



FUND RULES FOR THE AP7 EQUITY FUND

Approved by the Swedish Financial Supervisory Authority (*Swe. Finansinspektionen*) 29 March 2023

§ 1 The legal status of the Fund

The AP7 Equity Fund ("the Fund") and its management are regulated by the *Public Pension Funds Act (SFS 2000:192) (Swe. Lag om allmänna pensionsfonder [AP-fonder])* (the "AP Funds Act"). The Swedish Pensions Agency (*Swe: Pensionsmyndigheten*), (hereinafter "the Pensions Agency"), transfers assets to the Fund in accordance with Chapter 64, Section 18 of the *Social Insurance Code (SFS 2010:110) (Swe: Socialförsäkringsbalken)*. The Fund is intended solely for premium pension savings and is not open to other forms of saving. The Pensions Agency holds all fund units in the Fund on behalf of the Swedish State. Each fund unit represents equal rights to the assets of the Fund. The Seventh Swedish National Pension Fund (*Swe: Sjunde AP-fonden*, hereinafter "AP7") represents the holder of the fund units in all matters concerning the Fund and shall when managing the Fund act in its own name and state the Fund's designation. The Fund may not acquire rights by itself or to assume liabilities.

According to the AP Funds Act, the Fund's fund rules shall be prepared in accordance with Chapter 4, Section 8 of the *Swedish UCITS Funds Act (SFS 2004:46) (Swe. Lag om värdepappersfonder)*. According to Chapter 5, Section 7 of the AP Funds Act, the Fund's investments shall be appropriately distributed and with a risk diversification that is adapted to the Fund's investment policy according to these fund rules. When applying the rules of the Swedish UCITS Act, the Fund shall be considered an investment fund (*Swe. Värdepappersfond*) and AP7 as a fund management company (*Swe. Fondbolag*). However, it is the AP Funds Act that regulates which assets the Fund's assets may be invested in as well as to what extent.

The business of AP7 is conducted, in addition to the provisions of the said laws, in accordance with these fund rules and the special regulations issued by authorities pursuant to law and regulation.

§ 2 Fund Manager

The Fund is managed by the public authority AP7, registration number 802406-2302.

§ 3 Depositary

The provisions regarding depositaries in the Swedish UCITS Act do not apply to AP7. AP7 has regardless of that concluded agreement regarding the safe-keeping of the Fund's assets.

§ 4 The nature of the Fund

The Fund is designed to form a building block in the State default alternative AP7 Såfa in the public pension system's premium pension savings. The Fund is a globally diversified equity fund with risk-increasing elements and a clear sustainability profile. The risk level is deemed high. When managing the Fund, leverage is used, which means that the Fund's market

exposure is greater than the value of the Fund. Leverage may be used for all of the Fund's asset classes.

The aim of the management of the Fund is to, within the chosen risk level, obtain long-term high return which exceeds the return of a relevant global equity index; MSCI all Country World Index.

The Fund's assets shall be managed in an exemplary manner through responsible investments and responsible ownership. In its management, AP7 shall pay particular attention to how sustainable development can be promoted without compromising the goal of high long-term return. The requirement for exemplary management entails that AP7 shall cooperate with other AP Funds regarding sustainability issues. For this purpose, the AP Funds have established common guidelines for exemplary management, including rules regarding which assets the Fund may not invest in as well as reporting on achieved goals.¹ The requirement for exemplary management further entails that sustainability issues must form an integrated part of the decision-making process regarding the investments made.

§ 5 The Fund's investment policy

The Fund's assets may be invested in liquid assets, which consist of transferable equity securities, money market instruments, on deposit accounts in credit institutions or other similar short-term investments, derivative instruments and fund units that can be redeemed at short notice. Such assets shall normally² represent at least eighty (80) percent of the value of the Fund.

The Fund's assets may also be invested in assets other than those listed above in accordance with the AP Funds Act. This refers to so-called illiquid assets. These consist of investments in funds with limited liquidity, real estate companies and venture capital companies that may be acquired, provided that the total value of such holdings at the time of the acquisition amounts to a maximum of twenty (20) percent of the Fund's value.

The strategy of the management of the Fund is that its assets should be invested globally with a broad sectoral diversification and that the return opportunities and risk in the management can be increased by using so-called leverage, which means that the Fund's market exposure is greater than the Fund's value.

§ 6 Exposure limitation

A maximum of ten (10) percent of the Fund may consist of financial instruments issued by an issuer or by a group of interrelated issuers.

§ 7 Risk mitigation

The Fund uses a relative Value-at-Risk methodology to calculate the Fund's total exposure. The relative VaR indicates the ratio between the Fund's absolute VaR and its benchmark's absolute VaR, which constitutes a measure of the risk that the Fund's returns deviates from its benchmark. Absolute VaR shows how much the Fund can be expected to lose over a period of time and with a certain degree of certainty under normal market conditions. The VaR

¹ For further information about how AP7 works with sustainability issues please see to the information brochure.

² If any of the limitations specified in Chapter 5, Sections 3 or 6a or Chapter 4, Section 11 of the AP Funds Act are exceeded for a fund managed by AP7, the exceeding part of the holding shall be liquidated as soon as it is appropriate in view of market conditions. However, the exceeding part shall be liquidated at the latest when it can be done without loss to the fund concerned. The same applies to assets that has been acquired in accordance with Chapter 4, Sections 13 or 14 of the AP Funds Act.

methodology is based on a historical observation period of ten years. The calculation uses a time horizon of one month and a confidence interval of 99 percent. The ratio between the Fund's absolute VaR and its benchmark index's absolute VaR must not be greater than two. Therefore, the absolute level of the Fund may not be more than twice the absolute level of the Fund's benchmark (MSCI All Country World Index).

§ 8 Specific investment policy

Derivative instruments may, in addition to creating leverage in the Fund, be used to streamline the management and as part of the Fund's investment policy. OTC derivatives may be used, provided that the underlying assets are equities or equity-related assets, financial indices, interest rates, exchange rates or foreign currencies.

The Fund may use currency derivatives for the purpose of fully or partially hedge foreign currency holdings. Securities may be lent against adequate security and on customary industry terms.

When managing the Fund, so-called true short selling may occur.

The Fund may hold a maximum of ten (10) percent of the votes of the shares in a Swedish or foreign limited company, except in the cases stated in Chapter 5 Section 3 of the AP Funds Act.

§ 9 Marketplaces

The Fund's assets may be invested on a regulated market in the European Economic Area (hereinafter the "EEA") or a corresponding market outside the EEA. Trading may also take place on another market within or outside the EEA that is regulated and open to the public. To the extent provided for by law and these fund rules, trading may also take place in a different manner than on the above mentioned markets.

§ 10 Valuation

The Fund's value consists of the value of the Fund's assets after deduction of the Fund's liabilities.

The value of a fund unit (fund unit value) is the Fund's value divided by the number of outstanding fund units.

The value of a fund unit is determined each Swedish banking day and constitutes the selling price and the redemption price paid in the trade with the Fund units.

The liquid assets included in the Fund are valued with guidance of the current market values. The latest closing price is used, or if there is no closing price, the latest buying price. In the absence of information on current market values, or if such information according to AP7 is misleading, the valuation may be made at a value determined by AP7 on other objective grounds. It may, for example, for transferable securities which include a derivative part, mean that the valuation is carried out using theoretical models, where the ingoing parameters are obtained from market quoted rates.

For illiquid assets, a market value is determined on an objective basis after specific valuation. This may entail, for example, that the latest available data from an independent source is recalculated on a daily basis using a relevant index.

OTC-derivatives are valued according to generally acknowledged valuation models, for example Black & Scholes for options.

Liquid funds and current receivables, in the form of assets on accounts in credit institutions and payments for sold securities, shall be valued to the amount that is expected to be received.

For all assets, accompanying rights in the form of accrued return, issue rights and similar, shall be taken into account in the valuation.

Liabilities consist of:

- (a) Accrued unpaid remuneration to AP7.
- (b) Unpaid consideration for purchased financial instruments.
- (c) Unpaid performance-based fees to external managers
- (d) Taxes (if any).

The accrued liabilities of the Fund are calculated and taken into account in the day-to-day valuation process.

§ 11 Sale and redemption of fund units

Requests for sale and redemption of fund units are submitted by means of electronic communication from the Pensions Agency to AP7.

A fund unit shall, at the request of the Pensions Agency, be redeemed immediately if there are means available in the Fund. If funds for redemption need to be raised through the sale of the Fund's assets, such sale and redemption shall be carried out as soon as possible.

Fund units shall be sold and redeemed each banking day and settlement shall be made at the fund unit value that is determined at the end of the banking day when consideration has been paid or redemption has been requested. Hence, fund units are sold and redeemed at unknown prices. The latest determined fund unit value will be made public on AP7's website:

www.ap7.se.

Requests for redemption may only be withdrawn if AP7 consents to it.

§ 12 Closure of the Fund under extra ordinary circumstances

The Fund may be closed for purchase and redemption of units if such extraordinary circumstances have occurred that a valuation of the Fund's assets cannot be carried out in a way that guarantees equal rights for the premium pension savers who have placed premium pension funds through the Pensions Agency in the Fund. Such situation may arise for example if a significant part of the Fund's assets normally are traded on a market that is closed due to natural disasters or similar events.

§ 13 Fees and remuneration

Fees consist of management fees and performance-based fees for those management mandates where such can be issued according to agreement.

From the Fund's assets, remuneration is paid to AP7 for the management of the Fund. The remuneration also includes costs for safe-keeping of securities, monitoring and compensation to AP7's accountants.

The remuneration may not exceed 0.15 percent per year of the Fund's value and is debited from the Fund continuously each day with 1/365th of the total calculated annual remuneration.

In addition to the withdrawal of remuneration of a maximum of 0.15 percent to AP7, the Fund is charged with transaction costs in connection with the purchase and sale of financial instruments and may also be charged with performance-based fees to external managers who manage the Fund's assets on behalf of AP7. Performance-based fees can be paid only to the extent that the return in the specific management assignment reaches agreed levels and conditions.

§ 14 Dividend

The Fund does not pay any dividend.

§ 15 The Fund's financial year

The financial year of the Fund is the calendar year.

§ 16 Semi-annual report, annual report and amendments to the Fund rules

The Fund's semi-annual and annual reports shall be made public not later than two months after the end of the relevant six month period and the end of the calendar year, respectively. The Fund's semi-annual report shall be submitted to the Swedish Financial Supervisory Authority and the annual report shall be submitted to the Swedish Government, the Pension Agency and the Swedish Financial Supervisory Authority as well as to the pension savers who have requested so and shall further be made available at AP7. The documents will also be made available through AP7's website: www.ap7.se.

Amendments to the fund rules shall be notified to the Pensions Agency and shall be made available at AP7 and shall – where applicable – also be made public in accordance with instructions from the Swedish Financial Supervisory Authority.

§ 17 Pledging and transfer

Fund units may not be pledged or transferred.

§ 18 Damages

It follows from Chapter 5, Section 7 of the AP Funds Act, with reference to Chapter 2, Section 21 of the Swedish UCITS Act, that if unitholders have incurred damages due to AP7 having infringed provisions in law or these fund rules, AP7 shall compensate such damages.