

KÅPAN PENSIONER

GOVERNMENT EMPLOYEES PENSION FUND

ANNUAL REPORT

2020

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Presenting Kåpan Pensions

Kåpan tjänstepensionsförening (Government Employees Pension Fund) manages defined contribution pensions for government employees. The society offers traditional pension insurance with a guaranteed growth in value at the lowest possible cost. The society distributes its surplus from asset management as monthly bonus interest.

The insurance products that the society offers are the occupational pension insurances Kåpan Tjänste, Kåpan Valbar, Kåpan Extra and Kåpan Flex. All insurances are



part of the pension agreement PA 16 in the government agreement area and membership of the society requires the person to be covered by this agreement.

The society's goal is to achieve good long-term returns within the framework of balanced risk and thus have the possibility to provide members with a good level of pension from the society.



2020 at a glance

- Assets under management increased by SEK 8,016m to SEK 113,100m (105,084).
- Paid-in premiums totalled SEK 5,978m (5,585).
- Total pension payments amounted to SEK 3,159m (2,977).
- The total return on invested capital was positive and amounted to 5.3% (13.4).
- The funding ratio amounted to 100% at year-end.
- The solvency ratio strengthened during the year from 175% to 183%. This strengthening is mainly attributable to a change to life-long pension payments being the default alternative for all insurances which extends the duration of outstanding obligations.
- Administrative expenses remained at a low level and amounted to 0.06% (0.06) in relation to assets under management.
- The society has a generation-based risk allocation and bonus model since 1 January 2017. Bonus interest is allocated monthly in arrears in four different generation groups with different risk levels in the investments. During 2020 bonus interest was:

6.6% for age group younger than 40	(17.4%)
5.8% for age group 40 – 49	(15.1%)
5.2% for age group 50 – 59	(12.7%)
4.5% for age group 60 and over	(10.5%)
- The focus of the society's investments is to continue strengthening work with investments in companies with high rankings in the areas of environmental and social responsibility as well as a good level of corporate governance. A separate sustainability report which provides in-depth information on the society's sustainability work and complements the annual report is available at kapan.se.
- On 21 December 2020, the society received permission from the Swedish Financial Supervisory Authority to conduct occupational pension business in accordance with the Swedish Occupational Pension Companies Act (2019:742). The decision is effective from 1 January 2021. The decision means among other things that the society changes its name to Kåpan tjänstepensionsförening and a number of formal changes are made in the statutes. The new statutes are available at kapan.se.
- The society's new regulatory framework means, among other things, that the investment guidelines decided by the Board must be made public. Current investment guidelines available at kapan.se.
- During the year, the society has followed recommendations from the Swedish Public Health Agency and enabled staff to work from home to a great extent. Operations have performed well even under these special circumstances.

Board of Directors' report

The Board of Directors and the President of Kåpan tjänstepensionsförening (Government Employees Pension Fund) reg. no. 816400-4114, hereby submit their report for the financial year 2020.

Operations

Kåpan tjänstepensionsförening (previously Kåpan pensioner försäkringsförening) was founded in 1992 by the parties to the government agreement area. The society manages and pays out pension assets for employees covered by agreements concluded between the Swedish Agency for Government Employers and the government employees' main unions OFR/S, P and O, Saco-S and Seko. Operations consist of traditional pension insurance with a guaranteed return on paid-in premiums and distribution of any surplus from asset management as bonus interest.

The insurance products offered by the society are the occupational pension insurances Kåpan Tjänste, Kåpan Valbar, Kåpan Extra and Kåpan Flex. All insurances are part of the pension agreement PA 16 in the government agreement area and membership of the society requires the person to be covered by this agreement.

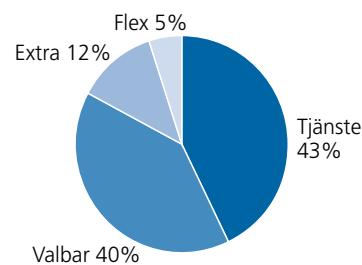
During the year, the society continued to work on adapting operations to the requirements in the new regulations for occupational pension providers and submitted an application for transition to an occupational pension society on 30 April 2020. On 21 December 2020, the society received permission from the Swedish Financial Supervisory Authority to conduct occupational pension business in accordance with the Swedish Occupational Pension Companies Act (2019:742). The decision is effective from 1 January 2021. The decision means among other things that the society changes its name to Kåpan tjänstepensionsförening, is henceforth registered with the Swedish Companies Registration Office and that a number of formal changes are made in the statutes. The new statutes are available at kapan.se.

The society's abbreviated name remains Kåpan Pensioner and there are no changes to the trademark or printed materials. The report submitted is for the financial year ended

A total of SEK 5,978m was paid in premiums during the year, broken down as follows

Category	2020	2019	2018	2017	2016
Kåpan Tjänste	2,550	2,415	2,358	2,274	2,159
Kåpan Valbar	2,398	2,242	2,120	2,119	1,435
Kåpan Extra	695	668	633	710	787
Kåpan Flex	335	260	179	262	0
Kåpan Plus	–	–	–	–	0
Total	5,978	5,585	5,290	5,365	4,381

Premium breakdown



31 December 2020 and is prepared in accordance with the regulations applying to the society at that date.

Members

Kåpan Pensioner is an occupational pension society where all net returns on investments after deductions for insurance administrative costs and tax on returns are returned to the members in the form of pension payments. The total number of members is just over 850,000.

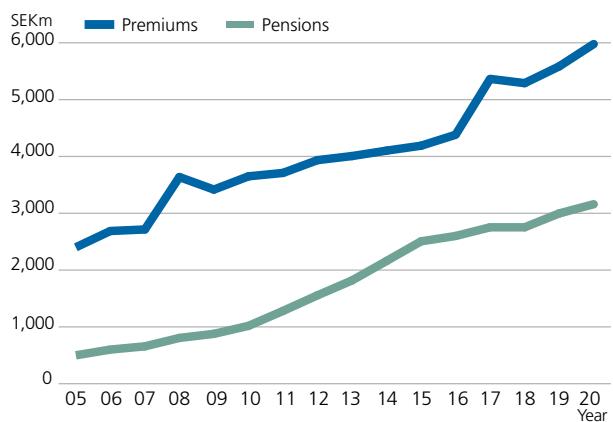
Insurance premiums

The society manages the premiums paid in by employers for their employees' account according to current collective agreements and the premiums that the members in previous years have themselves chosen to invest in Kåpan Plus as a complement to their occupational pension.

Pension payments

A total of SEK 3,159m (2,997) was paid out during the year, of which SEK 1,218m (1,084) comprised bonus payments over and above the guaranteed interest on the capital. Since 1 October 2020, the default payment period for all of the society's pensions is life. Within the framework

Development of paid-in premiums and pension payments



of each insurance and the conditions of the associated pension agreement, members can choose to have a temporary payment. Transfer from temporary to life-long payment as the default alternative means that above all for Kåpan Tjänste the size of the payments is expected to fall in coming years before rising again.

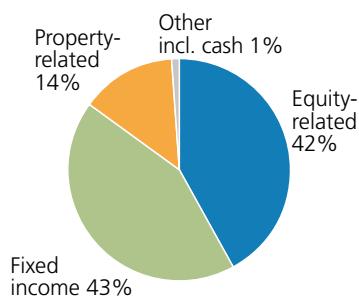
Guidelines for management of invested assets

The guidelines set by the Board stipulate that the society's assets, including bonus funds, must be invested so that they provide a good return within the framework of responsible and sustainable investment management and balanced risk.

According to the guidelines most recently adopted by the Board in December 2020, the market value of assets should be within the following bands:

- Equities or equity-related asset class minimum 25% and maximum 45%.
- Bonds and other fixed-income securities minimum 40% and maximum 70%.
- Property-related investments minimum 5% and maximum 20%.

Investment of the society's assets at year-end



The outstanding currency risk according to the adopted policy may not exceed 20% of total assets. At year-end, the outstanding currency risk was 15% (13) of the value of assets and therefore 54% (62) of assets in foreign currency were hedged.

The Board's decision means that investment management is to be conducted with the same long-term focus as in previous years. An in-depth analysis of the society's total outstanding risk can be found in Note 2 of this annual report. The investment guidelines can be found in their entirety at kapan.se.

Generation-based risk allocation and bonus model

The society's membership is split into four age groups in so-called generation savings. Those who are young and have a long time before retirement have a higher risk in

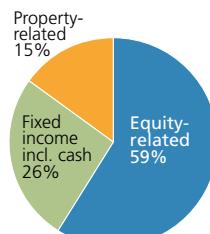
their savings to provide the possibility of a higher return. The motivation is that investments with greater risk are expected to give a higher return over time than more stable investments, but value development can also fluctuate considerably or be negative for long periods. The aim is that the risk in savings should reduce in step with approaching retirement and that the higher age groups are given greater stability in their savings and a more predictable level of expected pension payments.

The allocation of the risk level between age groups is based on the contribution principle. The contribution principle is intended to ensure that an insurance company distributes surplus in a balanced manner between different groups of policyholders. The distribution of surplus should as far as possible be based on how different groups of insurance contribute risk capital to the business and what scope these provide for the possibility to create a surplus. For the society, the premiums paid in by younger members have a longer period to payment and thus provide scope for investments with a greater risk. The society's older members have as a rule a high proportion of guaranteed capital and a lower surplus available for higher-risk investments. Taken together this means that the split into generation groups allows the society to better satisfy the contribution principle while raising the level of pension payments in the long term. The model also provides increased stability in value development for the older group.

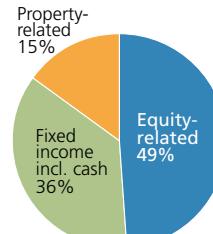
The four age categories receive different shares of the society's investments within the three main investment areas equities, bonds and property within the framework of the investment policy decided by the Board.

Distribution of investments for each age group across the three asset classes

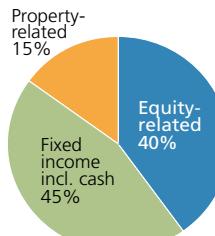
Under 40



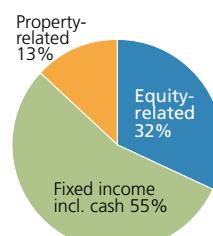
40 – 49



50 – 59



60 and over



All members invest in the same assets and underlying securities. It is only the proportion of each asset class that varies across the different generation portfolios.

Sustainability – long-term responsible management

The society's work with long-term responsible management based on sustainability and ethics is presented in a separate sustainability report which is available on [kapan.se](#). A short summary is given here.

The investment policy adopted by the Board stipulates that the society's investments should be based on standards and principles that are strongly rooted in Swedish society based on decisions made by the Swedish parliament and government.

Investments shall be guided by:

- Decisions made by the Swedish parliament and government
- The ten principles in the UN Global Compact
- OECD's guidelines for multinational companies
- The Oslo and Ottawa Conventions
- The six UN Principles for Responsible Investment (UN PRI)
- The UN Sustainable Development Goals – 2030 Agenda for sustainable development

Links to these conventions can be found on [kapan.se](#)

To achieve sustainable investment management in accordance with our guidelines we work with both norm-based and positive screening of our underlying holdings. Furthermore, we work with dialogue and lobbying and in certain cases exclusion of companies, with the aim of improving the holdings from a sustainability perspective.

Norm-based screening

Through norm-based screening we continually review and evaluate our listed equity and fixed-income holdings based on the companies' compliance with global norms for environment, human rights, working conditions, anti-corruption and controversial weapons. Norm-based screening provides a basis for our lobbying dialogue and possible exclusion.

Positive screening

Positive screening rates all our listed equity holdings based on how they handle ESG issues (Environmental, Social and Governance). With positive screening we can deselect companies with the lowest ESG rating and promote companies with a high ESG rating in a given sector. We work to improve the ESG rating of our listed holdings and aim to exceed the corresponding global index for listed equities.

Lobbying and exclusion

We carry out a lobbying dialogue in those cases where a company or fund violates or is suspected of violating international norms and conventions. We carry out lobbying in collaboration with others or directly with the companies. During the year in collaboration with ISS ESG we carried out lobbying dialogues with 142 companies. To follow up holdings in our funds we carry out a dialogue with the fund managers. In the event that the society judges that lobbying is insufficient, the society will choose as far as possible to exclude those companies or funds that do not meet the society's sustainability criteria.



Climate impact

As part of being involved in and influencing development to reduce carbon dioxide emissions, we measure the carbon footprint of our listed holdings. The society's carbon footprint shall reduce over time and the aim is that investments as a whole shall be carbon dioxide neutral by 2045. As a way to reduce the footprint, the society's investments in energy production from coal and oil will be reduced and only be marginal by 2023.

Future direction of sustainability work

In 2020 work continued to identify a better way of achieving the aim of finding efficient methods for working with the selection of companies that meet our criteria. Holdings in externally managed funds in the OECD area continued to be reduced and replaced with a higher proportion of in-house investment management, which means that we increase the possibility to control sustainability work ourselves and work more actively with lobbying.

During 2021 work will continue on refining the investment management model and improving the balance between the demands we make in our sustainability work in relation to the overall aims of the society of long-term responsible and sustainable management with good risk-adjusted returns.

Read more about our sustainability work on [kapan.se](#) and in our sustainability report.

Investment management

The market value of the society's investment assets, with the addition of the book values of other assets, amounted to SEK 113,100m (105,084) at year-end.

Return on the investment assets was positive and amounted to 5.3% (13.4).

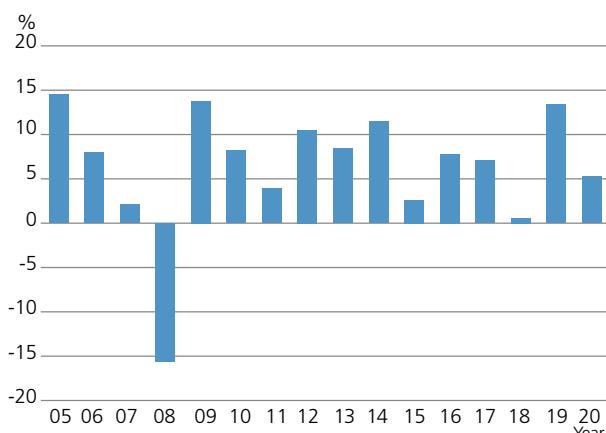
Investment return

The total return on assets is broken down as follows:

Portfolio	Market value, SEKm	Share %	Total-return ¹⁾ %, 2020
Fixed-income-related	48,923	43	2.0
Equity-related	47,192	42	7.8
Property-related	15,912	14	8.1
Other assets, cash	1,073	1	0
Total assets	113,100	100	5.3

¹⁾ When calculating the return a daily weighting is used to take into account the change in the capital base during the year.

Total return

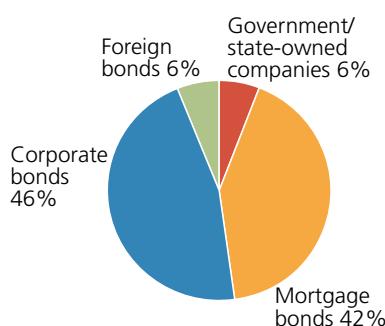


Fixed-income-related assets

The fixed-income investments amounted to SEK 48,923m (45,241) at year-end. The investments consisted to 42% (46) of mortgage bonds and 6% (6) of bonds issued by wholly state-owned companies. Investment in corporate bonds amounted to 46% (41). The remaining 6% (7) of investments consisted of fixed-income holdings in foreign currency and cash of which 5% (7) was invested in external funds.

All fixed-income-related assets in foreign currency are hedged in Swedish kronor other than those exposed to emerging markets.

Allocation fixed income



At year-end total fixed-income-related assets comprised solely nominal fixed-income securities with no real-interest bonds. The general interest level fell during the year which had a positive impact on the value of the holdings. The interest rate on government bonds and mortgage bonds is at historically low levels which means that fixed-income investments are expected to provide a limited return for the next few years.

The fixed-income investments are concentrated to the Swedish banking and home mortgage segment and the overall largest investments are made with the following issuers:

Issuer	Assessed value, SEKm
Nordea Bank	5,343
Swedbank	4,926
SEB	4,223
Handelsbanken	4,036
SBAB	1,634
Länsförsäkringar	1,307
Landshypotek	1,127
Vasakronan	892
Hufvudstaden	670
Hemsö	654

In addition to investments in fixed-income securities, the society has taken the strategic direction of signing contracts for various forms of interest rate hedges in order to reduce the outstanding interest rate risk in pension obligations.

The total earnings impact of interest rate hedges corresponds to a positive return of 0.05% on interest return. The total return on fixed-income-related investments amounted to 2.0% (2.8).

Equity-related assets

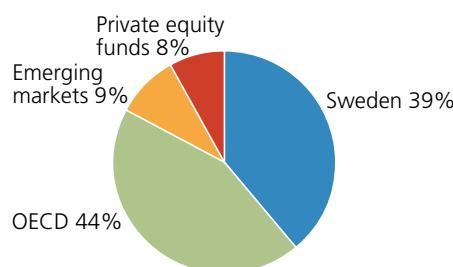
The stock market showed irregular development in 2020 with major swings in value due mainly to the Covid-19 pandemic. Stable development in the latter part of the year gave an overall increase for the year. The world's overall share prices rose by a total of 2.2% in Swedish kronor (MSCI ACWI). In local currencies this corresponds to an increase of 14.2%. The significant difference is due to a substantial strengthening of the Swedish krona during the year.

Since the start of its operations, the society has chosen to currency hedge most of its equity-related investments which has meant that relative changes in the value of the Swedish krona during the year affected returns. Equity investments in emerging markets are not hedged which means that returns were negatively affected by weakening currencies in these countries.

The society's currency hedging had a positive effect on returns due to the strengthening of the Swedish krona. Return on equities listed in the OECD was 12.3% (26.4) and in emerging markets 2.4% (24.3). The holding of equities listed on the Nasdaq Stockholm Exchange showed a return of 10.2% (30.7). Investments in various types of unlisted equities, primarily in venture-capital funds, amounted to SEK 3,943m (3,317). Return for the year amounted to 11.4% (4.2).

The overall return on equities during the year including currency effects amounted to 7.8% (27.0) and equity-related assets at year-end amounted to SEK 47,192m (43,134).

Allocation equities



Management of equities listed on Nasdaq Stockholm is carried out by the society itself. SIX 60 is used as the benchmark index. The largest investments are in the following companies:

Issuer	Assessed value, SEKm
Atlas Copco	1,463
Investor	1,353
Volvo	912
Ericsson	889
Hexagon	785
Hennes & Mauritz	751
Sandvik	737
Assa Abloy	662
EQT	594
SEB	570

Equity-related placements outside Sweden are mainly invested directly in individual shares managed in-house. MSCI World is used as the benchmark index. The largest investments are in the following companies:

Issuer	Assessed value, SEKm
Apple	795
Microsoft	611
Amazon	494
Alphabet	383
Facebook	230
Nvidia	153
Walt Disney	149
Visa	140
Mastercard	140
Home Depot	140

Other investments in the stock market are made in funds with various regional or strategic aims in order to aggregate balance the overall benchmark for equities management, MSCI ACWI. At year-end, the largest investments were in the following funds:

Issuer	Assessed value, SEKm
SSGA Emerging Markets SRI Enhanced Equity Fund	2,585
SSGA Multifaktor Global ESG Equity Fund	906
SHB Global Småbolag Index Criteria	684
Montanaro European Smaller Companies	539
Nordea EM Sustainable Enhanced Equity Fund	529
Banque de Luxembourg European Equity	315
JPMorgan Emerging Markets Opportunities Fund	312
RBC Emerging Markets Equity Fund	303
Goldman Sachs China Fund (A-shares)	261
SHB Global High Dividend Low Volatility Criteria	245

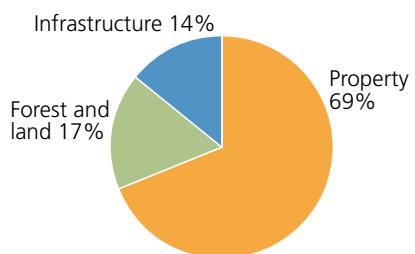
The largest investments in various types of venture capital funds at year-end were in the following funds:

Holding	Assessed value, SEKm
Warburg Pincus (2 funds)	554
Newbury Equity Partners (3 funds)	484
Welsh, Carson, Anderson & Stowe (2 funds)	409
Cubera	344
EQT	333

Property-related investments

Investments in property-related assets are split into three areas: property, forest and land, and infrastructure.

Property-related investments



The infrastructure area involves investments in essential community facilities or properties with stable cash flows and a long-term investment horizon. Forest and land is mainly land with standing forest and farms owned by funds or companies. The property area is indirect investment in various types of land and buildings. The largest investments grouped by managers or companies (exposure) comprised:

Holding	Assessed value, SEKm
Fastighets AB Stervalvet	2,930
Svenska Handelsfastigheter	1,627
Gysinge Skog AB	1,429
Midstar Hotels AB	1,211
J.P. Morgan Infrastructure Investments Fund	911
Antin Infrastructure Partners Fund (4 funds)	899
Aermont Real Estate (4 funds)	782
Sveafastigheter Hemvist	652
White Peak (3 funds)	553
Bridge Debt Strategies (2 funds)	552

Property-related assets showed a positive value appreciation during the year. Invested capital totalled SEK 15,912m (15,508) and the return for the year for property-related investments amounted to 8.1% (12.6).

Risk and sensitivity analysis

Investment management is affected by external circumstances that give rise to various types of risk. These risks can be divided into market, credit and operational risks. In addition there is a further industry-specific risk, namely insurance risk. A more in-depth analysis of outstanding risks in operations is provided in Note 2.

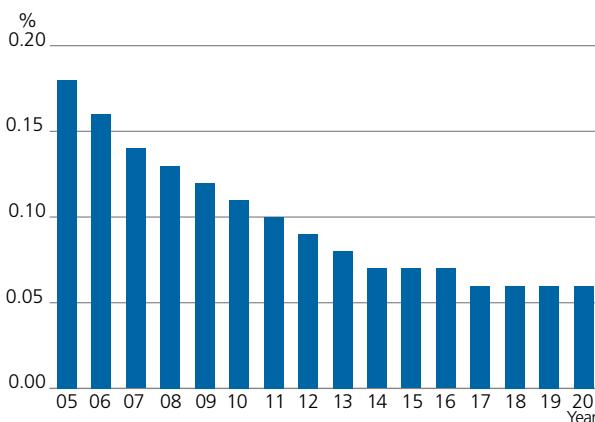
The uncertainty that exists in the market means that losses on investment assets cannot be ruled out. For investment assets where market prices are not published, there are sources of uncertainty, see the sections Key Assessments and Sources of uncertainty in Note 1, and Note 16.

Actuarial report

The actuarial report has been performed by the society's actuary, Ulrika Rönnqvist,. The report shows that the society's technical provisions amount to SEK 61,549m (59,605). The obligations the society has comprise to a dominant extent fixed guaranteed interest on paid-in premiums. These obligations have been valued in the actuarial report, supported by the Swedish Financial Supervisory Authority's regulations and general advice, on the basis, among other things, of current market interest rates for matching maturities.

The society's obligations have been revalued during the year due to all the society's insurances having life-long pension payment as the default alternative from 1 October 2020. The switch to life-long pension payments as the default alternative for all insurances lengthens the duration of outstanding obligations and means a lower current value of outstanding obligations. Within the framework of each insurance and conditions of the insurance within the applicable pension agreement members can choose temporary pension payments. Reservations have been made for the increased options in the insurance terms both regarding expected changes in term of payments and for those insurance that can be transferred.

Management costs development



Costs

Costs in the insurance business amounted to SEK 65m (64). One measure of cost efficiency is the management expense ratio, i.e. the relationship between operating expenses and the average market value of the assets, which amounted to 0.06% (0.06).

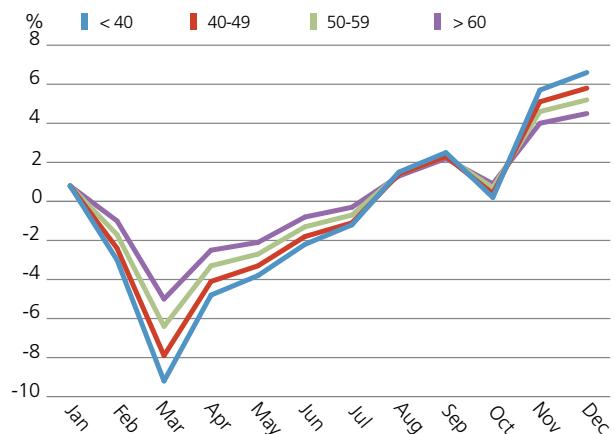
Costs for 2020 were covered by a fixed charge of SEK 6 (6) per insurance and by making a deduction from the insurance capital of 0.06%. Overall, the charges and deductions over time should correspond to the actual costs of operations. The aim is to continue to maintain a low level of costs over time despite the fact that extensive changes in regulations in 2020 resulted in a significant increase in administrative and organisational costs for the society.

The cost of investment management amounted to SEK 44m (45). One measure of the efficiency in investment operations is the management expense ratio, i.e. the relationship between the society's direct costs for investment management and the average market value of the assets, which amounted to 0.04% (0.05). The strategic decision to increase the proportion of equities managed in-house has meant that the society's direct costs for investment management have risen since the costs directly borne by the society increased compared with investment in funds where most of the cost is charged to the external funds' return. The aim is that the society's total return on investments should not be negatively affected by the transition to a larger proportion of equities managed in-house, rather the opposite.

Report on bonus in 2020

The bonus is added to members' pension capital monthly in arrears. The financial position and returns during the year were relatively stable although the allocation in individual months varied quite widely. Taken overall the different

Accumulated monthly bonus rate 2020



age groups' pension capital received the following annual equivalent bonus before tax on returns and costs:

6.6% for age group younger than 40	(17.4%)
5.8% for age group 40 – 49	(15.1%)
5.2% for age group 50 – 59	(12.7%)
4.5% for age group 60 and over	(10.5%)

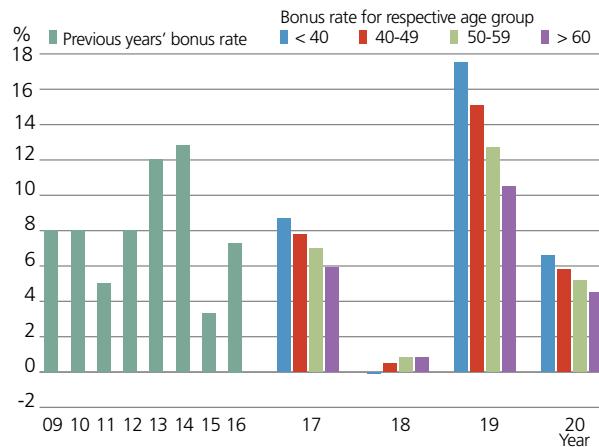
The difference in returns between the groups is attributable to the returns of the equities asset class which showed overall high returns during the year and meant that the younger age groups with a greater proportion of equities in their investments received a higher return.

Collective funding

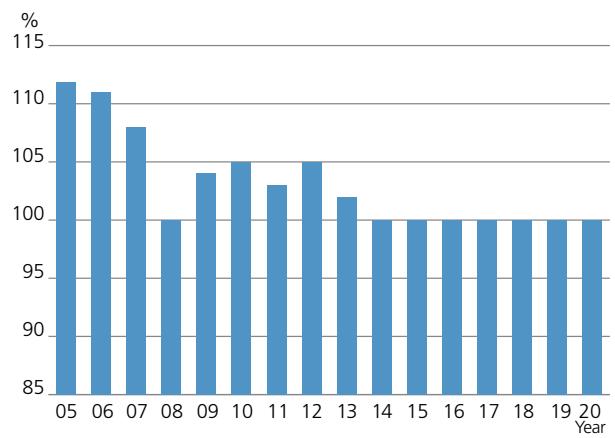
Collective funding is the market value of assets minus financial liabilities in relation to the sum of technical liabilities based on paid-in premiums and the guaranteed interest as well as previously allocated bonus funds.

The Board has decided on a policy for collective funding and bonus in the society. The policy states that the collective

Bonus rate



Collective funding ratio

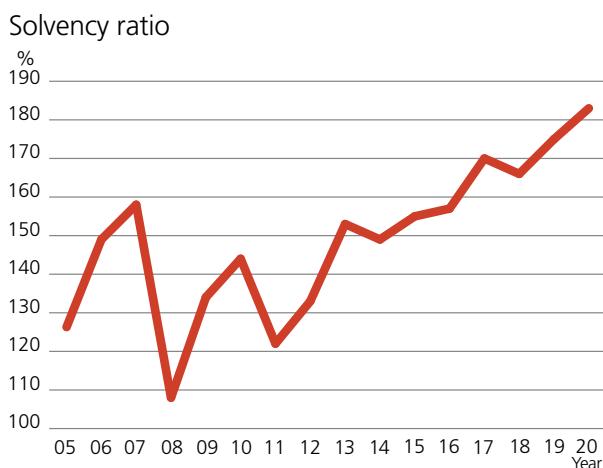


funding ratio should be in the band 95 – 105% with a target level of 100%. The funding ratio at year-end after the bonus decided for December 2020 was 100%.

Development of solvency

Solvency expresses the proportion of technical liabilities that is covered by assets. The return on assets during the year was positive. Outstanding obligations are valued at year-end based on a discount rate curve which is based on market interest rates for the first upcoming ten years and then a gradual adjustment to a fixed ultimate forward rate of 4.2%. The rate which has been used has a lower level than the previous year which means that the value of outstanding obligations has risen. Returns in excess of the average guaranteed interest have contributed to strengthening and taken overall solvency is unchanged due to the valuation of outstanding assets and the interest level of obligations.

The strengthening of solvency is attributable to the switch to life-long pension payments being the default alternative for all insurances which lengthens the duration of outstanding obligations. Taken overall, the solvency ratio rose by 8 percentage points during the year from 175% to 183%.



Tax on returns

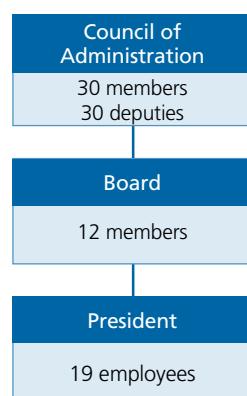
The society pays tax on returns on behalf of its members. The basis for tax assessment is the members' pension capital expressed as the market value of the society's assets after deduction for financial liabilities on 1 January in the assessment year. The return on these funds is calculated by a standardised method using an interest rate that is the same as the average government lending rate in the year prior to the assessment year, with a floor of 0.5%. The standard income thus calculated is then taxed at 15%. For the society this meant that the tax on returns paid for the year 2020 amounted to SEK 79m (67).

Management functions and audits

The society's highest decision-making body is the Council of Administration. The members of the Council of Administration are appointed by the parties within the government agreement area. Half of the members are appointed by the Swedish Agency for Government Employers and the other half by the trade unions. The total number of ordinary members amounts to 30 with an equal number of personal deputies. During the year, the Council of Administration held one ordinary general meeting and one meeting per capsulam for the election of a replacement member.

The society's operational activities are managed by a Board, which consists of six members with an equal number of personal deputies. The Board, like the Council of Administration, is composed on a parity basis. According to the statutes and a decision by the Council of Administration, from 1 January 2021 all members of the Board will be full members and previous deputies will be full members. Thereafter the Board has no deputies. The Board, like the Council of Administration, is composed on a parity basis. The Board appoints the society's President. The Board held eight meetings during the year, one in the form of a two-day seminar. The Board updated and decided on all the society's policies and instructions issued by the Board. Key questions, in addition to proposals to the general meeting, were the future long-term investment focus and handling of ethics and risks in investment management. During the year, the Board also evaluated the switch to a generation-based investment and bonus model and the change to increased in-house equities management. During the year special attention has been paid to developments in the regulatory area and the consequences that new regulations have for operations.

Board and management



The Board appointed a Remuneration Committee consisting of Board members where the salary and remuneration of the President is reviewed. Remuneration to other senior executives in the society is decided by the President in accordance with the remuneration policy adopted by the Board.

The Chair of the Board and of the Remuneration Committee is Gunnar Holmgren, Director General of the Swedish Agency for Government Employers who was elected for the first time on 27 August 2019.

Administration

The average number of employees during the year was 20 (16) with the key task of conducting investment management, accounting and risk control. The reason for the increase in numbers is the Board's decision to strengthen the insurance administration and adapt operations to the new regulations by creating an own management and procurement organisation with an office in Sundsvall starting on 1 January 2020. The society has also appointed a responsible actuary.

The National Government Employee Pensions Board (SPV) in Sundsvall is engaged to administer part of the insurance administration operations. This assignment includes maintenance of the society's insurance administration system, checking premium payments, issuing annual and pension statements, providing a smooth-running customer service unit and handling pension payments.

During the year, the society has followed recommendations from the Swedish Public Health Agency and enabled staff to work from home to a great extent. Operations have performed well even under these special circumstances.

Capital expenditure

Capital expenditure during the year amounted to SEK 2m (1). Most of this expenditure is attributable to IT systems. Investments in the insurance administration system are depreciated over 10 years, other investments over 3 – 5 years.

Looking to the future

Kåpan Pensioner started its operations in 1992 and since 2003 has been the default alternative for the choice component of occupational pensions for government employees. The society has been entrusted with also insuring the compulsory components and functioning as the default supplier for the part of the pension where there is a choice for the current pension agreement, PA 16.

Continued trust means that the society's operations continue to increase in scope which places greater demands on the organisation but also provides economies of scale and opportunities to improve efficiency. With the PA 16 pension

agreement and present development, a balance between payments made and payments received will be reached around 2060 which means that the organisation must be continuously developed and adjusted.

On 1 January 2021, the society transitioned to an occupational pension society in accordance with the Swedish Occupational Pension Companies Act (2019:742). The society will continue to work on improving the efficiency of operations within the framework of the new regulations. There are also continual changes in external regulations which affect the society's operations and require updates to and changes in working processes and governance documents.

The strategic direction for the society's operations, to generate a sustainable good return with limited risk and low costs, remains unchanged. The aim, despite the increased administrative load, is to maintain the low level of costs even if the coming years will present a considerable challenge as a result of the complexity and demands of the new regulations especially those concerning reporting and administrative governance structure.

The Board has initiated a review of the generation-based investment and bonus model assuming that members will in all probability draw their pension later in life. The society also has a stable financial position which permits adjustment of both risk levels in investments and age distribution in the model. The aim of the review is to try to achieve even better long-term returns within the framework of members' expected longer time to save for a pension and the society's increased ability to bear risk if there are large fluctuations in the capital market. The Board is also evaluating offering members an alternative product choice with a higher risk level within the framework of the choice centre at SPV and the PA 16 pension agreement.

Events after the end of the reporting period

No significant events have been noted.

Disposition of profit for the year

The profit for the year, SEK 7,509,130,332 (10,186,692,982) will be transferred to other reserves. The society's equity thus amounted to SEK 51,087,738,551 (44,796,507,151) at 31 December 2020.

FINANCIAL STATEMENTS



Five-year summary

Results, SEKm	2020	2019	2018	2017	2016
Premiums written	5,978	5,585	5,290	5,365	4,381
Investment income, net	5,560	12,044	392	5,552	5,434
Claims paid	-1,941	-1,893	-1,833	-1,787	-1,738
Bonus paid ¹⁾	-1,218	-1,084	-1,081	-966	-862
Balance on the technical account, life insurance business	7,588	10,254	1,085	7,939	4,308
Profit for the year	7,509	10,187	999	7,899	4,245

¹⁾ Payments are recognised as a deduction under Equity, Statement of changes in equity.

Financial position, SEKm	2020	2019	2018	2017	2016
Total assets ¹⁾	113,100	105,084	90,003	87,396	79,419
Investment assets ¹⁾	110,802	102,810	88,000	85,573	77,542
Technical provisions	61,549	59,605	54,188	51,480	50,343
Funding capital	51,088	44,797	35,694	35,776	28,843
Capital base	51,081	44,790	35,683	35,766	28,831
Required solvency margin	2,462	2,384	2,168	2,059	2,014

¹⁾ Investment assets at fair value and other assets at book value.

Key ratios, %	2020	2019	2018	2017	2016
Insurance administrative costs ¹⁾	0.06	0.06	0.06	0.06	0.06
Investment charges ¹⁾	0.04	0.05	0.05	0.05	0.05
Total return	5.3	13.4	0.6	7.1	7.6
Funding ratio	100	100	100	100	100
Solvency ratio	183	175	166	170	157

¹⁾ In relation to average assets.

Total return by asset class ¹⁾

	Market value 31 Dec 2020		Market value 31 Dec 2019		Total return, %²⁾
	SEKm	%	SEKm	%	
Equity-related	47,192	42	43,134	41	7.8
Fixed-income-related ³⁾	48,923	43	45,241	43	2.0
Property-related investments	15,912	14	15,508	15	8.1
Other assets	1,073	1	1,201	1	–
Total assets	113,100	100	105,084	100	5.3

¹⁾ Defined in relation to the underlying asset class that generates the return.

²⁾ Daily aggregate of investments in relation to changes in value, interest income and dividends.

³⁾ Return on derivative instruments taken out to reduce interest rate risk in outstanding insurance obligations is included in the return for fixed-income investments.

Income statement

SEKm	Note	2020	2019
Technical account, life insurance business			
Premiums written	3	5,978	5,585
Investment income	4	4,456	5,772
Unrealised gains on investment assets	5	1,215	7,807
Claims paid	6	-1,941	-1,893
Change in other technical provisions		-1,944	-5,418
Operating expenses	7	-65	-64
Investment charges	8	-111	-1,533
Unrealised losses on investments	9	0	-2
Balance on the technical account, life insurance business		7,588	10,254
Non-technical account			
Balance on the technical account, life insurance business		7,588	10,254
Tax on profit for the year	10	-79	-67
Profit and comprehensive income for the year		7,509	10,187

Statement of comprehensive income

SEKm	2020	2019
Profit for the year	7,509	10,187
Other comprehensive income	0	0
Total comprehensive income	7,509	10,187

Balance sheet

SEKm	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Intangible assets			
Other intangible assets	11	7	7
Investment assets			
Investments in associates	12		
Shares and participations in associates		5,877	3,641
Fixed-income securities, loans to associates		1,320	2,294
Other financial investments			
Shares and participations	13	56,188	53,776
Bonds and other fixed-income securities	14	46,568	42,490
Derivatives	15	849	609
	16	110,802	102,810
Receivables			
Other receivables	17	100	91
Other assets			
Property, plant and equipment	18	1	1
Cash and bank balances		1,913	1,935
		1,914	1,936
Prepayments and accrued income			
Accrued interest		274	237
Other prepayments and accrued income		3	3
		277	240
Total assets		113,100	105,084
EQUITY, PROVISIONS AND LIABILITIES			
Equity	19		
Other reserves			
Other reserves		43,132	34,163
Perpetual subordinated loan		386	386
Premium adjustment reserve		61	61
Profit and comprehensive income for the year		7,509	10,187
		51,088	44,797
Technical provisions			
Life insurance provisions	20, 21	61,549	59,601
Provision for unsettled claims	22	0	4
		61,549	59,605
Provisions for other risks and costs			
Tax		7	9
Liabilities			
Derivatives	15	14	34
Other liabilities	23	440	638
		454	672
Accruals and deferred income		2	1
Total equity, provisions and liabilities		113,100	105,084

Statement of changes in equity

2020

SEKm	Other reserves	Perpetual subordinated loan	Premium adjustment reserve	Comprehensive income for the year	Equity
Opening equity previous financial year	34,163	386	61	10,187	44,797
Disposition of earnings 2019	10,187			-10,187	0
Bonus paid during the financial year	-1,218				-1,218
Profit and comprehensive income for 2020				7,509	7,509
Closing equity for the financial year	43,132	386	61	7,509	51,088

2019

SEKm	Other reserves	Perpetual subordinated loan	Premium adjustment reserve	Comprehensive income for the year	Equity
Opening equity previous financial year	34,248	386	61	999	35,694
Disposition of earnings 2018	999			-999	0
Bonus paid during the financial year	-1,084				-1,084
Profit and comprehensive income for 2019				10,187	10,187
Closing equity for the financial year	34,163	386	61	10,187	44,797

Cash flow statement

SEKm	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
Operating activities ¹⁾		
Profit before tax	7,588	10,254
Adjustment for non-cash items ²⁾	732	-2,382
Tax on returns paid	-79	-67
Bonus paid ³⁾	-1,218	-1,084
Change in other operating receivables	-47	-22
Change in other operating liabilities	-219	560
Cash flow from operating activities	6,757	7,259
Investing activities		
Investments in non-current assets	-2	-1
Sale of financial investment assets	29,135	26,272
Purchase of financial investment assets	-35,912	-33,277
Cash flow from investing activities	-6,779	-7,006
Financing activities		
Cash flow from financing activities	0	0
Cash flow for the year	-22	253

Change in cash and cash equivalents

SEKm	2020	2019
Cash and cash equivalents at beginning of the year	1,935	1,682
Cash flow for the year	-22	253
Cash and cash equivalents at the end of the year ⁴⁾	1,913	1,935

¹⁾ Of which	2020	2019
Interest received	908	881
Interest paid	92	269
Dividends received	1,010	2,015

²⁾ Of which	2020	2019
Depreciation	3	5
Unrealised gains	-1,215	-7,807
Unrealised losses	0	2
Change in technical provisions	1,944	5,418

³⁾ Bonus paid is taken directly from Other reserves.

⁴⁾ Cash and cash equivalents consists of cash and bank balances.

Notes

All amounts in the following notes are expressed in SEK million unless otherwise specified.

NOTE 1 Accounting principles

General information

The annual accounts relate to the year ended 31 December 2020 and pertain to Kåpan tjänstepensionsförening (Kåpan Pensioner), previously Kåpan pensioner försäkringsförening, with its registered office in Stockholm. The society was converted with effect from 1 January 2021 from a benevolent society to an occupational pension society pursuant to the Swedish Occupational Pension Companies Act (2019:742). The address of the head office is Smålandsgatan 12, Stockholm. Kåpan Pensioner's registered number is 816400-4114. The annual accounts were approved for publication by the Board on 23 March 2021. The income statement and balance sheet will be presented for adoption at the annual general meeting on 28 April 2021.

The annual accounts are prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies as well as the Swedish Financial Supervisory Authority's instructions and general advice on Annual Accounts in Insurance Companies FFFS 2008:26 with additions in FFFS 2009:12 and the Swedish Financial Reporting Board's recommendation RFR 2.

Kåpan Pensioner applies so-called legally limited IFRS. This means that all IFRS are applied provided this is possible within the framework of Swedish accounting law.

With effect from the 2021 financial year, the Swedish Financial Supervisory Authority's instructions and general advice on Annual Accounts in Insurance Companies FFFS 2019:23 will replace FFFS 2008:26 and 2009:12. The Society has analysed the implications of these changes. A preliminary assessment is that a number of changes in disclosures and notes will be required.

Prerequisites for preparation of the financial report

Kåpan Pensioner's functional currency is Swedish kronor and the financial statements are presented in Swedish kronor. Financial assets and liabilities are measured at fair value. Other assets and liabilities are recognised at cost.

Estimations and assessments in the financial statements

Preparing financial statements in accordance with legally limited IFRS requires the insurance society's management to make estimations and assessments as well as assumptions that affect application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. Assessments and assumptions are based on historical experience and a number of other factors that appear reasonable under the prevailing conditions. The result of these assessments and assumptions is then used to assess the carrying amounts of assets and liabilities that would not otherwise be clear from other sources. Actual results can deviate from these assessments and estimations.

One source for estimations and uncertainties is the value of the obligations inherent in the insurance contracts taken out by the society. Another source of estimations and uncertainty is the valuation of financial assets for which there is no observable market price. Objective external valuations are used for these instruments or a value based on an assessment of anticipated future cash flows. When required these valuations are complemented with additional estimations depending on the uncertainty in the market situation.

Assessments and assumptions are reviewed on a regular basis. Changes in assessments are reported in the period in which the change is made if the change only affected that period, or in the period the change is made and future periods if the change affects both the current period and future periods.

Foreign currency

Assets and liabilities in foreign currency are translated into Swedish kronor at the closing exchange rate.

Exchange rate differences are reported in the income statement net within the line Investment income or Investment charges. Forward

contracts in foreign currency are mainly used to eliminate the exchange rate risk in foreign equities and participations.

Recognition of insurance contracts

Insurance contracts are recognised and measured in the income statement and balance sheet in accordance with their economic reality. All contracts are recognised as insurance contracts. Classification is based on the society guaranteeing a specific interest on paid-in premiums and a number of other commitments which means that the society assumes a significant insurance risk in relation to the policyholder.

Premiums written

Premiums written for the year consist of premiums received.

Premiums written relate to paid-in premiums during the year in accordance with the pension agreement for government employees.

Life insurance provisions

All life insurance provisions relate to occupational pensions and are measured in accordance with the principles in the EU occupational pensions directive. This means that the society's obligations are measured according to the so-called prudent person rule. Life insurance provisions are calculated according to the Swedish Financial Supervisory Authority's instructions and general advice on choice of interest rate for calculating life insurance provisions (FFFS 2013:23). This means that provisions are market valued on the basis of current market interest rates for corresponding maturities complemented with interest converged to a long-term forward rate specified by the Swedish Financial Supervisory Authority (4.2%). Life insurance provisions correspond to the estimated capital value of the society's obligations. The assumptions on future mortality, interest, operating expenses and tax are taken into account. All mortality assumptions are gender differentiated. Pensions in payment, however, are calculated on the basis of gender neutral assumptions. The operating expense assumption made is expected to correspond to future actual costs for administration.

Provision for claims outstanding

Provisions comprise disability annuities for employees within the PA-91 agreement who at year-end were incapacitated reduced by any final payment premiums for them in the financial year. The society's actuary calculates this provision. The provision was finally paid in 2019. Change in provision for claims outstanding is shown in Note 22.

Reporting return on capital

Investment income

Charges for investment assets relate to investment management costs, interest expenses, exchange losses (net), depreciation and impairment as well as capital losses (net).

Investment charges

Charges for investment assets relate to investment management costs, interest expenses, exchange losses (net), depreciation and impairment as well as capital losses (net).

Realised and unrealised changes in value

All investment assets are measured at fair value. The difference between the value and cost is an unrealised gain or loss which is recognised net per asset class. Such changes that are explained by exchange rate fluctuations are recognised as an exchange gain or loss.

A realised gain or loss is the difference between selling price and cost. For fixed-income securities the cost is amortised cost and for other investment assets the historical cost. In the event of the sale of investment assets the former unrealised changes in value are entered as an adjustment item under Unrealised gains on investment assets or

Note 1 cont.

Unrealised losses on investment assets respectively. Capital gains on assets other than investment assets are recognised as Other income.

Tax on returns

Tax on returns is not a tax on the society's profit, it is paid by the society on behalf of policyholders. The value of the net assets managed on behalf of policyholders is charged with tax on returns which is calculated and paid each year. The cost is recognised as a tax expense.

Intangible assets

Intangible assets acquired by Kåpan Pensioner are recognised at cost minus accumulated amortisation (see below) and any impairment. Intangible assets are amortised over three to five years from the date they are available for use. The insurance administration system is amortised over a 10-year period.

Financial instruments

Financial instruments recognised in the balance sheet are equities and other equity instruments, fixed-income securities, debenture loans and other derivatives.

Investment assets

Investment assets recognised in the balance sheet are shares and other equity capital instruments, fixed-income securities, subordinated loans and various types of derivative.

Acquisition and divestment of financial instruments is reported on the transaction date which is the day the society undertakes to acquire or divest the instrument.

Kåpan Pensioner's principle is to measure all investment assets at fair value through profit or loss (fair value option) partly because the society continuously evaluates its investment management operations on the basis of fair values, and partly because for fixed-income assets this reduces some of the accounting inconsistency and volatility that otherwise arises when technical provisions are continuously remeasured by discounting with current interest.

Investments in associates

Companies in which the society has share of capital of 20-50% are recognised as associates. The investments are recognised at fair value.

The following paragraphs summarise the methods and assumptions that are mainly used to determine the fair value of financial instruments in the accounts.

Financial instruments quoted in an active market

For financial instruments quoted in an active market fair value is determined on the basis of the asset's listed purchase price on the balance sheet date. A financial instrument is regarded as quoted in an active market if listed prices are easily available on a stock exchange, at a stockbroker's, dealer, industry organisation, company that provides current price information or supervisory authority and such prices represent actual and regularly occurring market transactions on commercial terms. Any future transaction costs in the event of a sale are not taken into account. Most of the society's financial instruments have a fair value based on prices quoted in an active market.

Financial instruments not quoted on an active market

If the market for a financial instrument is not active, an estimation of fair value is obtained by applying a model-based measurement technique which estimates the value of the investment on the closing date.

For unlisted financial instruments measurement is based on an external party or the external portfolio manager producing a valuation based on the best possible estimate of value on the basis of available price information for similar assets or anticipated future cash flow. Normally there is a time shift in the valuation of 1 – 3 months. This means that valuations at 31 December 2020 are typically based on a value statement from the period 30 September 2020 – 30 November 2020.

The society evaluates these measurements at regular intervals and tests their validity by assessing their reasonableness. The society does not, however, have full access to the parameters used and the forecasts

that provide the basis for the external valuation. The society therefore normally only assesses the methodology and probability of the valuation in order in the best manner to reflect the value in the event of an unforced sale. In the event the society's assessment of the value deviates from the external assessment, a special internal valuation memorandum is prepared which provides the basis for recognition of the investment's assessed fair value.

Derivative instruments

Derivative instruments are taken up at fair value on the basis of the value received from a counterparty where fair value is calculated according to a valuation model that is established in the market for valuations of the type of derivative instrument concerned.

Key assessments and sources of uncertainty

As shown in the above section, Financial instruments not quoted in an active market, measurement of fair value is based on valuation models. Such a valuation is based partly on observable market data and partly, when no such data is available, on assumptions on future conditions. Valuations not based on published price quotations are inherently uncertain.

The level of uncertainty varies and is greatest when assumptions about the future must be made that are not based on observable market conditions. For some of these assumptions minor adjustments can have a significant effect on the estimated value. When the time comes to sell the investments in the future the actual selling price reached may deviate from earlier estimations, which can have a significantly positive or negative impact on earnings.

As also shown in the section with regard to unlisted shares there is a time delay regarding valuation dates. In a market with falling prices this means that the estimated fair values are overestimated and vice versa.

Financial liabilities

Borrowing and other financial liabilities, such as trade payables, are measured at amortised cost.

Property, plant and equipment

Property, plant and equipment items are recognised as an asset in the balance sheet if it is probable that future economic benefits will accrue to the society and the cost of the asset can be calculated in a reliable manner.

Property, plant and equipment is recognised at cost with deduction for accumulated depreciation and any impairment with the addition of any revaluations. Depreciation is straight-line over the estimated useful life of the asset.

Personal computer equipment is expensed at acquisition. Art used for decorative purposes is measured at cost.

Pensions

The society is a member of the Insurance Industry Employers' Organisation (FAO) and applies the insurance industry's occupational pension plan, FTP, or has individual-based pension plans for occupational pension based on the pension agreement. Pension costs are recognised as an operating expense in the income statement. Individual agreements on salary exchange are in place where the employee sacrifices part of gross salary for a pension provision. This procedure is cost-neutral for the society.

Premium adjustment reserve

According to the pension agreement that applied until 31 December 2015, the employer paid premiums to the society for occupational pension insurance for every employee. However, under the agreement people below the age of 23 were not credited with premiums for complementary retirement pension (Kåpan tjänste). In accordance with the society's statutes, these non-allocated contributions were placed as an addition to the premium adjustment reserve. No premiums were added after 31 December 2015.

NOTE 2 Disclosures about significant risks and uncertainties

The society's reported profit depends both on the insurance business and the insurance risks that are managed there, and on investment management operations and financial risks. Risk and risk management are therefore a central part of the business. The note set out below contains a description of the risk management organisation as well as quantitative and qualitative disclosures of insurance risks and financial risks.

The purpose of the society's risk management organisation is to identify, measure and control the significant risks. One key purpose is also to ensure that the overall level of risk is acceptable in relation to the solvency which the society has at any time.

Financial risks, primarily market, credit and liquidity risks, can be managed in two principal ways. On the one hand, measures can be taken to reduce the effects of financial risks, which takes place within the framework of the risk management process. On the other hand, capital can be allocated to a buffer to cover losses that financial risks might generate.

The society's risk management organisation is based on the main responsibility for the risks to which the society is exposed resting with the Board. The Board adopts the guidelines that must apply to risk management, risk reporting, internal control and monitoring, and ensures that there is a collective function in the society for risk control and that there is function for rule compliance. The Board has in special policies and instructions within specific frameworks delegated responsibility for risk management to the President, the Compliance Manager and a Risk Manager. These instructions are regularly revised by the Board in order to ensure that they accurately reflect the operations. Insurance risks are analysed continuously by the society's actuary. Consultants are engaged when required.

Implementation and follow-up of control documents and routines in the organisation are an ongoing activity where control documents and routines are checked and revised regularly in order to ensure that they accurately reflect current market conditions as well as current terms and conditions in the society's insurance products.

Regular training activities and clear processes ensure that risk control functions throughout the organisation and that each employee understands his or her role and responsibilities. Compliance with this is checked by the Board through its decisions on recurrent annual independent reviews which are performed by the internal audit function.

Risks in the insurance business

The society's obligations comprise defined contribution retirement pension insurance with a guaranteed return. The risk that exists relating to these insurance contracts is that the society cannot meet its commitments. In order to limit the risk of this occurring the assumptions that provide the basis for calculation of the guaranteed insurance amount are made with safety margins.

The insurance risk consists of several different components where the level of members' guaranteed return is the largest. One risk is the longevity risk, which is affected by assumptions about length of life, and which relates to actual length of life being longer than the assumed length, i.e. members become older than assumed, which results in retirement pensions being paid for a longer period. A higher longevity risk means that technical provisions made by the society to cover future pension payments are not fully covered by provisions made.

The society's obligations during the year acquired a higher longevity risk due to the fact that all the society's insurances since 1 October 2020 have life-long payment as a default alternative. The transfer to life-long payment as the default alternative for all insurances extends the duration of the outstanding obligation and means a lower present value of outstanding obligations but leads to a higher longevity risk. Within the framework of each insurance and the terms of the pension agreement applicable to the insurance, members can also in the future choose a temporary payment. Allocations have been made for

the increased optionality in the insurance terms with regard to both anticipated changes in payment periods and for insurance with right of transfer.

Mortality risk, morbidity risk and cancellation risk are three other types of risk which are assessed as marginal within the society. Mortality risk relates to death benefit, compensation paid in conjunction with a death. Morbidity risk means that disability among insured is higher than expected in assumptions made, or that recovery from a current disability takes longer than assumed.

Cancellation risk relates to the policyholder suspending premium payments, or repurchases or transfers the insurance to a third party. Provisions in the society are made in accordance with the rules designed to ensure that obligations can always be met. The Insurance risk includes both the risk that the insurance result in the next year will be unusually unfavourable (random risk, provision for unearned premium and residual risks) and that the settlement of claims outstanding will be more expensive than estimated (parameter error). Calculations of best estimates, random errors, parameter errors and cancellation risks are based on actual portfolio on the closing date. Most of these risks are within the framework of the society's present business and that the society's responsibility for final payment of remaining pensions due to factors such as illness will cease in time.

2020		Change in assumption	Change in provision, SEKm
Assumption			
Life expectancy increase	20%		2,269
Cost inflation	20%		758
Discount rate	-1% point		-5,058

2019		Change in assumption	Change in provision, SEKm
Assumption			
Life expectancy increase	20%		847
Cost inflation	20%		629
Discount rate	-1% point		-4,725

Management of interest rate risks in outstanding insurance obligations

The society's obligations consist to a dominant extent of fixed guaranteed interest on paid-in premiums. These commitments are valued in the technical provisions, supported by instructions and general advice from the Swedish Financial Supervisory Authority, on the basis of current market interest rates for corresponding maturities.

For the year there were no effects from changed rules and regulations for the discount rate. The society applies, though a dispensation granted by the Swedish Financial Supervisory Authority, the rules stipulated in the Supervisory Authority's regulations and general advice FFFS 2013:23 on insurance companies' choice of interest rate for calculation of technical provisions until year-end 2020. The regulations FFFS 2013:23 mean that the society when calculating the discount rate shall base this on market quotations for the interest rate swaps traded on active markets when the society calculates the discount rate curve to be used to calculate the value of technical provisions, as well as applying the calculation method prescribed in the regulations which also means that the long-term forward rate is considered to converge towards a value specified by the Supervisory Authority. The long-term forward rate at year-end was 4.2% (4.2). Taken overall, the changes in market interest rates mean that obligations have increased in value by SEK 2,747m (3,604). To reduce the outstanding interest rate risk is obligations made agreements are signed on various forms of interest rate hedges. The agreements mean that the fixed interest rate in the obligations is exchanged for a variable rate with a lower risk of change in value. Outstanding interest rate hedge agreements at year-end totalled SEK 500m (1,000).

Note 2 cont.

Targets, principles and methods for managing financial risks

The society's business activities give rise to various types of financial risk such as market risks, credit risks, credit spread risks and liquidity risks. In addition there are also operational risks, legal risks and strategic risks. In order to limit and control risk in the operations, the society's Board has adopted an investment policy with guidelines and instructions for financial activities and for the risk control function.

General objectives for risk management

The society's assets must be invested in the manner that best serves the interests of its members and an exaggerated risk concentration must be avoided through suitable diversification between and within different classes of assets. The assets shall, taking into account the society's insurance obligations and changes in future value and return, be invested so that the society's payment capacity is satisfactory and a sufficient expected return is achieved within the framework of prudent asset management. In business that concerns occupational pension insurance, the assets shall be managed in a prudent manner. Rules on prudence are based on the IORP Directive (European Parliament and Council Directive 2003/41/EC on the activities and supervision of occupational pension institutions). The prudent person rule means that activities must be conducted in a manner which the individual beneficiary himself would apply if he or she had the requisite skills and knowledge.

General principles for risk management

The taking of risks in the society must be reasonable in relation to obligations undertaken. This is complied with through limited risk taking within the requirements made on matching, diversification and risk taking. The taking of risks must also at all times be in reasonable proportion to the society's risk capital, long-term targets for returns expressed as the level of the guaranteed obligations and anticipated bonus rate.

Risk management methods

A fall in value on the assets side can be limited with in principle three different methods. The first method is to spread the risks over different asset classes by building up a diversified investment portfolio, e.g. equities, fixed-income investments, properties, etc. Spreading risks with diversification is a basic rule within asset management. The second method involves selling assets at risk when the portfolio decreases in value in order to thus protect capital. The third method is to use capital-protected investments, such as forward contracts or options where the issuer has undertaken that at least the nominal amount is repaid on the maturity date regardless of market development. Another method for limiting the risk of losses is not to invest too much in the same company (or group). This too is a type of diversification. Operational risks, on the other hand, are limited through a regular review of routines and working methods and by the Board commissioning a regular independent review of operations and of both asset management and management of technical provisions.

Management of interest rate risk

The risk that the market value of fixed-income instruments is changed in the event of fluctuations in general interest rates. The change in value and therefore the risk is linked to the fixed-interest period (duration) of each instrument and the entire portfolio at any time. Interest rate risk in investments in fixed-income instruments is measured on the basis of each day's fixed interest increasing the risk and increases with the maturity of the obligations. Average fixed-interest period is an elasticity measurement relating to interest rate risk which shows the effect when all market interest rates change by the same amount (parallel shift). The fixed-interest period for a given instrument is calculated by weighing the time to each future cash flow, this is also known as the instrument's duration.

Assets increase by SEK 1,134m (1,263) in the event of a 1% decrease in interest rates. Liabilities increase by SEK 5,058m (4,304). The total outstanding interest rate risk in the event of a 1 percentage point change in the discount rate amounts to SEK 621m (855) in the form of a negative effect on solvency.

Management of share price risk

Share price risk is the risk that the market value of an equities investment falls due to changes in prices on the stock market. In order to reduce price risk in the equities portfolio a good diversification of holdings should be sought in relation to the size of the portfolio.

For equity-related instruments risk is measured by analysing how much the market value is affected by falling or rising share prices. In the section sensitivity analysis, below, an account is provided of outstanding share price risk. The total outstanding share price risk in the event of a price change of 10 percentage points amounts to SEK 4,635m (4,258).

Management of property price risk

Property price risk is the risk that the market value of a property investment falls. Property price risk is measured as a reduction in the market value of property investments. The total outstanding property price risk in the event of a change in value of 10 percentage points amounted to SEK 1,548m (1,496).

Management of currency risk

Currency risk is the risk of a change in the value of assets and liabilities due to changes in exchange rates. Currency risk is measured as a percentage of foreign assets that are not currency hedged. For the society all obligations on the liabilities side are in Swedish kronor.

This means that all assets that are in foreign currency and not hedged represent a currency risk. Exposure to outstanding currency risk, in accordance with a Board decision, may not exceed 20% of the total value of assets.

Currency exposure amounts after currency hedging to 15.3% (13.4) of the value of the investment assets. Gross exposure, i.e. currency exposure without forward contracts, amounts to SEK 37,502m (36,848). The total outstanding currency risk is estimated in the event of a change in exchange rates of 10 percentage points to amount to SEK 1,737m (1,403).

The breakdown of outstanding currency risk in different currencies (SEKm) is measured as a stressed scenario of a 10% strengthening of SEK against foreign currency.

	2020	2019
USD	874	555
EUR	40	-2
GBP	0	12
AUD	44	46
JPY	17	2
CHF	12	0
CAD	50	56
NOK	49	60
NZD	26	28
DKK	88	-
Other	536	646 *)
	1,736	1,403

*) Emerging markets currencies are reported under Other currencies.

Management of credit risk

Credit risk is the risk that an issuer or counterparty suspends payments. Credit risk includes counterparty risk, concentration risk and liquidation risk.

Counterparty risk is a measure of the probability that a counterparty cannot meet his payment commitments. The risk is managed by the value of an individual investment being limited according to the Board's decision on how investments may be made. These restrictions apply to entire groups and all types of securities. A group refers to two or more physical or legal entities that comprise a whole from a risk viewpoint since one of them, directly or indirectly, exercises ownership influence over one or more of the rest of the group or without having such a relationship have such an internal connection that one or all of the others may encounter payment difficulties if one of them suffers financial problems.

Note 2 cont.

Concentration risk includes major exposures or concentrations to specific counterparties, sectors or industries.

Five largest exposures, property companies			Five largest exposures not credit institutions		
	31 Dec 2020	31 Dec 2019		31 Dec 2020	31 Dec 2019
1.	4.46%	4.60%	1.	2.38%	2.46%
2.	2.20%	2.27%	2.	2.20%	2.19%
3.	1.80%	1.86%	3.	1.76%	2.05%
4.	1.52%	1.57%	4.	1.48%	1.42%
5.	1.32%	1.37%	5.	1.45%	1.29%
Ratio ^{*)}	11.30%	11.67%	Ratio ^{*)}	9.27%	9.41%
Five largest exposures. credit institutions			Five largest exposures covered bonds		
	31 Dec 2020	31 Dec 2019		31 Dec 2020	31 Dec 2019
1.	10.90%	10.28%	1.	7.34%	8.67%
2.	9.44%	9.81%	2.	6.87%	7.84%
3.	8.83%	8.32%	3.	6.86%	7.32%
4.	7.35%	8.29%	4.	6.57%	7.29%
5.	2.66%	2.33%	5.	1.31%	1.60%
Ratio ^{*)}	39.18%	39.03%	Ratio ^{*)}	28.95%	32.72%

All percentages expressed as share of the present value of technical provisions on the closing date.

^{*)} Concentration ratio is calculated according to $CR_m = \sum_{i=1}^m s_i$, where the total is calculated over the 5 largest holdings ($m = 5$).

Management of credit spread risk

Credit spread risk can, with some assumptions, be regarded as the difference in valuation of a security with credit risk and valuation with a risk-free bond with similar terms and the same duration. The difference (interest rate difference) is called credit spread and is defined as the difference in interest between a risk-free bond issued by the government and what an issuer that can become bankrupt (such as a company) has to pay.

Credit spread risk is measured by calculating how the market value of assets with credit risk is changed, if the difference between the risk-free interest and interest on assets with credit risk changes by a certain percentage. The total outstanding credit risk calculated with an assumption of double listed credit spread amounts to SEK 791m (1,140m).

Overview of current restrictions and outstanding risks

Current restrictions in investment policy for investment on the basis of assessed creditworthiness in the form of a rating. The restrictions allowed at a total level per rating category were changed during the year.

2020		Max of total assets	Maximum per counter- party	Largest counterparty exposure
Creditworthiness			Of total assets	
Very high		50%	5.0% ¹⁾	18.0%
High		25%	2.5% ²⁾	1.5%
Average		20%	1.0%	6.3%
Low		15%	0.5%	12.2%

2019		Max of total assets	Maximum per counter- party	Largest counterparty exposure
Creditworthiness			Of total assets	
Very high		50%	5.0% ¹⁾	22.4%
High		25%	2.5% ²⁾	1.0%
Average		12.50%	1.0%	6.5%
Low		12.50%	0.5%	11.0%

¹⁾ Swedish mortgage institutions, covered bonds, max 10%.

²⁾ Wholly state-owned companies (e.g. Vasakronan), max 5%.

³⁾ Excluding exemptions decided by the Board, where applicable.

For bonds and other debt securities issued or guaranteed by the Swedish state, the limit is set at 65% (65). An adaptation was made, however, (in the previous year) of the total limit for fixed-income assets at the overall strategic level, where the limit for the overall strategic direction for investments in fixed-income assets can now be a maximum of 70%. This adaptation at the total level took place, among other things, as part of the introduction of a model with four bonus groups based on the insured's year of birth, with a different investment focus depending on bonus group, and in which the total permitted interest rate risk varies from a minimum of 35% for the youngest generations to a maximum of 65% for the oldest generations.

Management of cash flow risk

The society manages cash flow risk by ensuring, on each occasion, that the easily convertible assets cover pension commitments for at least three years ahead. The society has a considerably larger inflow of premiums than outflow of pension payments which means that the cash flow risk is limited. Cash flow risk measured as the ratio between the present value of three years' pension payments and the market value of fixed-income securities with an AAA rating amounts and expressed in percent. For 2020 the quotient amounts to 1,102% (1,004.). The calculated metric may not be less than 300%.

Management of transaction risk (settlement risk)

Transaction risk is the risk that an arranging party cannot meet his commitments in conjunction with a transaction with a financial instrument and therefore cause one of the parties to sustain a loss. The risk is managed by trading in securities only being permitted with securities companies approved by the Swedish supervisory authority or a corresponding foreign authority, where a foreign securities company is involved. In securities trading, which is not subject to clearing through a clearing house approved by a Swedish supervisory authority or a foreign equivalent a counterparty may only comprise a securities company that is included in a banking group with very high short-term creditworthiness. The society's assets must be held in the custody of a securities institution approved by the Swedish supervisory authority or corresponding foreign authority when a foreign securities institution is involved.

Assessment of the level of all risks in operations

Market risk refers to the change in value of a financial asset when the price that decides the value of the asset changes. There are three types of market risks: currency risk, interest rate risk and other price risks. In financial operations the most important market risks are interest rate risks, currency risks and share price risks (price risk). Sensitivity to price changes varies for different asset classes. Equities are generally more sensitive than fixed-income investments.

For equities it is primarily price risk that is taken into account. For foreign equities there is also currency risk. The Board has adopted an investment policy that, among other things, limits share price risk. This means that the equities portfolio must be well diversified so that individual investments do not constitute too high a risk for the investment result as a whole. Risk diversification shall also be achieved by investments in different sectors and in different markets.

Note 2 cont.

Sensitivity analysis

2020	Effect on investment assets	Effect on life insurance provisions	Effect on equity
Risk variable			
Price fall on shares, 10%	-4,635	–	-4,635
Fall in value property-related, 10%	-1,548	–	-1,548
Doubled credit spread	-791	–	-791
Exchange rate fall, 10%	-1,737	–	-1,737
Interest rate rise, 1%	1,134	-513	-621

2019	Effect on investment assets	Effect on life insurance provisions	Effect on equity
Risk variable			
Price fall on shares, 10%	-4,258	–	-4,258
Fall in value property-related, 10%	-1,496	–	-1,496
Doubled credit spread	-1,140	0	-1,140
Exchange rate fall, 10%	-1,403	–	-1,403
Interest rate rise, 1%	1,263	-2,118	-855

When calculating the effect on life insurance provisions above, tax and costs have been taken into account. The sensitivity analysis is based on the prerequisite that the society's assets are measured at fair value through profit or loss.

Management of operational risk

Operational risk refers to risk of loss due to processes that are not fit for purpose or unsuccessful processes, human error, faulty systems or external events. This also includes legal risk. This means that errors or inadequacies in administrative routines can lead to unexpected financial or confidence-related losses. These may be caused, for example, by a lack of internal control, inadequate systems or technical equipment. The risk of irregularities, internal or external, is also included among operational risks. Operational risks are counteracted through internal control of operations. Maintenance of good internal control is a constantly ongoing process and includes requirements for fit-for-purpose routines and instructions as well as clearly defined divisions of responsibility and working duties for the society's employees. Maintenance of a good internal control also requires an IT system with built-in reconciliations and controls, authorisation systems for premises and equipment, as well as internal information and reporting systems in order, among other things, to meet the requirements of the Board and management for information on risk exposure and current information about the society's assets and liabilities. Other aids include process-

based risk analysis with risk indicators as well as analysis of incident and loss data. Information security is another aid for maintaining a good internal control as well as continuity planning and various forms of reserve solutions for electricity, telephony and similar. In purely general terms the largest proportion of events attributable to operational risks, regardless of their degree of seriousness, is about handling errors in manual operations in processes such as application of pricing models, dependence on key persons or deviations from internal instructions, data errors, changed conditions related to assumptions on which the models are based, or other errors which have in common that they combine data with the use of models. The use of pricing models, and the extent to which these models are reliable, is an area that has attracted considerable attention in recent years. Operational risks are in the first instance a process issue – good internal control, competent employees and high quality in internal processes and systems solutions are the key factors in management of operational risks.

Overall guidelines relating to operational risks have been adopted by the Board and include through the President a monthly (or where necessary more frequently) reporting relating to operational risks. Since only 20 (16) employees are responsible for the society's management and investment management, the Board decided to engage external internal auditors, among other things for the independent examination of the society's activities prescribed by the Swedish Financial Supervisory Authority. It is always the Board that assigns internal audits, since it is management's internal governance and control which is examined. The Board decides annually on an internal audit plan for the current year.

The society has signed an agreement with National Government Employee Pensions Board (SPV) for administration of its insurance operations. This agreement is an outsourcing agreement which refers to an agreement in some form where the society and an external contractor agree that the contractor will carry out processes, services or other activities which the society would otherwise have performed itself. The outsourcing agreement is included together with internal control and risk management in the society's corporate governance system. The society's internal audit function has also been assigned by the Board to evaluate the services purchased from SPV.

The society has strengthened its own insurance administration among other things in order to reduce operational risk and adapt operations to the new regulatory framework by building up its own management and procurement organisation with an office in Sundsvall starting on 1 January 2020. The society has adhered to the Public Health Agency's recommendations and allowed employees to work from home to a large extent. Operations have functioned well even during these special circumstances but the operational risk is at a higher level with longer contact routes and the risk of deficiencies in communication.

Outstanding maturities on fixed-income assets and liabilities

2020	max. 1 year	1-3 years	3-5 years	5-10 years	+10 years	without interest	nominal	market value
Assets								
Bonds and other fixed-income securities	856	12,340	28,902	4,608	0	0	46,706	47,888
Interest rate derivatives, positive	6	17	11	60	0	0	94	94
Liabilities								
Life insurance provisions	-1,927	-3,565	-3,017	-7,051	-74,446	0	-90,006	-61,549
Interest rate derivatives, negative	0	-7	-7	0	0	0	-14	-14
Cumulative exposure	-1,065	8,785	25,889	-2,383	-74,446	0	-43,220	-13,581

2019	max. 1 year	1-3 years	3-5 years	5-10 years	+10 years	without interest	nominal	market value
Assets								
Bonds and other fixed-income securities	1,841	7,809	30,870	6,061	498	0	47,079	44,784
Interest rate derivatives, positive				43	55		98	98
Liabilities								
Life insurance provisions	-1,930	-4,271	-4,876	-12,492	-54,646	-4	-78,219	-59,605
Interest rate derivatives, negative	-8	-22					-30	-30
Cumulative exposure	-97	3,516	25,994	-6,388	-54,093	-4	-31,072	-14,753

NOTE 3 Premiums written

	2020	2019
Premiums written Kåpan Tjänste	2,550	2,415
Premiums written Kåpan Extra	695	668
Premiums written Kåpan Electable	2,398	2,242
Premiums written Kåpan Flex	335	260
	5,978	5,585

All premiums written relate to contracts signed in Sweden. All contracts carry bonus entitlement and Kåpan insurance contracts are collectively agreed individual insurance contracts.

NOTE 4 Investment income

	2020	2019
Dividends received	1,010	2,015
Interest receivable		
Bonds and other fixed-income securities including bank balances and similar	413	684
Derivatives	0	17
Exchange gains, net	0	25
Capital gains, net		
Shares	1,251	2,723
Bonds and other fixed-income securities	256	308
Derivatives	1,526	0
	4,456	5,772

All results are attributable to financial assets with changes in value recognised in profit or loss.

NOTE 5 Unrealised gains on investment assets

	2020	2019
Shares and participations	546	7,536
Bonds and other fixed-income securities	411	0
Derivatives	258	271
	1,215	7,807

NOTE 6 Claims paid

	2020	2019
Pension payments Kåpan Tjänste	-1,261	-1,255
Pension payments Kåpan Extra	-280	-266
Pension payments Kåpan Plus	-118	-127
Pension payments Kåpan Electable	-282	-245
Pension payments Kåpan Flex	0	0
	-1,941 ¹⁾	-1,893

¹⁾ In addition, SEK 1,218m (1,084) was paid which comprised bonus in addition to the guaranteed rate.

NOTE 7 Operating expenses

	2020	2019
Administrative expenses	-109	-109
Cancelled costs attributable to asset management	44	45
	-65	-64
Specification of total operating expenses		
Staff costs	-43	-36
Premises	-3	-2
Depreciation	-2	-5
Other operating expenses	-17	-21
	-65	-64
Fees to auditors ^{*)}		
KPMG		
Audit assignment	-1	-1
PwC		
Other assignments	-1	0
	-2	-1

^{*)} Included in other operating expenses.

Average number of employees

	Women	Men	Total
Average number of employees	9 (6)	11 (10)	20 (16)

Salaries and other remuneration (SEK 000s)

	2020	2019
Council of Administration	191	179
Board and President	3,939	3,458
Other employees	19,984	15,834
of which variable compensation	1,523	909
Pensions and other social security contributions	17,646	14,630
of which pension costs	7,975	6,740
of which President's pension costs	1,150	1,354

Note 7 cont.

Fees were paid to the Board as follows (SEK)

Ordinary members

Gunnar Holmgren, chairman, from 190827	136,000	(85,432)
Martin Holmgren, until 200428	16,750	(38,451)
Dan Sjöblom, from 200429	47,333	(0)
Anna Falck	71,000	(63,000)
Lars Fresker, deputy chairman	102,000	(98,000)
Lena Emanuelsson, until 200513	27,667	(63,000)
Anna Steen, from 200602	32,417	(0)
Helen Thornberg	71,000	(63,000)

Variable remuneration

The Board has decided on an remuneration policy. According to the policy no variable remuneration is paid to senior executives who are the President, Vice President, investment manager, head of legal/compliance and risk manager.

According to the policy other employees may receive a maximum variable remuneration of two monthly salaries based on a three-year evaluation period. Remuneration is paid as cash salary following a decision by the President who subsequently reports his decision to the Board.

The complete remuneration policy is available on the society's website.

Other remuneration

No variable performance-based remuneration is paid to the Board. The Board has no pension benefits or special severance pay. Fees to the Board are decided by the Council of Administration based on a proposal from the President.

A cash salary of SEK 3,185,487 (2,761,873) is paid to the President. The President's employment contract with retirement at the age of 60 ceased on apply on 19 June 2019.

With effect from 19 June 2019 a new employment contract came into force for the President and the above pension benefit is thereby finally settled.

Personal deputies

Petra Pfeiff, until 200428	8,250	(41,000)
Erland Ekhen, from 200429	28,667	(0)
Anita Johansson	43,000	(10,628)
Roger Vilhelmsson	41,000	(39,000)
Eva Fagerberg	43,000	(33,000)
Mikael Andersson	43,000	(39,000)
Fredrik Bäckström	43,000	(39,000)

The new employment contract includes a defined contribution pension benefit amounting to 30% of annual income. The contract applies with a 12-month mutual notice period and does not specify an age-specific retirement age. In the event of termination on the part of the society, a deduction of paid compensation will be made if remuneration is received from another employment.

The President has a free car benefit in his contract.

Salary and other remuneration to the President is reviewed by the Board's Remuneration Committee. The Remuneration Committee consists of Gunnar Holmgren, chairman, Lars Fresker and Helen Thornberg. The Board decides on salary and remuneration to the President. The Board has approved the President's external directorships and that the President owns a close company. The President receives fees from these assignments. The President may not undertake assignments outside his employment in the society without the approval of the Board.

Salary and remuneration to other employees are decided by the President.

The society's occupational pension plans are secured through the FTP Plan and individual insurance contracts.

NOTE 8 Investment charges

	2020	2019
Operating expenses attributable to asset management	-44	-45
Other investment charges	-47	-6
Interest expenses	-2	-4
Exchange losses, net	-18	0
Capital loss, net		
Derivatives	0	-1,478
-111	-1,533	

Costs are attributable to financial assets held for trading.

NOTE 9 Unrealised losses on investments

	2020	2019
Shares	0	0
Bonds and other fixed-income securities	0	-2
Derivatives	0	0
	0	-2

NOTE 10 Tax on returns

	2020	2019
Tax on returns	-79	-67
	-79	-67

The value of net assets under management is charged with tax on returns which is calculated and paid by the society each year on behalf of policyholders. The society does not pay income tax.

NOTE 11 Other intangible assets

Other intangible assets	2020	2019
Opening cost	43	42
Investments for the year	2	1
Disposals for the year	0	0
Accumulated amortisation	-38	-36
	7	7

NOTE 12 Investments in associates

Shares and participations in associates

	2020			2019		
	Cost	Fair value	Share of equity, %	Cost	Fair value	Share of equity, %
Fastighets AB Stenvalvet, 556803-3111, domicile Stockholm	803	1,610	46	796	1,427	46
Gysinge Skog AB, 559164-0817, domicile Falun	143	1,429	50	143	738	50
LSTH Svenska Handelsfastigheter, 559009-2325, domicile Stockholm	1,394	1,627	42	208	367	42
Midstar Hotels AB, 559007-7979, domicile Stockholm	1,038	1,211	29	905	1,109	28
	3,378	5,877		2,052	3,641	

Fixed-income securities, loans to associates

	2020			2019		
	Cost	Fair value	Share of equity, %	Cost	Fair value	Share of equity, %
Fastighets AB Stenvalvet, 556803-3111, domicile Stockholm	1,301	1,320	46	1,296	1,317	46
LSTH Svenska Handelsfastigheter, 559009-2325, domicile Stockholm	0	0	0	977	977	42
	1,301	1,320		2,273	2,294	

NOTE 13 Shares and participations

	2020		2019	
	Cost	Fair value	Cost	Fair value
Swedish equities	12,400	19,235	12,520	18,404
Foreign equities	32,641	36,953	29,744	35,372
	45,041	56,188	42,264	53,776

Classified as financial assets measured at fair value with change in value recognised in profit or loss.

NOTE 14 Bonds and other fixed-income securities

	2020		2019	
	Cost	Fair value	Cost	Fair value
Swedish government	0	0	0	0
Swedish mortgage institutions	20,041	20,234	18,196	18,257
Other Swedish issuers	17,100	17,291	19,229	19,149
Foreign governments	0	0	0	0
Other foreign issuers	8,970	9,043	5,022	5,084
	46,111	46,568	42,447	42,490
of which subordinated				
Dated subordinated debenture	1,767	1,762	2,048	1,993

Classified as financial assets, measured at fair value with change in value recognised in profit or loss.

NOTE 15 Derivatives

Derivative instruments with positive values

	31 Dec 2020		31 Dec 2019	
	Nominal amount	Fair value	Nominal amount	Fair value
Share-based, options	0	0	0	1
Fixed-income related, swaps	13,250	93	750	43
Fixed-income related, swap options	0	0	1,000	55
Currency-related, forward contracts	18,834	756	22,200	510
	32,084	849	23,950	609
of which cleared	0		0	

Derivative instruments with negative values

	31 Dec 2020		31 Dec 2019	
	Nominal amount	Fair value	Nominal amount	Fair value
Fixed-income related, swaps	3,649	-14	6,247	-29
Currency-related, forward contracts	224	0	879	-5
	3,873	-14	7,126	-34
of which cleared	0		0	

Derivative instruments are used in management of the society's investment assets and are an alternative to a direct purchase or sale of securities or currency. The main principle for trading with derivatives is that trading must take place in order to make management more efficient or reduce price and currency risks.

NOTE 16 Complementary information on financial instruments recognised at fair value

Investment assets divided among different types of financial instruments measured at fair value, 31 December.

2020

Financial instrument	Level 1	Level 2	Level 3	Total
Investment assets				
Shares and participations	44,217	1,050	16,798	62,065
Bonds and other fixed-income securities	45,617	195	2,076	47,888
Derivatives – positive value	0	849	0	849
Derivatives – negative value	0	-14	0	-14
Total	89,834	2,080	18,874	110,788

2019

Financial instrument	Level 1	Level 2	Level 3	Total
Investment assets				
Shares and participations	40,970	1,660	14,787	57,417
Bonds and other fixed-income securities	41,428	199	3,157	44,784
Derivatives – positive value	0	609	0	609
Derivatives – negative value	0	-34	0	-34
Total	82,398	2,434	17,944	102,776

Classification of securities at fair value by applying a hierarchy for fair value that reflects the significance of the inputs used in the valuations. The hierarchy includes the following levels:

Level 1 Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2 Other inputs than quoted prices included in level 1, that are not directly observable but where the value is derived from prices in an active market.

Level 3 Inputs for the asset or liability concerned based to a significant extent on not directly observable market inputs, i.e. there is no active market for identical investments, such as property values.

Investments in level 3 mainly consist of property-related shares and associated shareholder loans as well as other unlisted shareholdings. Property-related investments are found among shares and participations, property-related shareholder loans are found under bonds and other fixed-income securities.

Fair value is defined as the price at which a financial instrument can be sold to a counterparty who is independent from the society. The notional transaction on the basis of which the price is determined is based on the parties entering such a transaction voluntarily and not forcibly in conjunction for example with liquidation, and also on the basis on the counterparty being able to make a competent assessment of the value of the asset. Prices must also be regarded as applying for a period that concurs with the society's ability to trade and on the basis of the current investment policy.

For financial instruments quoted in an established market (level 1) fair value is determined on the basis of the asset's quoted purchase price on the balance sheet date. A financial instrument is regarded as quoted on a market if quoted prices are easily available on a stock exchange, with a dealer, stockbroker, industry organisation, company that provides current price information or a supervisory authority and these prices represent actual and regularly occurring market transactions on commercial terms. For recurrent and non-recurrent fair value measurements attributable to level 2 and level 3 in the hierarchy for fair value, the society applies the following measurement techniques with the starting points set out below. Securities can be designed in many different ways in order to meet specific purposes and can be designed with variations, such as choice of maturities and different exchange rates which means that the security per se is not quoted on an active market

with buying and selling prices which are easily and regularly available in a public marketplace. This means that the security does not meet the requirements for classification in level 1 of the fair value hierarchy. On the other hand, a reasonable assessment of the fair value of the security can be deduced from observable quoted prices for similar instruments or on the basis of underlying quotations for the parameters required to provide a fair value for the security as a whole. If these conditions are judged to exist and the security can in all probability be sold at this value without delay, it can be classified as level 2 in the fair value hierarchy, i.e. the security is an instrument which directly or through a valuation model is measured with the aid of observable information which in its turn is derived from the market. Most of the society's securities are measured according to level 1 or level 2 in the fair value hierarchy. Securities which do not meet the strict requirements of classification as level 1 or level 2, are regarded as belonging to category 3. This means that they are securities whose value is based on inputs in the form of models or valuation methods in which there is some input or inputs which have affected the estimated value of the asset to a significant extent, and where such inputs comprise assumptions or estimations that are not observable on the market. Examples of this can be operating net for properties in an unlisted property fund. In these cases the market for the financial instrument is assessed as not well established and the society then obtains the fair value by together with an independent, established player in the capital market performing an objective valuation. Valuations are usually then made based on an estimate of expected future cash flow, where the starting point for the society's valuations is that the calculated value is made transparently and using a uniform measurement of securities or funds where there is a functioning market and daily prices based on external sources, and that the value is derived together with established external players with a good reputation who measure the asset on the basis of developed valuation methods and models for securities or funds which have no active market. The society works over time with consistent valuation methods and provides in its accounts clear documentation of valuations performed. For securities in level 3 the society usually uses price information from a third party without making any adjustment. Where applicable, the price is also adjusted on the basis of known transactions made in the investment by the society between the issue of the measurement value by a third party and the balance sheet date. Examples of market players are banks, issuers, stock and credit brokers and authorised property valuers. The aim for the valuation must always on each occasion be to try to obtain as accurate and fair value as possible.

Note 16 cont.

Reconciliation of fair value and earnings impact from investments included in level 3

2020

Change in level 3 during the year

Investment assets	Shares and participations	Bonds and fixed-income securities	Derivatives and options	Total
Opening balance	14,787	3,157	0	17,944
Purchases for the period	3,370	279	0	3,649
Sales for the period	-1,542	-1,350	0	-2,892
Changes in securities and currencies during the period	-291	7	0	-284
Changes in unrealised gains or losses due to changes in:				
Market value	474	-17	0	457
Transfers from level 3 to level 1 or level 2	0	0	0	0
Transfers from level 1 or level 2 to level 3	0	0	0	0
Closing balance	16,798	2,076	0	18,874
Coupons and dividends during the period	123	234	0	357
Included in profit for the period				
– as part of carrying amount	306	244	0	550
– as part of other comprehensive income	0	0	0	0

2019

Change in level 3 during the year

Investment assets	Shares and participations	Bonds and fixed-income securities	Derivatives and options	Total
Opening balance	13,274	2,340	0	15,614
Purchases for the period	3,158	1,309	0	4,467
Sales for the period	-2,635	-283	0	-2,918
Changes in securities and currencies during the period	-1,144	-230	0	-1,374
Changes in unrealised gains or losses due to changes in:				
Market value	2,134	21	0	2,155
Transfers from level 3 to level 1 or level 2	0	0	0	0
Transfers from level 1 or level 2 to level 3	0	0	0	0
Closing balance	14,787	3,157	0	17,944
Coupons and dividends during the period	1,000	247	0	1,247
Included in profit for the period				
– as part of carrying amount	1,990	38	0	2,028
– as part of other comprehensive income	0	0	0	0

For instruments recognised in level 3 the estimates of fair value the society considers to be true and fair are used. Since the definition of level 3 is that an assessment of fair value is based on some form of model based measurement technique, which wholly or partly uses non-observable market data, this means that the calculated fair value can change through the use of alternative measurement methods, for example other model assumptions or other parameters.

A review of the classification of each individual investment according to the fair value hierarchy is performed at least once a year in conjunction with closing accounts. Changes in level are documented continuously during the year in connection with each instrument's valuation basis. The annual review includes motivation for a changed classification during the year, if this has taken place. At each year-end a total review is performed of all holdings.

No transfers took place between levels 1 and 2 to/from level 3 during the year.

Assessment of outstanding risks for investments recognised in level 3

2020

Outstanding risks, level 3

Investment assets	Share in level 3 SEKm	Share	Share in level 1 or 2 SEKm	Share
Interest rate risk	-4	0%	-1,130	100%
Share price risk	1,321	8%	15,833	92%
Property risk	5,282	97%	136	3%
Credit risk	0	0%	791	100%
Currency risk	1,118	65%	597	35%
Correlation effect	-3,991	46%	-4,629	54%
Other risks, not financial instruments	3		0	
Total net risk	3,729	24% ¹⁾	11,598	76%

Basis for stress test
Fair value level 3 18,874 100%

¹⁾ The total risk is allocated in proportion to each risk area. Divided on the one side level 1 and level 2, and on the other side level 3.

Assessment of outstanding risks for investments recognised in level 3

2019

Outstanding risks, level 3

Investment assets	Share in level 3 SEKm	Share	Share in level 1 or 2 SEKm	Share
Interest rate risk	0	0%	855	100%
Share price risk	1,137	7%	14,613	93%
Property risk	5,101	97%	133	3%
Credit risk	0	0%	1,140	100%
Currency risk	1,094	78%	309	22%
Correlation effect	-2,778	33%	-5,716	67%
Other risks, not financial instruments			853	
Total net risk	4,554	27% ¹⁾	12,187	73%

Basis for stress test
Fair value level 3 17,944 100%

¹⁾ The total risk is allocated in proportion to each risk area. Divided on the one side level 1 and level 2, and on the other side level 3.

Note 16 cont.

The starting point for the internal risk measurement analysis of different asset classes is the risk variables and parameters assigned by the Financial Supervisory Authority when the society reports to the authority according to the traffic light model. The model takes into account the inherent correlation in the different risks and weighs these together with the aid of a square root formula. The model is based on the different asset classes being given a number of different assumptions on price fluctuations, such as a 30% change in interest rates or a 40% fall in share prices. It can be argued that correlation parameters cannot be read from market data, but their purpose is to capture the change in market value that can be expected in the event of an imagined extreme scenario, and thereby capture any dependence. The correlation parameters are set by the supervisory authority.

Currency risk for instruments in level 3 is hedged using instruments which in the fair value hierarchy, due to their measurement through discounted cash flows, are classified as belonging to level 2. In order to provide a true and fair value of outstanding currency risk attributable to level 3, this is calculated taking into account the currency hedging effected through a currency hedging instrument which is classified as level 2. Currency hedging takes the form of forward contracts, currency options and where applicable basis swaps. It is the remaining (excess) currency risk attributable to level 3 which is recognised in this note and consists of the part of the market value for the level 3 assets which is not quoted in SEK, which had not been hedged on the balance sheet date.

Calculation of how much of total net risk is attributable to instruments classified as level 3 in the fair value hierarchy has been made with the simplified assumption that the correlation, within each risk category, between instruments in level 3 (primarily unlisted instruments) and instruments in levels 1 or 2 (primarily listed instruments and currency hedge instruments), is equal to one.

The method and parameters are solely an approximation of the risk scenario based on empirical studies of the historical market development for groups of asset classes, over a larger group of insurance companies and pension funds. This means that for the individual asset both a higher and a lower risk level may exist, as well as other types of risks. Taken overall, however, this analysis method provides a satisfactory assessment of the outstanding level of risk for instruments in level 3 and their share of the total risk level, total net risk, taking into account correlation effects in the markets represented through the square root formula. For assets in level 3 that are not stress tested with theoretical models most constitute so-called alternative investments, which is a generic term for financial investments that are regarded as uncorrelated with share and fixed-income markets such as where illiquid financial instruments can exist.

Quantification of unobservable inputs in level 3

For fair value measurements within level 3 where the society has engaged a third party to calculate value, the society does not produce quantifiable unobservable inputs, but uses price information from the third party without adjustment. The reason for this includes the fact that the valuation models used by the third party in its internal valuation process are usually owner protected by third party and therefore not communicated to the society, i.e. these are the banks' and valuation institutions proprietary models where the society does not have insight into the details of the underlying assumptions and valuation models that are applied in the measurement process. For investments in some companies under liquidation the third party makes an assessment that there is a possibility to recover an unspecified part of the investment but that the probability of this occurring cannot be quantified, and the third party does not provide amounts for future cash flows that might be expected in such a recovery process. In such valuations the society has set the probability of this at zero per cent and thereby measured these investments at zero kronor.

NOTE 17 Other receivables

	2020	2019
Tax asset	47	34
Non-cash sale investment assets	53	57
	100	91

NOTE 18 Property, plant and equipment

	2020	2019
Opening cost	4	4
Investments for the year	1	0
Disposals for the year	-1	0
Accumulated depreciation	-3	-3
	1	1

NOTE 19 Equity

Disclosures of changes in equity are provided in the Statement of changes in equity, page 17.

NOTE 20 Life insurance provisions

	2020	2019
Kåpan Tjänste	34,380	35,228
Kåpan Extra	7,019	7,590
Kåpan Plus	1,579	1,640
Kåpan Valbar	18,270	14,960
Kåpan Flex	301	183
	61,549	59,601

NOTE 21 Life insurance provisions

	2020	2019
Opening balance	59,601	54,183
Paid-in premium for new business	301	295
Paid-in premium for contracts signed in previous periods	5,677	5,290
Paid from/transferred to Provision for claims outstanding or liabilities	-1,934	-1,892
Risk result	44	1
Indexation with discount rate	532	541
Effect of changed discount rate	3,382	3,607
Allocated bonus	0	0
Charges	-67	-69
Tax on returns	-45	-43
Portfolio taken over/transferred	0	0
Effect of (other) changed actuarial assumptions	3,112	0
Other changes	-9,054	-2,312
Closing balance	61,549	59,601

NOTE 22 Provision for claims outstanding

	2020	2019
Opening balance, reported claims	4	5
Opening balance, claims not yet reported	0	0
Opening balance	4	5
Revaluation with discount rate	0	0
Tax on returns	0	0
Charges	0	0
Cost of claims incurred in current year	0	0
Paid from/transferred to insurance liabilities or other current liabilities	-9	-1
Change of anticipated cost of claims incurred in previous year (run-off result)	0	0
Effect of changed discount rate	0	0
Effect of (other) changed actuarial assumptions	0	0
Change in claims not yet reported	0	0
Other changes	5	0
Closing balance	0	4
Closing balance, reported claims	0	4
Closing balance, claims not yet reported	0	0

NOTE 23 Other liabilities

	2020	2019
Collateral received *)	431	627
Other	9	11
440	638	

*) Cash collateral received.

Exposure derivative contracts: SEK 435,455,054 (640,199,834).

NOTE 24 Contingent liabilities

Pledged financial instruments

Equity loans for pledged equities amount to SEK 627,719,118 (987,993,500) on the balance sheet date.

Collateral received, equities

For pledged equities, collateral in the form of Swedish equities has been received amounting to SEK 660,759,387 (1,034,850,332).

Collateral received, fixed-income securities

Collateral received, in the form of fixed-income securities SEK 380,778,015 (0).

Exposure: SEK 380,380,897.

Commitments

The nominal value of currency and interest rate derivatives is recognised in accordance with the Swedish Financial Supervisory Authority's regulations as commitments (memorandum items) and amount at 31 December 2020 to SEK 35,958m (31,076), see also Note 15. The society normally has a matching receivable within the framework of this type of derivative contract.

In addition, the society has outstanding commitments to invest in unlisted equities and funds which amount to SEK 6,819m (8,000) in accordance with current agreements.

Total commitments thus amount to SEK 42,777m (39,076).

NOT 25 Anticipated recovery dates

2020

SEKm	Max 1 year	Longer than 1 year	Total
Assets			
Other intangible assets	0	7	7
Investments in associates	0	7,197	7,197
Shares and participations	0	56,188	56,188
Bonds and other fixed-income securities	0	46,568	46,568
Derivatives	762	87	849
Other receivables	100	0	100
Property, plant and equipment	0	1	1
Cash and bank balance	1,913	0	1,913
Accrued interest income	274	0	274
Other prepaid expenses and accrued income	3	0	3
	3,052	110,048	113,100
Liabilities			
Life insurance provisions	1,927	59,622	61,549
Provisions for claims outstanding	0	0	0
Provision for other risks and expenses	7	0	7
Derivatives	0	14	14
Other liabilities	440	0	440
Accrued expenses and deferred income	2	0	2
	2,376	59,636	62,012

2019

SEKm	Max 1 year	Longer than 1 year	Total
Assets			
Other intangible assets	0	7	7
Investments in associates	0	5,935	5,935
Shares and participations	0	53,776	53,776
Bonds and other fixed-income securities	0	42,490	42,490
Derivatives	609	0	609
Other receivables	91	0	91
Property, plant and equipment	0	1	1
Cash and bank balance	1,935	0	1,935
Accrued interest income	237	0	237
Other prepaid expenses and accrued income	3	0	3
	2,875	102,209	105,084
Liabilities			
Life insurance provisions	1,930	57,671	59,601
Provisions for claims outstanding	4	0	4
Provision for other risks and expenses	9	0	9
Derivatives	34	0	34
Other liabilities	638	0	638
Accrued expenses and deferred income	1	0	1
	2,616	57,671	60,287

NOTE 26 Category and fair value of financial assets and liabilities

2020

SEKm	Financial assets at fair value through profit or loss				
	Assets assessed as belonging to the category	Held for trading	Loans and receivables	Carrying amount, total	Fair value
Financial assets					
Shares and participations in associates	5,877			5,877	5,877
Fixed-income securities, loans to associates	1,320			1,320	1,320
Shares and participations	56,188	—	—	56,188	56,188
Bonds and other fixed-income securities	46,568	—	—	46,568	46,568
Derivatives	—	849	—	849	849
Other receivables	—	—	—	100	100
Cash and bank balances	—	—	1,913	1,913	1,913
Accrued interest income	274	—	—	274	274
Other prepaid expenses and accrued income	—	—	—	3	3
Non-financial assets	—	—	—	8	8
Total	110,227	849	1,913	113,100	113,100

SEKm	Financial liabilities at fair value through profit or loss				
	Liabilities assessed as belonging to the category	Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Financial liabilities					
Provision for other risks and expenses	—	—	—	7	7
Derivatives	—	14	—	14	14
Other liabilities	—	—	440	440	440
Accrued expenses and deferred income	—	—	2	2	2
Technical provisions	—	—	—	61,549	61,549
Total	—	14	442	62,012	62,012

2019

SEKm	Financial assets at fair value through profit or loss				
	Assets assessed as belonging to the category	Held for trading	Loans and receivables	Carrying amount, total	Fair value
Financial assets					
Shares and participations in associates	3,641			3,641	3,641
Fixed-income securities, loans to associates	2,294			2,294	2,294
Shares and participations	53,776	—	—	53,776	53,776
Bonds and other fixed-income securities	42,490	—	—	42,490	42,490
Derivatives	—	609	—	609	609
Other receivables	—	—	—	91	91
Cash and bank balances	—	—	1,935	1,935	1,935
Accrued interest income	237	—	—	237	237
Other prepaid expenses and accrued income	—	—	—	3	3
Non-financial assets	—	—	—	8	8
Total	102,438	609	1,935	105,084	105,084

SEKm	Financial liabilities at fair value through profit or loss				
	Liabilities assessed as belonging to the category	Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Financial liabilities					
Provision for other risks and expenses	—	—	—	9	9
Derivatives	—	34	—	34	34
Other liabilities	—	—	638	638	638
Accrued expenses and deferred income	—	—	1	1	1
Technical provisions	—	—	—	59,605	59,605
Total	—	34	639	60,287	60,287

NOTE 27 Related-party disclosures

Kåpan Pensioner is an insurance society where all the surplus is returned to its members. The main purpose of the society is to manage and pay pension assets for employees covered by an agreement concluded between the Swedish Agency for Government Employers and the government employees' main unions, or between other parties who have concluded pension agreements linked to such agreements.

The highest decision-making body is the Council of Administration. The members of the Council of Administration are appointed by the parties within the government agreement sphere. Operating activities are managed by a Board which appoints the President of the society.

Related parties are defined as members of the Board and management people within Kåpan Pensioner and members of their immediate families.

Remuneration to the Board and President is set out in Note 7. Otherwise there are no transactions with these people or persons related to them in addition to normal customer transactions that take place on market terms.

Stockholm, 23 March 2021

Gunnar Holmgren
Chairman

Lars Fresker
Vice Chairman

Mikael Andersson

Fredrik Bäckström

Erland Ekheden

Eva Fagerberg

Anna Falck

Anita Johansson

Dan Sjöblom

Anna Steen

Helen Thornberg

Roger Vilhelmsson

Gunnar Balsvik
President

My audit report was submitted on 23 March 2021

Gunilla Wernelind
Authorised Public Accountant

Auditor's report

To the Council of Administration of Kåpan tjänstepensionsförening,
(Government Employees Pension Fund) reg. no. 816400-4114

Report on the annual accounts

Opinions

I have audited the annual accounts of Kåpan tjänstepensionsförening for the year 2020. The annual accounts of the society are included on pages 4-35 in this document.

In my 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 Kåpan tjänstepensionsförening as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

I therefore recommend that the Council of Administration adopts the income statement and balance sheet.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of Kåpan tjänstepensionsförening in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information than the annual accounts

This document also contains other information than the annual accounts which is found on pages 1-3. The Board of Directors and the President are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Insurance Companies. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the President are responsible for the assessment of the society'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 President intend to liquidate the society, to cease operations, or has no realistic alternative but to do so.

Authorised Public Accountant's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual 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 my 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 society's internal control relevant to my 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 society'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 President.
- Conclude on the appropriateness of the Board of Directors' President's use of the going concern basis of accounting in preparing the annual accounts. I 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 society's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts, I have also audited the administration of the Board of Directors the President of Kåpan tjänstepensionsförening for the year 2020 and the proposed appropriations of the society's profit or loss.

I recommend to the Council of Administration 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 President be discharged from liability for the financial year.

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of Kåpan tjänstepensionsförening in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the society's profit or loss.

The Board of Directors is responsible for the society's organisation and the administration of the society's affairs. This includes among other things continuous assessment of the society's financial situation and ensuring that the society's organisation is designed so that the accounting, management of assets and the society's financial affairs otherwise are controlled in a reassuring manner.

The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the society's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditors' responsibility

My objective concerning the audit of the administration, and thereby my 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 President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the society, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act for Insurance Companies or the Statutes.

My objective concerning the audit of the proposed appropriations of the society's profit or loss, and thereby my opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Benevolent Societies 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 society, or that the proposed appropriations of the society's profit or loss are not in accordance with the Benevolent Societies Act.

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

Additional audit procedures performed are based on my professional judgment with starting point in risk and materiality. This means that I 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 society's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the society's profit or loss I examined whether the proposal is in accordance with the Benevolent Societies Act.

Stockholm, 23 March 2021

Gunilla Wernelind
Authorised Public Accountant
KPMG AB

Council of Administration, Board of Directors and Auditors

At 31 December 2020

Council of Administration

Appointed by the Swedish Agency for Government Employers

Members

Christina Gellerbrant Hagberg, Swedish Enforcement Authority, Chairman	
Susanne Nilsson, County Administrative Board, Norrbotten	
Cathrin Dalmo, Swedish Civil Contingencies Agency	
Glenn Sundberg, Swedish Geotechnical Institute	
Lena Bengtsson Malmeblad, Swedish Meteorological and Hydrological Institute	
Isa Seigerlund, Swedish Exhibition Agency	
Dan Jacobsson, Swedish Council on Health Technology Assessment	
Karin Coster, Swedish Council on Health Technology Assessment	
Lotta Liljegren, Swedish Work Environment Authority	
Eva Öquist, Stockholm University of the Arts	
Marie Höglström, Stockholms University	
Caroline Sjöberg, Umeå University	
Anneli Thunholm, Swedish Press and Broadcasting Authority	from 200101
Johan Sandström, National Defence Radio Establishment	
Hedda Mann, Swedish Agency for Government Employers	

Personal Deputies

Anne Vadasz Nilsson, (Vice Chairman) The Swedish Energy Markets Inspectorate	
Tomas Hedlund, National Board of Health and Welfare	
Stina Nyström, Swedish Armed Forces	from 200101
Helen Björkman, The Legal, Financial and Administrative Services Agency	from 200101
Niclas Lamberg, Swedish Transport Agency	
Ola Garmer, County Administrative Board, Skåne	from 200101
Maria Isaksson, Swedish National Courts Administration	
Eva Nelson, Swedish Defence Material Administration	
Anders Liif, Swedish Social Insurance Agency	from 200101
Torgny Hagelin, The Swedish Institute	from 200101
Maria Sundgren, Swedish Consumer Agency	
Eva Wallberg, Swedish Institute for Educational Research	
Charlotta Halling, Swedish Customs Service	
Helena Wingemo, Swedish National Financial Management Authority	
Ingrid Ganrot, Karlstad University	

Appointed by trade unions

Members

Peter Lennartsson, OFR	
Åsa Erba Stenhammar, OFR	
Tom Johnson, OFR	
Håkan Sparr, OFR	
Malin Thor, OFR	
Linda Söderman, OFR	
Evalena Ödman OFR	
Charlotte Olsson, Seko	
Ingrid Lagerborg, Seko	
Christer Hallkvist, Seko	
Olof Boman, Seko	
Jörgen Stehn, Seko	
Git Claesson Pipping, Saco-S	
Carolina Gomez Lagerlöf, Saco-S	
Elisabeth Perntz, Saco-S	

Personal Deputies

Sanna Norblad, OFR	
Per Sunneborn, OFR	
Mats Holmgren, OFR	from 200101
Britta Ljusberg, OFR	from 200101
Johan Lindgren, OFR	
Jörgen Kristiansson, OFR	
Mikael Boox, OFR	
Karna Tillhede, Seko	
Irre del Barba, Seko	
Peter Kvist, Seko	
Robert Wiklund, Seko	
Tommy Eriksson, Seko	
Robert Andersson, Saco-S	
Christer Gustafsson, Saco-S	
Tarek Touma, Saco-S	

Board of Directors

Employer representatives

Members

Gunnar Holmgren, Swedish Agency for Government Employers, Chairman

Martin Holmgren, Swedish National Courts Administration until 200428
Dan Sjöblom, The Swedish Post and Telecom Authority from 200429

Anna Falck, Swedish Agency for Government Employers

Personal Deputies

Petra Pfeiff, Swedish Agency for Government Employers	until 200428
Erland Ekheden, Swedish Pensions Agency	from 200429
Anita Johansson, Swedish Transport Agency	
Roger Vilhelsson, Swedish Agency for Government Employers	

Trade union representatives

Members

Lars Fresker, OFR, Vice Chairman
Lena Emanuelsson, Saco-S until 200513
Anna Steen, Saco-S from 200602
Helen Thornberg, Seko

Personal Deputies

Eva Fagerberg, OFR	
Mikael Andersson, Saco-S	
Fredrik Bäckström, Seko	

Auditors

Auditors

Gunilla Wernelind, Authorised public accountant
Elisabeth Mohlkert, Saco-S until 201231
Therese Mattsson, Swedish Coast Guard until 201231

Personal Deputies

Mårten Asplund, Authorised public accountant	
Thomas Åding, Försäkringskassan	until 201231
Johan Sterte, Karlstad University	until 201231

KÅPAN
PENSIONER



Kåpan tjänstepensionsförening

(Government Employees Pension Fund)

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