

Annual report 2022

KLP Kapitalforvaltning AS



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KLP Kapitalforvaltning AS

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KLP Kapitalforvaltning AS

Annual report 2022

KLP Kapitalforvaltning delivered good portfolio management returns and an annual result of NOK 3.0 million in 2022. At the end of the year, the company was managing NOK 640 billion in securities and is experiencing stable growth in assets under management. The future prospects for the company are good.

KLP Kapitalforvaltning AS is 100 per cent owned by Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP). The company was founded in 1993 and operates out of the KLP Group's headquarters in Oslo.

The company is a fund management company with a licence from the Financial Supervisory Authority of Norway to manage mutual funds and alternative investment funds, and to provide discretionary portfolio management and investment advice.

The company is the primary supplier of asset management services to the insurance business in the KLP Group. At the end of 2022, the company was the second largest fund management company in Norway measured by capital under management. The company manages 43 mutual funds with share classes for institutional clients, private individuals and distributors. Alongside the funds, discretionary portfolios are managed for companies in the KLP Group.

The company manages products with various investment strategies, including index-tracking, active and quantitative (factor-based) strategies, with investments in Norwegian and international securities. All products meet the general guidelines for responsible investments adopted by the KLP Group and the KLP funds. The company also offers a family of Nordic Swan branded funds that meet even stricter criteria for the environment, working conditions, human rights and anti-corruption.

The company's strategy is to develop good and cost-effective management products for the insurance business in the KLP Group, which are made available to all customers in the Norwegian fund market. Economies of scale derived from management for KLP and other customers allow the company to offer low-fee fund products suitable for long-term investment for all customer groups. The company strives to maintain its position as a leading player for responsible investments.

At the end of the year, the company managed NOK 640 billion in assets, placed in financial instruments, which is a decrease of NOK 29 billion since 2021. The assets were made up of NOK 506 billion from intragroup customers and NOK 134 billion from other customers. Total assets in the KLP funds were NOK 245 billion.

The profit/loss for 2022 is NOK 2,969 thousand. It is proposed to allocate this as follows (figures in NOK thousands):

Profit/loss	2022
Net Group contribution made	-
Transferred to other owners' equity	2 969
Total allocated	2 969

The Board considers that the income statement for 2022 and the balance sheet as at 31.12.2022, with the notes, provide complete information on operations in 2022 and the financial position at the end of the year. On the basis of the annual financial statements, the Board believes that the conditions for a going concern are in place. The Board considers the company's financial strength to be good.

At the end of the year the assets under management were broken down by asset class as follows (figures in NOK billions):

Asset class	Market value
Equities	311
Long-term bonds	198
Short-term bonds	87
Money market securities	38
Hedging	6
Total	640

The company

Asset management

The portfolio management results were marked in 2022 by the weak growth in the securities markets, which gave poor absolute returns to customers in both equity and fixed income funds. The company has consistently delivered good relative results in its portfolio management areas, in relation to its targets and to relevant benchmark indices and comparable competitors.

Sales

The company was successful in selling fund products to institutional investors and retail customers in the Norwegian market in 2022. Net new subscriptions for customers outside the KLP Group came to more than NOK 13 billion. Capital belonging to such customers accounted for about 55 per cent of the total assets in the KLP funds at the end of 2022.

Operations

The company handles a large number of transactions in financial instruments. Around 31,000 different financial instruments are valued in the portfolio system on a daily basis. In 2022, more than 1.1 million entries were registered in the company's management system, which is a slight reduction from 2021.

In 2022, 39,000 securities trades and 6,000 foreign exchange trades were carried out. 29,000 corporate actions related to financial instruments were processed in the portfolios. In 2022, share classes were started for all ordinary mutual funds. At the end of the year, 127 prices were quoted daily for share classes in a total

of 43 mutual funds. The focus on strengthening the operating environment continues, to ensure secure handling of the growing complexity and scope of the asset management.

Risk

The company exposure to direct credit and market risk is limited. The company is equity-financed and does not have any interest-bearing debt. The company's financial strength is good. The company's financial assets are mainly invested in fixed income funds with a good diversification of risk and low credit and interest-rate risk.

The liquidity risk is very low because the company does not have any interest-bearing debt, the income from management is accrued monthly, and there are significant sums invested in fixed-income funds which can be realised at short notice. The company's assets under management are largely related to long-term investments from customers, which under normal market conditions are a stable long-term source of income.

The company has indirect exposure to market price movements because management fees from the KLP funds are directly influenced by the amount of assets under management. This means that a general fall in market values will reduce the company's ongoing revenue from the KLP funds. The amount of the company's equity is commensurate with this risk of loss of income, so it will be able to maintain operations even in the event of a significant loss of income and/or increased costs.

The company's biggest risk in the short term is operational risk. This is the risk of direct or indirect losses resulting from failing internal processes or systems, errors made by employees or external events. This includes risks related to IT systems, information security and compliance with official requirements. The external threats relating to information security, complexity in the business and the scope of regulatory requirements are major drivers for such risk.

The company spends considerable resources on internal control and compliance to keep track of, manage and limit the company's operational risks. There is ongoing work to increase the degree of automation of central processes, as well as quality assurance of procedures and systems.

Handling sustainability risk is an integral part of the company's management and decision-making processes. The company works actively to limit sustainability risk in its own operations and through its supply chains. Integration of corporate social responsibility into the management of customer funds is discussed in more detail below.

The Board has conducted an annual review of the company's risk management and internal control, where the risk of not achieving the company's strategic objectives is measured on the basis of identified commercial, asset management-related, financial, operational and political risks. This confirmed that the company has implemented a prudent framework for the risks in its business. The Board has also carried out an annual review of the company's risk and capital needs, setting a capital need for the next 12 months. At the end of 2022, the company's own funds exceeded this capital need by a good margin.

Corporate social responsibility

The basis for KLP Kapitalforvaltning's responsible investment work is to deliver secure and competitive management of pensions and savings in a responsible and sustainable manner. The company's influence on corporate social responsibility and sustainability is greatest through its management of pensions and savings, including its investment in and ownership of companies. The management strategy is built around accepted international standards, such as the UN Climate, Nature and Sustainable Development Goals, and the risk posed by the world's sustainability challenges to our own activities. The strategy encompasses key issues such as human rights and labour rights, climate and environmental impact, good corporate governance, anti-corruption, tax and transparency, and other financial crime, as well as gender equality and diversity.

KLP Kapitalforvaltning AS aims to be a leading asset manager in the area of responsible investments and to integrate this into all of our operations. We have committed to this through KLP's membership of the UN Global Compact and by signing up to the UN Principles for Responsible Investment (PRI). The company has set objectives for all portfolios to be better at sustainability than the market in general. The majority of the portfolios under management meet this requirement.

At the end of 2022, 758 companies were excluded from the investment universe for the KLP funds because of breaches of the guidelines. For these companies, 348 issuers were included in the KLP funds' benchmark indices, and 209 issuers were included in the benchmark index of bond funds investing in credit bonds internationally. 142 new companies were excluded, and 55 companies were included. The majority of exclusions are due to violations of the product criteria for KLP and the KLP funds, and the disposal of shares in Russian companies as a result of the war in Ukraine. The rest of the exclusions were violations of other ethical criteria, including human rights and corruption.

The company has followed up 259 companies in its active ownership work on various topics related to ESG. There have been 45 improvements noted in companies that have been followed up by the company. KLP has voted at about 99 percent of all general meetings at which it had voting rights - 8,902 general meetings in all. Through 2022, the company worked to adapt its Nordic Swan eco-labelled funds to new criteria which will come into effect in March 2023, and the implementation of the SFDR.

Organisation

Håvard Gulbrandsen is the Managing Director of the company. KLP's Chief Finance Officer, Aage Schaaning, took over as Chairman of the Board on 1 January 2023 from CEO Sverre Thornes. At the end of the year, the company had 73 permanent employees. It also had six employees in temporary positions. The employees have been represented on the Board of Directors since 2007. Work has been ongoing throughout the year on leadership development, culture and values as well as training for the company's employees. The operational environment has been strengthened, and we are working to streamline every part of the company's data flow.

The working environment is good, and human and employee rights are addressed in the company's policy guidelines. Sick leave was low in 2022, at 1.26 per cent in total, split between 1.02 per cent short-term

absence and 0.24 per cent long-term absence. No employees were injured or suffered any accidents at work in 2022.

The total payments of ordinary salary to the company's employees were NOK 89.9 million in 2022. The company's employees also have a defined-benefit pension scheme like the one KLP offers to its customers. Employees who are directly accountable for the management of clients' assets, and their managers, are included in the company's performance-related pay scheme. A total of 21 employees were covered by the scheme in 2022. Provisions of NOK 33.4 million have been raised in the accounts for performance-based pay accrued in 2022, excluding employer's National Insurance contributions and financial taxes. The main features of the performance-based pay scheme are disclosed in the prospectuses for the KLP funds. The remuneration scheme in the company, including the performance-based pay scheme, has been largely retained from the previous year.

The company strives to be an inclusive workplace with a working environment characterised by diversity, gender equality and mutual respect. This strengthens value creation, increases employee satisfaction and contributes to good attitudes and actions. It is also a prerequisite for the company to achieve its goal of being a socially responsible enterprise. We expect our suppliers and partners to take gender equality and diversity seriously in their own operations and in their own supply chains. We also look out for gender discrimination in relation to workers' rights in the investment processes.

Three out of six Board members are women, along with four out of twelve managers in the company. 34 per cent of the employees are women. Most of them work within our operating environment. Gender-based statistics on the company's employees, salaries, job categories, working hours and parental leave were drawn up at the end of 2022. The results of this survey are set out in the KLP Group's sustainability accounts, which are included as an appendix to the Group's annual report for 2022.

The company has a preponderance of men, both in the number of employees and in employees in the highest paid positions. This is a challenge that exists right across the finance sector. The company is working hard to attract more women in order to achieve a better gender balance, especially in portfolio management positions and in the company's IT function. Efforts are being made to promote gender balance through the recruitment process, including actively searching for well-qualified candidates of both sexes before hiring. An internship scheme has been established for students where one of the goals is to help recruit more talented young people of both sexes. In 2022, the company hired two of the internship candidates into permanent positions starting in summer 2023. The company also participates in professional events and lectures, as well as arranging webinars and podcasts, to raise its profile as a leading asset manager and an exciting place to work with a socially important function. KLP Kapitalforvaltning AS wants to hear from all qualified jobseekers, regardless of gender, ethnicity, religion, beliefs, disability, sexual orientation, gender identity, gender expression and age.

In order to improve the gender balance, it is also important to develop and retain female employees. The company has good parental leave arrangements and is a flexible workplace which caters for individual needs. Training and professional development are emphasised in staff appraisals. There are regular assessments of differences in pay between men and women, to ensure that these are not related to gender. The company has arranged for younger employees to have a network and a social meeting place in the

enterprise, to create a sense of well-being and belonging.

The company adheres to KLP's Group-wide equality goals linked to equal pay, career and development opportunities, and representation on committees and projects. The company has established specific targets to achieve a balance between the sexes by 2025, where balance is defined as being within 40-60 per cent split between the sexes. There is also a Group-wide goal for a similar gender balance in management and other senior positions. Please refer to the annual report for the KLP Group for a more detailed account of the Group-wide objectives.

Work towards gender equality and against discrimination is based on common guidelines and work across the Group, as well as processes at the local level within the company. The risk of discrimination or other obstacles to gender equality in the company is considered to be low, given the measures that have been established. Efforts to follow up on objectives, evaluate and implement measures will be prioritised in the future.

The company does not pollute the external environment and lays great emphasis on reducing its own climate and environmental impact through the parent company's work with environmentally certified offices and operations.

The securities market in 2022

2022 was a weak year for most markets and asset classes. Inflation fears gradually replaced the relief at seeing the back of the pandemic, and the equity markets started to fall sharply from the end of the first quarter. The broad stock market index MSCI World (measured in local returns) fell 16 per cent through the year, while the fall in the Norwegian stock market was dampened by high energy prices and ended with a fall of 1 per cent (Oslo Børs Benchmark Index).

Long-term interest rates rose considerably through the year. Both US and Norwegian interest rates started the year below 2 per cent, before rising to around 4 per cent, and ending the year at 3.9 per cent and 3.3 per cent respectively. This movement resulted in that fixed income funds with long duration had a significant negative return in 2022, with KLP Obligasjon Global ending with a negative return of 15.4 percent.

The Norwegian krone depreciated sharply through the year. In the first quarter, it was mostly below 9.00 against the USD, but ended 2022 at almost 10.00 against the USD.

Outlook

There is normally considerable uncertainty associated with assessments of future conditions. However, the Board considers the market outlook for the company to be favourable. Over time, the KLP Group's total assets are expected to grow, with the expectation of a great bulk of the increase being invested in products delivered by KLP Kapitalforvaltning AS. Stable good results from index-tracking and continuing increased interest from external customers provide a basis for further growth in assets under management. Developments in recent years following the introduction of tax-favoured saving in funds and restructuring of pension schemes in the private and public sectors have increased the interest in personal saving in

mutual funds. The company is well positioned to take an increasing share of a growing savings market in the years ahead. The public authorities' focus on cost-effective management products for consumers underpins this position for the company.

In terms of the general environment for the business, new or extended rules are constantly being introduced, e.g., related to sustainability, anti-money laundering and terrorist financing, as well as product pricing and distribution of funds. Most legislative initiatives come from the EU's work to create a common rulebook for the EU single market, which is an ongoing effort. Further new or extended rules may therefore be expected in the coming years. The changes to the rules require modifications to processes and systems. The company is well equipped to handle these changes in a proper manner.

The company will continue to streamline its operational systems and procedures in 2023.

It is important for the company to have the skills to cope with changes in its own and its customers' regulatory framework. The company sets great store by close relationships with its customers to enable it to offer products and financial solutions that meet their needs.

The Board believes that the company is well equipped to meet its future challenges.

Oslo, March 1, 2023

The Board of Directors KLP Kapitalforvaltning AS

(sign)

AAGE E. SCHAANNING
Chair

(sign)

HILDE AUNVÅG

(sign)

HÅVARD GULBRANDSEN
Managing director

(sign)

GRO MYKING

(sign)

LEIF OLA RØD

(sign)

MAGNE AAGAARD VALEN-SENDSTAD
Elected by and from the employees

(sign)

JORUNN YGRE STORJOHANN

Income statement

KLP Kapitalforvaltning AS

NOTE	NOK THOUSANDS	2022	2021
3	Management fees securities funds	482 811	487 435
3,4	Fees from other securities management	123 944	120 412
	Total operating income	606 756	607 847
5	Personnel expenses	-172 307	-147 605
6	Other operating expenses	-429 603	-406 090
	Total operating expenses	-601 911	-553 695
	Operating profit/loss	4 845	54 152
7	Net financial income	385	2 063
	Profit before tax	5 230	56 215
8	Total tax costs	-2 260	-13 084
	INCOME FOR THE YEAR	2 969	43 131
	TRANSFERS AND ALLOCATIONS:		
	Transferred to other owners' equity	2 969	43 131
	Total transfers and allocations	2 969	43 131

Balance

KLP Kapitalforvaltning AS

NOTE	NOK THOUSANDS	31.12.2022	31.12.2021
ASSETS			
FIXED ASSETS			
9	Intangible assets	26 346	19 329
8	Deferred tax assets	42 745	39 957
	Total intangible assets	69 091	59 286
CURRENT ASSETS			
4	Receivables group companies	41 745	54 369
	Other receivables	6	53
	Total receivables	41 751	54 422
10	Shares in equity funds	42 221	39 095
10	Shares in fixed-income funds	394 388	415 588
	Total investments	436 608	454 683
	Deposits	87 216	67 389
	Total deposits	87 216	67 389
	TOTAL ASSETS	634 666	635 780

NOTE	NOK THOUSANDS	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
	Share capital	11 000	11 000
	Share premium capital	58 100	58 100
	Total Paid-up	69 100	69 100
11	Retained equity	324 120	310 235
	Total retained earnings	324 120	310 235
	TOTAL EQUITY	393 220	379 335
LIABILITIES			
12	Pension obligations	98 915	104 277
	Total provision for liabilities	98 915	104 277
CURRENT LIABILITIES			
	Accounts payable	3 177	4 160
	Public charges due	21 364	17 755
4	Liabilities to companies in the same Group	296	8 365
13	Other short term liabilities	117 694	121 889
	Total current liabilities	142 531	152 168
	TOTAL EQUITY AND LIABILITIES	634 666	635 780

Oslo, March 1, 2023

The Board of Directors KLP Kapitalforvaltning AS

(sign)

AAGE E. SCHAANNING
Chair

(sign)

HÅVARD GULBRANDSEN
Managing director

(sign)

HILDE AUNVÅG

(sign)

GRO MYKING

(sign)

LEIF OLA RØD

(sign)

MAGNE AAGAARD VALEN-SENDSTAD
Elected by and from the employees

(sign)

JORUNN YGRE STORJOHANN

Changes in Owners' equity

KLP Kapitalforvaltning AS

2022 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 31.12.2021	11 000	58 100	310 235	379 335
Estimate difference, pension costs, own employees			14 555	14 555
Tax effect estimate difference			-3 639	-3 639
Performance			2 969	2 969
Owners' equity 31.12.2022	11 000	58 100	324 120	393 220

2021 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 31.12.2020	11 000	58 100	265 464	334 564
Estimate difference, pension costs, own employees			2 186	2 186
Tax effect estimate difference			-547	-547
Performance			43 131	43 131
Owners' equity 31.12.2021	11 000	58 100	310 235	379 335

The company's share capital as at 31.12.2022 amounts to NOK 11,000,000, divided by 1,000 shares at NOK 11,000. The company has one share class, and there are no provisions in the Articles of Association about any restrictions in voting rights.

All of the shares are owned by Kommunal Landspensjonskasse gjensidig forsikringselskap.

Statement of cash flows

KLP Kapitalforvaltning AS

NOK THOUSANDS	2022	2021
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Receipts of remuneration from customers	559 275	558 707
Interest received	854	67
Payment to other suppliers for products and services	-386 904	-350 905
Payment to staff, pension schemes, employer's social security contribution etc.	-134 253	-129 029
Payment of tax	0	-60
Payments on the sale of shares and equity funds	-14 417	-21 897
Receipts on the sale of fixed income securities	48 318	11 893
Receipts of interest from fixed income securities	-22 371	-38 038
Net cash flows from operating activities	50 502	30 738
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments on the purchase of tangible fixed assets etc.	-14 056	-4 976
Net cash flows from investment activities	-14 056	-4 976
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of group contribution	-16 620	-20 998
Net cash flows from financing activities	-16 620	-20 998
Net changes in cash and bank deposits	19 827	4 764
Holdings of cash and bank deposits at start of period	67 389	62 625
Holdings of cash and bank deposits at end of period	87 216	67 389

Notes

KLP Kapitalforvaltning AS

Note 1 **Accounting principles**

1. General information

KLP Kapitalforvaltning AS offers a wide range of investment and management services. The company is one of Norway's biggest investment management companies and offers both index-tracking and active securities management.

The company is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). The Company has an office in Dronning Eufemias gate 10, 0191, Oslo.

The annual financial statements are available at klp.no.

Below follows a description of the most important accounting principles used in the company financial statements. These have been used consistently for all periods presented.

2. Fundamental principles

The accounts have been prepared according to the "Act regarding annual accounts (the Accounting Act)" of 1998, "Regulation on annual accounts etc. for asset management companies" of 1999, and good accounting practice.

The company financial statements have been prepared based on the principle of historic cost, with the exception of financial assets which have been measured at fair value over profit or loss.

To prepare the accounts, management has to make accounting estimates and approximate valuations. This may affect the value of the assets and liabilities, income and expenses recognised in the financial statements. Actual figures may differ from the estimates used, and areas in which discretionary valuations and estimates of material significance for the company have been shown are described in Note 2.

The financial statements have been prepared in accordance with the going concern assumption.

2.1 Accounting principles that have not entered into force

There are no new and/or changed standards with material effect adopted by the company in 2022.

3. Income and cost accounting principles

The management fees are calculated in relation to management agreements entered into. These are included in the results in line with the part of the contract period that accrued on the balance sheet date.

Principles of revenue recognition in connection with securities is described in more detail in section 4.2.1

Costs are recognised in the same period in which they are incurred.

4. Classification of assets

Assets recognised as current assets or use are classified as fixed assets. Other assets are classified as current assets.

4.1 Fixed assets

Fixed assets are valued at acquisition costs, adjusted for depreciation and any write-downs. An assessment of the need for write-down will be made where there is an indication of a fall in value that is anticipated to be permanent.

4.1.1 IT Systems

The Company's intangible assets generally comprise capitalised IT systems and software. On the purchase of a new IT system, directly attributable costs for the system/software, assistance from external consultant and costs of having the system installed and readied for use are capitalised.

On further development of IT systems and software both external and internal costs are capitalised in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

When an IT system is operational the capitalised costs are depreciated by straight line over the expected life. In the event of subsequent capitalisation because of further development, this is depreciated over the original lifetime unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalised IT system is higher than the recoverable amount an impairment test is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is depreciated to the recoverable amount.

4.2 Current assets

4.2.1 Securities

The company's holding of securities is managed as a group, and earnings are assessed and reported to management on a fair value basis. The size of the portfolios is determined by the company's desired risk exposure to the equity and interest rate markets, respectively.

The securities are recognised in the balance sheet at fair value on the trading date.

During subsequent measurements, the securities are valued at fair value. Fair value is set daily based on an observable purchase price in active markets or, where such a purchase price is not available, through theoretical valuation models based on external data. The prices are read at given closing points in each individual market on the last trading day up until the balance sheet date. Theoretical valuation methods are based for example on information on recently completed transactions on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and spread curves.

Change in fair value is recognised on the line "Net financial income".

During the sale of securities, the realised profit/loss is calculated as the difference between the sales price and the acquisition cost. The acquisition cost is calculated based on the first in, first out principle (FIFO principle) for investments in securities, while the acquisition cost is allocated according to the average method for interchangeable financial assets such as bonds and certificates. Realised gains are recognised on the line "Net financial income".

Coupons on interest-bearing securities is presented in the line "Net financial income" in the P/L statement.

4.2.2 Cash and bank deposits

Cash holdings and bank deposits associated with daily operations are shown as cash and bank deposits. The statement of cash flows has been set out in accordance with the direct method.

4.2.3 Other current assets

Other current assets are valued at the lowest value of nominal and fair value. Other current assets consists mainly of trade receivables, internal accounts with group companies and other current receivables.

5. Classification of debt

Liabilities that must be repaid within a year are classified as current liabilities.

5.1 Current liabilities

Current liabilities are valued at the highest of nominal and fair value. Current liabilities consist mainly of accounts payable, incurred or overdue public fees, debts to intra-group companies and other current liabilities.

5.2 Non-current liabilities

5.2.1 Pension obligations

The company's pension obligations are mainly insurance-covered through the parent company KLP's public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ('Fellesordningen'). Pension liability beyond these schemes is covered through operations. The Company has a defined-benefit pension scheme for its employees.

The accounting liability for defined benefit schemes is the present value of the obligation on the reporting date, with deduction for fair value of the pension assets. The gross obligation is calculated by an actuary who uses the linear method for the calculation. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviation and changes in actuarial assumptions are charged directly to owners' equity during the period in which they arise.

When presenting the pension costs in the income statement, there is a three-way distribution of the costs. The pension cost is divided into pension cost, a net interest element and an estimated difference (actuarial gains and losses). In the income statement there is a choice to classify the net interest element either as an operational cost or as a financial cost. The option the company adopts must be followed consistently for later periods. The Company has presented the pension costs under the accounting line 'Salary costs', whilst the net interest element is presented in the accounting line 'Net financial income'. The estimated difference is posted directly to owners' equity.

6. Tax

The tax cost in the income statement covers both the period's payable tax and change in deferred tax. Deferred tax is calculated with 25% of the basis of the temporary differences that exist between the accounting and taxable values, and tax deficit for performance at the end of the accounting year. Tax increasing and reducing temporary differences that reverse or can reverse in the same period are settled. Net deferred tax assets are capitalised to the extent it is likely that they could be utilized.

The Company is a part of a financial services group and a tax group. Any tax-related surplus may, with exception for the limitations pursuant to the Financial Institutions Act, be submitted in their entirety to parent company and subsidiaries as group contribution with tax effect.

The company is covered by the rules of capital activity tax. Capital activity tax are calculated on the company's total employer taxable benefits in addition to the salary benefits etc. that were earned in 2022, but were not paid until later years

7. Owners' equity

The Company's owners' equity comprises share capital, share premium and other owners' equity. The company was established by Kommunal Landspensjonskasse, which owns all the shares in the Company.

The Company's shares are an assignable equity capital instrument but are not listed on the stock market or other marketplace.

Other owners' equity comprises Group contributions received and retained earnings.

Allocations from the Company are governed through ordinary company law provisions.

8. Translation of transactions in foreign currency

8.1 Functional currency and presentation currency

The Company's accounts are presented in NOK, which is the functional currency of the Company.

8.2 Transactions and statement of financial position items

Transactions in foreign currency have been translated to NOK by using the exchange rate on the date of the transaction. Currency gains and losses on transactions in foreign currency are recognised through profit or loss. This also applies to translation of monetary items (assets and liabilities) at the end of the reporting period.

Translation differences on non-monetary items is included as a part of the assessment of fair value. Translation differences associated with non-monetary items, such as shares at fair value through profit and loss, are included as an element of value change taken to profit/loss.

Note 2 Important accounting estimates and valuations

When preparing the company's accounts, the management performs estimates, approximate assessments and assumptions on future conditions. This will affect the recognised amounts for assets, liabilities, income and costs. These are evaluated continuously and are based on historical experience data.

It may be expected that the estimates will deviate from the final outcome and the areas where there is significant risk of substantial changes in capitalised values in future periods are discussed below.

2.1 Pension obligations

The present value of the Company's net pensions liability in regard to its employees depends on a range of economic and demographic assumptions. The Company complies with the "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated guidance published in January 2023 has been used as the basis for updated measurement of best-estimate accrued obligations and assets as at 31 December 2022.

In accounting for pension schemes in accordance with IAS 19 and NRS 6, a range of actuarial assumptions must be specified. This specification involves significant elements of judgement and practical approximations. Weight has been placed on the assumptions being mutually consistent. The assumptions

for the Company's pension obligations are set in accordance with the guidelines, see note 12 for more information regarding pension obligations.

2.2 Fair value of financial assets

Financial assets classified as assets at fair value are taken to profit/loss are largely assets traded in a market, so that the market value can be determined with a great deal of certainty. For listed securities with little turnover, assessment is made whether the observable price can be taken as realistic.

Note 3 Fee income

NOK THOUSANDS	2022	2021
Equity funds	408 443	400 946
Fixed-income funds	74 368	86 489
Total Management fees securities funds	482 811	487 435
Management fees KLP Skadeforsikring AS	1 967	1 884
Management fees Kommunal Landspensjonskasse	121 783	118 346
Management fees KLP Banken AS	87	84
Management fees KLP Kommunekreditt AS	74	70
Management fees KLP Boligkreditt	19	17
Management fees KLP Eiendom AS	15	11
Total fees from other securities management	123 944	120 412
Total	606 756	607 847

Note 4 Transactions with related parties

NOK THOUSANDS	2022	2021
Income		
Management fees	123 944	120 412
Total	123 944	120 412
Expenses		
Rent/Cleaning	9 043	8 716
Pension premium	15 612	12 761
Staff services	62 470	59 945
Interest subsidised employee loans	1 203	1 111
Total	88 328	82 533
Balance sheet assets		
Kommunal Landspensjonskasse	3 272	11 109
KLP Skadeforsikring AS	492	292
KLP Kommunekreditt AS	0	32
KLP Boligkreditt AS	0	9
KLP Eiendom AS	15	11
KLP Banken AS	0	32
KLP funds	37 966	42 884
Total	41 745	54 369
Balance sheet liabilities		
KLP Banken AS	-108	-129
KLP Boligkreditt AS	-188	-176
Kommunal Landspensjonskasse	0	-8 060
Total	-296	-8 365

Instalment plan for intra-Group items has not been agreed as these are settled on an ongoing basis. The company has no pledged assets, securities or guarantees with undertakings in the same Group.

Note 5 Number of employees, personnel expenses

NOK THOUSANDS	2022	2021
Number of permanent employees 31 December	73	70
Average number of employees	72	69
Total number of full time equivalents	73	70
Personnel expenses - income statement:		
Salary	89 854	82 193
Pension costs	17 564	14 475
Social security tax	18 324	16 487
Capital activity tax	7 162	6 048
Allowance for salary incl. Social security tax	39 404	28 402
Total personnel expenses	172 307	147 605

Note 6 Other operating expenses

NOK THOUSANDS	2022	2021
Rent	8 637	8 183
IT-expenses	107 082	97 733
Major customer discount	139 183	144 386
Distributor allowance	35 134	24 958
Other operating expenses	139 568	130 830
Total other operating expenses	429 603	406 090

Note 7 Net financial income

NOK THOUSANDS	2022	2021
Interest income bank	854	67
Interest income fixed-income funds	4 379	4 926
Profit from the sale of sharesfunds	1 857	1 978
Unrealised change in value on fixed-income funds	-4 097	-2 741
Other financial expenses	0	-56
Financial costs pension calculation	-2 446	-2 112
Loss on the sale of sharesfunds	-161	0
Total net financial income	385	2 063

Note 8 **Tax**

NOK THOUSANDS	2022	2021
Accounting income before taxes	5 230	56 215
Differences between accounting and tax income:		
Pension obligations recognised directly against owners' equity	14 555	2 186
Tax gain on shares and other financial instruments	485	638
Reversal of value increase financial assets	7 333	-790
Reversed accounting gain through realisation of shares and other securities	-1 857	-1 978
Reversed accounting loss through realisation of shares and other securities	161	0
Other permanent differences	484	440
Change in differences affecting relationship between book and taxable income	8 359	9 767
Taxable income	34 750	66 478
Group contribution paid with tax effect	-34 750	-66 478
Base for tax payable	0	0
Tax-increasing temporary differences:		
Securities	0	743
Total tax-increasing temporary differences:	0	743
Tax-reducing temporary differences:		
Fixed assets	0	-11
Bonus accrual	-70 015	-56 282
Pension obligation, salary etc.	-98 915	-104 277
Securities	-2 052	0
Total tax-reducing temporary differences:	-170 981	-160 570
Net temporary differences	-170 981	-159 827
Basis for deferred tax	-170 981	-159 827
Capitalised deferred tax asset (25%)	-42 745	-39 957
Distribution of the tax cost:		
Tax on Group contribution payment made	-8 688	-16 620
Change in deferred tax	2 789	3 050
Corrected error earlier years	0	-60
Total tax costs	-5 899	-13 630
Distributed among the following items:		
Tax on Group contribution payment made	-8 688	-16 620
Tax payable earlier years	0	-60
Change in deferred tax in the income statement	6 427	3 596
Total recognised tax cost	-2 260	-13 084
Tax on estimate deviation, posted directly to owners' equity	-3 639	-547
Total tax cost posted directly to owners' equity	-3 639	-547
Total distributed tax cost	-5 899	-13 630

Profit/loss after tax amounted to 1 per cent of the company's capital assets in 2022.

Note 9 Intangible assets

NOK THOUSANDS	2022	2021
Acquisition cost 01.01.	63 343	58 366
Total additions	14 056	4 976
Disposals	0	0
Acquisition cost 31.12.	77 399	63 343
Accumulated depreciation and write-downs 01.01.	-44 013	-38 454
Ordinary depreciation for the year	-7 040	-5 559
Book value 31.12.	26 346	19 329
Depreciation period	4-7 år	4-7 år

Note 10 Equity- and fixed income funds

2022 NOK THOUSANDS	Number	Acquisition cost	Unrealized value 31.12.2022	Fair value
KLP Aksjglobal indeks IV	1 109	2 088	943	3 031
KLP Aksjglobal mer samfunnsansvar	3 976	4 497	2 222	6 719
KLP Aksjglobal mer samfunnsansvar II	1 861	1 886	391	2 277
KLP Aksjglobal flerfaktor	2	2	0	2
KLP Lang Horisont	31 049	30 306	-115	30 191
Total equity funds		38 780	3 441	42 221
KLP FRN	45 610	45 277	242	45 519
KLP Kredittobligasjon	104 328	108 325	-3 340	104 985
KLP Likviditet S	198 820	197 979	1	198 844
KLP Obligasjon 1 år Mer Samfunnsansvar	44 668	44 813	227	45 040
Total fixed income funds		396 393	-2 005	394 388
Total funds		435 173	1 436	436 608

2021 NOK THOUSANDS	Number	Acquisition cost	Unrealized value 31.12.2021	Fair value
KLP Aksjglobal indeks IV	1 469	2 703	2 227	4 929
KLP Aksjglobal mer samfunnsansvar	3 976	4 497	2 994	7 491
KLP Aksjglobal mer samfunnsansvar II	1 861	1 886	935	2 820
KLP Lang Horisont	11 138	20 734	3 121	23 855
Total equity funds		29 819	9 275	39 095
KLP FRN	52 198	54 369	487	54 857
KLP Kredittobligasjon	102 674	109 665	-990	108 675
KLP Pengemarked	197 413	197 495	0	197 495
KLP Obligasjon 1 år Mer Samfunnsansvar	54 436	54 566	-5	54 561
Total fixed income funds		416 095	-507	415 588
Total funds		445 914	8 769	454 683

Note 11 Capital adequacy

NOK THOUSANDS	2022	2021
OWN FUNDS		
Share capital	11 000	11 000
Share premium	58 100	58 100
Other owners' equity	324 120	310 235
Intangible assets	-26 346	-19 329
= Core capital	366 875	360 005
Supplementary capital/Tier 2 capital	-6 058	-3 956
= Own funds	360 817	356 049

Capital requirements – the standard method	Assets		Risk-weighted balance:	
	2022	Weight	2022	2021
Assets that are weighted 10%	0	10 %	0	0
Assets that are weighted 20%	424 581	20 %	84 916	85 745
Assets that are weighted 100%	12 027	100 %	12 027	147 769
Risk-weighted calculation base	436 608		96 944	233 514
Capital requirements according to the standard method (A)			7 755	18 681

Capital requirement – method based on 25% of last year's fixed costs	Basis	Basis
	2022	2021
Last year's fixed costs	389 643	356 780
Capital requirements according to the cost method (B)	97 411	89 195
Capital adequacy ratio in %	29,63 %	31,93 %

According to the capital requirements regulations, the Company must have net own funds that exceeds (A) 8 % of the risk weighted calculation basis, and (B) 25 % of last years fixed costs.

Supplementary capital requirements	2022	2021
	105 838	99 888

According to Section 2-7 of the Alternative Investment Services Act and Section 2-2 of the regulation of the Act on Securities Fund, the company has a supplementary requirement for own funds:

Own funds shall at any time constitute an amount in NOK that is at least equivalent to EUR 120.000 and an amount that corresponds to 0.02 % of the management company's managed capital in addition to EUR 250 million, limited to an amount in NOK equivalent to EUR 10 million.

Note 12 Pension obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"). The Company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ("obligatorisk tjenstepension", or OTP). The Company has a contractual early retirement (AFP) scheme. The accounting treatment of pension obligations is described in more detail in Note 1 and 2.

NOK THOUSANDS	Joint scheme	Via operation	Total 2022	Joint scheme	Via operation	Total 2021
Pension costs						
Present value of accumulation for the year	14 833	1 951	16 784	12 042	1 714	13 756
Administration cost	279	0	279	269	0	269
Plan change	0	0	0	0	0	0
Social security contributions - pension costs	2 131	275	2 406	1 736	242	1 977
Capital activity tax - pension tax	756	98	853	616	86	701
Pension costs taken to profit/loss incl. social security, capital activity tax and admin.	17 999	2 324	20 323	14 662	2 041	16 704
Net financial costs						
Interest cost	5 362	781	6 143	4 181	605	4 786
Interest income	-4 265	0	-4 265	-3 175	0	-3 175
Management costs	175	0	175	162	0	162
Net interest cost	1 273	781	2 054	1 168	605	1 773
Social security contributions - net interest cost	179	110	290	165	85	250
Capital activity tax - net interest cost	64	39	103	58	30	89
Net interest cost including social security contributions and capital activity tax	1 516	930	2 446	1 391	721	2 112
Estimate deviation pensions						
Actuarial gains (losses)	-9 839	-2 382	-12 221	-4 806	2 970	-1 836
Social security contributions	-1 387	-336	-1 723	-678	419	-259
Capital activity tax	-492	-119	-611	-240	149	-92
Actuarial gains (losses) including social security contributions and capital activity tax	-11 718	-2 837	-14 555	-5 724	3 537	-2 186
Total pension costs including interest costs and estimate deviation	7 797	417	8 214	10 329	6 300	16 629

NOK THOUSANDS	Joint scheme	Via operation	Total 2022	Joint scheme	Via operation	Total 2021
Pension obligations						
Gross accrued pension obligations	273 562	39 486	313 048	267 702	39 170	306 872
Pension assets	229 996	0	229 996	219 318	0	219 318
Net liability before social security costs and capital activity tax	43 565	39 486	83 052	48 384	39 170	87 554
Social security contributions	2 178	1 974	4 153	2 419	1 959	4 378
Capital activity tax	6 143	5 568	11 710	6 822	5 523	12 345
Gross accrued obligations incl. social security costs and capital activity tax	281 883	47 028	328 911	276 944	46 652	323 595
Net liability incl. social security costs and capital activity tax	51 886	47 028	98 915	57 626	46 652	104 277

NOK THOUSANDS	Joint scheme	Via operation	Total 2022	Joint scheme	Via operation	Total 2021
Reconciliation pension obligation						
Capitalized net liability/(assets) 01.01.	57 626	46 652	104 277	64 438	40 391	104 828
Pension costs taken to profit/loss	17 999	2 324	20 323	14 662	2 041	16 704
Financial costs taken to profit/loss	1 516	930	2 446	1 391	721	2 112
Actuarial gains and losses included social security contributions and capital activity tax	-11 718	-2 837	-14 555	-5 724	3 537	-2 186
Social security contributions paid in premiums/supplement	-1 602	-5	-1 607	-2 029	-5	-2 034
Capital activity tax paid in premiums/supplement	-568	-2	-570	-720	-2	-721
Premium/supplement paid-in including admin	-11 365	-34	-11 399	-14 393	-32	-14 425
Capitalized net liability/(assets) 31.12. this year	51 886	47 028	98 915	57 626	46 652	104 277

NOK THOUSANDS	Joint scheme	Via operation	Total 2022	Joint scheme	Via operation	Total 2021
Change in pension obligations						
Gross pension assets 01.01. before plan change	276 943	46 652	323 595	244 541	40 391	284 932
Plan change	0	0	0	0	0	0
Gross pension assets 01.01 after plan change	276 943	46 652	323 595	244 541	40 391	284 932
Present value of accumulation for the year	14 833	1 951	16 784	12 042	1 714	13 756
Interest cost	5 362	781	6 143	4 181	605	4 786
Actuarial losses (gains) gross pension obligation	-15 572	-2 837	-18 409	16 956	3 537	20 494
Social security contributions - pension costs	2 131	275	2 406	1 736	242	1 977
Social security contributions - net interest cost	179	110	290	165	85	250
Social security contributions paid in premiums/supplement	-1 602	-5	-1 607	-2 029	-5	-2 034
Capital activity tax - pension costs	756	98	853	616	86	701
Capital activity tax - net interest cost	64	39	103	58	30	89
Capital activity tax paid in premiums/supplement	-568	-2	-570	-720	-2	-721
Payments	-644	-34	-678	-603	-32	-635
Gross pension obligation 31.12.	281 881	47 029	328 909	276 943	46 652	323 595

NOK THOUSANDS	Joint scheme	Via operation	Total 2022	Joint scheme	Via operation	Total 2021
Change in pension assets						
Pension assets 01.01	219 318	0	219 318	180 103	0	180 103
Interest income	4 265	0	4 265	3 175	0	3 175
Actuarial (loss) gain on pension assets	-3 854	0	-3 854	22 680	0	22 680
Administration cost	-279	0	-279	-269	0	-269
Financing cost	-175	0	-175	-162	0	-162
Premium/supplement paid-in including admin	11 365	34	11 399	14 393	32	14 425
Payments	-643	-34	-677	-602	-32	-634
Pension assets 31.12	229 996	0	229 996	219 318	0	219 318

NOK THOUSANDS	Joint scheme	Via operation	Total 2022	Joint scheme	Via operation	Total 2021
Pension scheme's over-/under-financing						
Present value of the defined benefits pension obligation	281 881	47 029	328 909	276 943	46 652	323 595
Fair value of the pension assets	229 996	0	229 996	219 318	0	219 318
Net pensions liability	51 884	47 029	98 913	57 625	46 652	104 277

	31.12.2022	31.12.2021
Financial assumptions (common to all pension schemes)		
Discount rate	3,00 %	1,90 %
Salary growth	3,50 %	2,75 %
The National Insurance basic amount (G)	3,25 %	2,50 %
Pension increases	2,60 %	1,73 %
Social security contribution	14,10 %	14,10 %
Capital activity tax	5,00 %	5,00 %

The assumptions as at 31 December 2022 have been applied to measurement of the cost of pension for 2021, whilst for calculation of the pension obligation on 31 December 2022, the assumptions and membership numbers as at 31 December 2022 have been applied. The assumptions are based on the market situation as at 31 December 2022 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

Actuarial assumptions

KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"):

An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme.

KLP uses best estimate based on mortality and disability figures in KLPs customer base.

Withdrawal of contractual early retirement (AFP) (per cent in relation to remaining employees):

The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 42.5 per cent who retire with an AFP pension. It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for "Fellesordning" (in %)						
Age (in years)	<24	24-29	30-39	40-50	51-55	>55
Turnover	25 %	15 %	7,5 %	5 %	3 %	0 %

Pensions via operations

AFP/early retirement is not relevant to this scheme. In regard to mortality the same estimates have been used as for "Fellesordningen".

NUMBER	Joint scheme	Via operation	Total 2022	Joint scheme	Via operation	Total 2021
Membership status						
Number active	75	10	85	71	12	83
Number deferred (previous employees with deferred entitlements)	92	13	105	84	13	97
Number of pensioners	6	1	7	7	1	8

	2022	2021
Composition of the pension assets:		
Property	14,7 %	13,8 %
Lending	12,0 %	11,9 %
Shares	30,2 %	30,9 %
Long-term/HTM bonds	29,0 %	27,7 %
Short-term bonds	12,2 %	13,8 %
Liquidity/money market	1,9 %	1,9 %
Total	100,0 %	100,0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was -1,14 per cent in 2022 and 8,36 per cent in 2021.

Expected payment into benefits plans after cessation of employment for the period 1 January 2023 – 31 December 2023 is NOK 25,6 million.

Sensitivity analysis as at 31 December 2022

The discount rate is reduced by 0.5 %	Increase
Gross pension obligation	10,2 %
Accumulation for the year	16,3 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	0,5 %
Accumulation for the year	1,3 %
Mortality is strengthened by 10 %	Increase
Gross pension obligation	2,8 %
Accumulation for the year	2,1 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 18,9 years.

Note 13 Other short term liabilities

NOK THOUSANDS	2022	2021
Provisioned salary	58 786	47 256
Tax payable	8 688	16 620
Provisioned holiday pay	9 452	8 664
Provisioned unused holiday	2 239	1 866
Accrued operating expenses	38 529	47 483
Total other short term liabilities	117 694	121 889

Note 14 Salary and obligations towards senior management etc.

NOK THOUSANDS	2022		2021	
	Managing director	The Boards of Directors	Managing director	The Boards of Directors
Salary, fees etc.	3 566	359	3 427	351
Other benefits	179	0	213	0
Annual pension	1 163	0	1 086	0
Total	4 908	359	4 727	351

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines.

There are no obligations to provide the Managing director and the Chairman of the Board special consideration or other benefits on termination or change of the appointment. The Managing director has no agreement on performance pay (bonus) in addition to salary.

The Managing director has a retirement age of 65 years of retirement and a pension plan which pays 66 per cent of eligible salary in pension assuming a full accrual period.

Fees to Board members are determined by the Corporate Assembly. Board members employed in the KLP Group, not having been elected by and from the employees, do not receive a fee for the Board appointment

All benefits are shown without the addition of social security contributions and capital activity tax.

The Company has not granted any loans or security to the Managing Director, the Chair of the Board or other related parties

Note 15 Fixed- and variable costs

NOK THOUSANDS	2022	2021
Total income	606 756	607 847
Result before taxes	5 230	56 215
Variable costs	166 290	164 052
Fixed costs	435 621	389 643

Fixed costs is calculated according to the capital requirements regulations.

Note 16 Liquidity risk

2022 NOK THOUSANDS						
Agreed term to maturity	Within 1 month	1-12 months	1-5 years	Over 5 years	Without agreed term to maturity	Total
Receivables	41 751					41 751
Equity funds					42 221	42 221
Fixed income funds					394 388	394 388
Bank deposits					87 216	87 216
Pension obligations				-98 915		-98 915
Accounts payable	-3 177					-3 177
Liabilities group companies	-296					-296
Public charges due	-21 364					-21 364
Other short term liabilities	-117 694					-117 694
Total	-100 780	0	0	-98 915	523 824	324 129

2021 NOK THOUSANDS						
Agreed term to maturity	Within 1 month	1-12 months	1-5 years	Over 5 years	Without agreed term to maturity	Total
Receivables	54 422					54 422
Equity funds					39 095	39 095
Fixed income funds					415 588	415 588
Bank deposits					67 389	67 389
Pension obligations				-104 277		-104 277
Accounts payable	-4 160					-4 160
Liabilities group companies	-8 365					-8 365
Public charges due	-17 755					-17 755
Other short term liabilities	-121 889					-121 889
Total	-97 747	0	0	-104 277	522 072	320 048

The company does not have any interest-bearing liabilities but is fully funded by equity. Of the company's investments as at 31 December 2022, 75,3 % are invested in fixed-income funds, 8,1% are invested in equity funds and the rest is cash or cash equivalents.

Because the company is not funded by debt, the liquidity obligations are limited to payment of ongoing operating expenses. Because the company's assets essentially consist of easily transferable securities and bank deposits, the liquidity risk is considered to be very small.

The company has no investments in foreign currency and is therefore not exposed to exchange rate risk.

Note 17 **Auditor's fee**

NOK THOUSANDS	2022	2021
Ordinary audit	1 026	1 379
Certification services	213	0
Non-audit services	426	313

The audit fee is expensed according to received invoice. The amounts above include VAT.

Independent Auditor's report



To the General Meeting of KLP Kapitalforvaltning AS

Independent Auditor's Report

Opinion

We have audited the financial statements of KLP Kapitalforvaltning AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Responsibilities of Management for the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 1 March 2023

PricewaterhouseCoopers AS

Stig Arild Lund
State Authorised Public Accountant
(This document is signed electronically)

Contact information

KLP KAPITALFORVALTNING AS

A company in the KLP Group

Organisation number: 968 437 666

VISITOR ADDRESS:

Dronning Eufemiasgate 10, Oslo

Pb. 400 Sentrum, 0103 Oslo

Tlf.: +47 55 54 85 00

klp.no