What were the top investments of this financial product?

For the defined benefit occupational pension, the long-term objective for allocation is 45 per cent fixed income, 35 per cent equities and 20 per cent alternative assets – but with tolerance for variation within predetermined intervals to cope with rapid changes in the market.

Largest investments	Sector	% assets	Country
Heimstaden Bostad AB	Real estate	4.6	Sweden
Investor AB (publ)	Financials	1.8	Sweden
Microsoft Corp	IT	1.8	USA
Novo Nordisk	Health care	1.8	Denmark
Atlas Copco AB (publ)	Industrials	1.8	Sweden
Alphabet Inc	Communication	1.4	USA
AstraZeneca plc	Health care	1.3	United Kingdom
Nestlé	Consumer staples	1.3	Switzerland
Nordea Hypotek AB	Financials	1.3	Sweden
Prologis Targeted US Logistics Fund, LP	Real estate	1.2	USA
City Hypothesis AB	Financials	1.2	Sweden
Skandinaviska Enskilda Banken AB	Financials	1.1	Sweden
Epiroc AB	Industrials	1.1	Sweden
TJX COS Inc	Consumer discretionary	1.1	USA
Swedbank Hypotek AB	Financials	1.1	Sweden

Asset allocation describes the share of investments in specific assets.

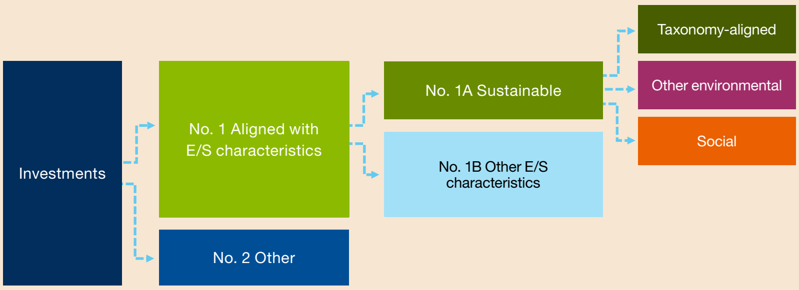
What was the proportion of sustainability-related investments?

- **What was the asset allocation?**

No. 1 – Aligned with E/S characteristics: The promotional characteristics are to be applied to all asset classes and assets where possible, representing **99.7 per cent** of the market value of the assets. This includes the so-called exclusion criteria. Climate has been taken into account in all investments except derivatives, currencies and bonds from supranational institutions that are not green. Gender equality has been taken into account in shareholdings and corporate bonds, as well as in the externally managed alternative assets. Sound remuneration is promoted in the management of equities.

No. 1A – Sustainable investments: Alecta has stated that defined benefit occupational pension is to contain more than zero per cent (> zero) sustainable investments. The share of sustainable investments within each asset class is partly governed by the range of investments that meet Alecta's investment criteria, such as volume and risk-adjusted returns. For 2022, the share was **8.3 per cent** consisting of green and social bonds, as well as investments classified as 'other sustainable'. Due to the lack of data, assets aligned with the EU taxonomy are not included in the calculation of the share of sustainable assets.

No. 2 – Other: The following assets are not covered by the promotional characteristics: derivatives (such as equity futures), currencies and cash. Derivative exposures lack market value. The purpose of these assets is diversification and risk reduction or to ensure liquidity needs.



No. 1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

No. 2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as a sustainable investments.

Category **No. 1 Aligned with E/S characteristics** covers:

- The sub-category **No. 1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **No. 1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Of the investments belonging to category 'No. 1' in the illustration above, just over **21 per cent** are invested in sovereign, municipal and supranational fixed income investment. Other assets, such as equities, bonds to companies or lending institutions, real estate funds or directly owned properties and other real assets, amount to **78.5 per cent** and are distributed by the following different sectors based on the share of the market value of the investment product.

Sector	Share of product market value, %
Industrials	10.1
Communication	2.3
Consumer discretionary	6.5
Information Technology/IT	5.3
Health care	5.6
Real estate	21.9
Materials*	2.6
Consumer staples	3.1
Financials	19.1
Energy**	1.9

* The materials sector includes two holdings in the mining industry. One of these extracts thermal coal corresponding to less than 5 per cent of its revenues. Together, the two holdings are equivalent to a share of 0.4 per cent in the product.

** The energy sector includes four bond holdings with energy production with certain elements of fossil sources. Alecta believes that these have credible and ambitious climate commitments and objectives for transition. Two of these have energy production to some extent from nuclear power. Together, the four holdings are equivalent to a share of 0.7 per cent in the product.

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To what extent were the sustainable investments with an environmental objective aligned with the EU taxonomy?

Only a few companies covered by the EU taxonomy that the product invests in have yet started reporting the extent to which their activities are compliant with the EU taxonomy. Alecta estimates that the product's minimum share in taxonomy-compliant investments will be greater than 0 % (>0 %) but cannot provide a reliable share for 2022 due to a lack of data.

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU taxonomy? [1)]**

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No [see comment above on lack of documentation]

[1)] Fossil gas and/or nuclear-related activities will only comply with the EU taxonomy if it contributes to limiting climate change ("climate change mitigation") and does not cause significant harm to any of the objectives of the EU taxonomy – see explanatory note in the left margin. The full criteria for economic activities for fossil gas and nuclear energy complying with the EU taxonomy are set out in the EU Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

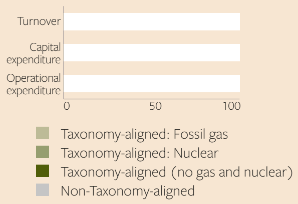
– **turnover** reflecting the share of revenue from green activities of investee companies.

– **capital expenditure (CapEx)** showing the green investments made by the investmentee companies, e.g. for a transition to a green economy

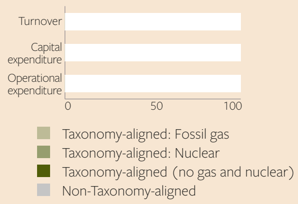
– **operational expenditure (OpEx)** reflecting green operational activities of the investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product, including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1). Taxonomy-alignment of investments **including sovereign bonds***



1). Taxonomy-alignment of investments **excluding sovereign bonds***



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are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of socially sustainable investments?

For example, Alecta invests in social bonds and other instruments such as equities from companies that contribute to social objectives through their products and services, such as health. When investing in social bonds, Alecta requires the issuer to have a social bond framework that has been reviewed by a third party.

The proportion of social bonds in the product was **0.8 per cent.** In addition, the product has a proportion of investments that are classified as "other sustainable", which constitute **2.1 per cent.** These include a number of investments with the stated aim of creating a positive sustainability effect, such as green financing in developing markets, wind power, microfinance funds and similar.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

This category "other" includes cash, i.e. the cash used for current payments, such as those to be withdrawn for issued financial commitments or pension payments. In addition, Alecta has a number of hedging instruments to manage financial risks linked to equities, interest rates and currencies. Examples include currency futures or interest rate swaps. For hedging instruments and cash, ESG reviews are not carried out nor does Alecta consider it feasible.

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These measures are described in connection with the results referred to by the sustainability indicators. In brief, they include advanced investment analysis, dialogues with holdings and managers and voting at general meetings.

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