



Annual and Sustainability Report 2022



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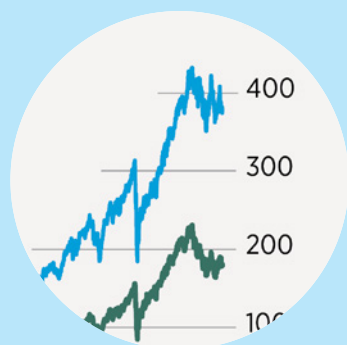
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AP7 manages the premium pension for 5 million Swedes

Since year 2000, AP7's mission has been to manage the premium pension capital in the state pre-selection option, AP7 S afa.

AP7 is the only public actor in the premium pension system. Our asset management is exclusively focused on the interests of the pension savers.

With investments in more than 3,000 companies around the world, we can act as owners on a broad front and with a long-term perspective.

By being an active universal owner, AP7 is securing the financial interests of both current and future savers.

AP7's mission

Good pension from generation to generation.

AP7's vision

A global role model for responsible pension solutions.

Our return goal

Continual savings in the pre-selection option should generate a long-term annual return at least 2 percentage points higher than that of the income pension.

Managed assets

900

billion SEK

More than

five

million savers

Investment portfolio more than

3,000

companies around the globe

2000-2022

9.8%

average annual capital-weighted return

All figures at December 31, 2022



Letter from the CEO

Thank you for twenty-two fantastic years!

After twenty-two years at AP7, twelve of which as CEO, it is time to start a new chapter in my life. I proudly look back on these years, during which we have created a good return for many of Sweden's premium pension savers and have been a driving force in ESG, on a global level as a universal owner.

Looking back on my years at AP7, I think of all the efforts we have made to fulfill the objective of contributing with a good pre-selection option within the premium pension for our savers. When AP7 started in 2000, the fund amounted to SEK 15 billion. As I now retire, the managed capital has grown to over SEK 900 billion. I am most proud of the fact that more than half of this growth has been created through our returns. AP7's ability to recruit competent and driven employees has been key to achieving this. I am extremely grateful to have worked with such fantastic colleagues.

Long-term perspective in turbulent times

After two years of the pandemic and stimulative fiscal and monetary policies, 2022 became the year when Russia brutally attacked Ukraine – a war that not only brought human suffering but also global instability. For the capital market, it has led to higher inflation, a problem that the world's central banks are now fighting aggressively to manage. These challenges, combined with a weaker economic outlook in many countries, have created a situation of recession and turbulent stock markets. In uncertain times, it is important to maintain a long-term perspective when it comes to pension savings. We must also remember the purpose of the premium pension to complement the

“ I am grateful for the trust we have been given during twelve years to manage the pension for so many savers in the pre-selection. I confidently look forward to following how AP7 continues to fortify its strong position within pension management and sustainability.

general pension with risk to enable a higher long-term returns. I am convinced that there will continue to be a risk premium for stocks, although our expectations about the level should be realistic.

As we entered 2022, AP7's annual growth had averaged 15 percent since 2010, when AP7 Såfa was created. Already last year, I stated in my CEO letter that we cannot expect these return levels long term. The 2022 return for AP7 amounted to -9.5 percent, compared to +32 percent in 2021. After several years of strong growth, these corrections on the world's stock markets can to some extent be seen as healthy. At the same time, I note that our diversification strategy was successful during this turbulent year – both the global equity diversification but above all currency, where the dollar exchange rate dampened the effect of the negative stock market trend for our savers.

Over the years, there has been a great interest internationally in AP7 and the premium pension. Not least during 2022 when we had the pleasure of welcoming Germany's Federal Minister of Finance, Christian Linder, for a visit. From the German perspective, the Swedish premium pension is seen as a model for how to enable higher pensions in Germany as well.

Spreading risks is the key

When we created AP7 Såfa, leverage was the most important tool to achieve higher yields. In recent years, we have gradually replaced it with increased diversification. In 2022, the Swedish government decided to give AP7 an additional opportunity to diversify our portfolio by investing in long-term asset classes such as real estate and infrastructure. In this way, we can achieve an even better risk-return ratio. I see it as a very good development of AP7 Såfa, a development made possible by our long-term approach and our undivided focus on creating a good product for premium pension savers.

Intensified sustainability work

As universal owners we cannot avoid the challenges the world faces and which are addressed through the UN's global sustainability goals. Contributing to long-term sustainability is therefore a natural responsibility for us as and a prerequisite for being able to fulfill the mission of creating a good pension. I can proudly state that AP7 has had an international top position in sustainability and active ownership with a focus on taking responsibility for achieving positive effects in the real economy and contributing to the UN global goals. Since we represent such a large part of Sweden's population, we see this as an important part of our mission. During the year, we intensified our work further, including through the climate action plan we launched to contribute to net zero emissions by 2050 at the latest.

Positive to new regulation

I also welcome that it has been made clear that the same rules regarding sustainability now applies to AP7 as to other AP funds, regarding managing the assets in an exemplary manner through responsible investments and responsible ownership. We will address this further in 2023, including through the development of a conversion portfolio where we contribute to climate work through investments and our role as owners.

In conclusion, I am grateful for the trust we have been given during twelve years to manage the pension for so many savers in the pre-selection. I confidently look forward to following how AP7 continues to fortify its strong position regarding pension management and sustainability.

Richard Gröttheim, CEO AP7



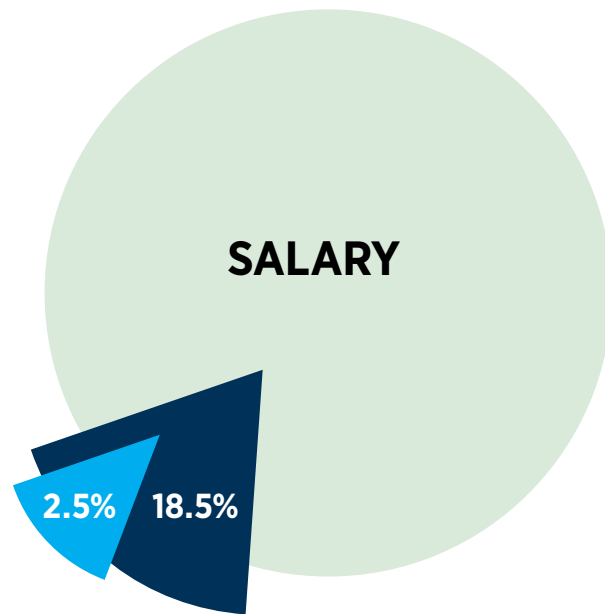
During the fall, Germany's Federal Minister of Finance, Christian Lindner, visited AP7 together with German ambassador Christina Beinhoff, for an interesting conversation about AP7's management, risk-taking, returns and ESG work. The visitors brought back learnings from AP7's more than 20 years in premium pensions. From left to right: Håkan Tobiasson, Chief Risk Officer AP7, Per Frennberg, Chairman AP7, Christian Lindner, Germany's Federal Minister of Finance, Richard Gröttheim, CEO AP7, Christina Beinhoff, German ambassador to Sweden.



During the Rights & Responsibilities of Institutional Investors conference in London, Richard Gröttheim had an in-depth conversation with Hillary Clinton about the threat against the world's democracies, the war in Ukraine and her view on the challenges of being a woman in leading roles.

About AP7

The Seventh AP Fund (AP7) manages the pre-selection option, AP7 Såfa, for savers who do not select funds themselves.



The state pension

Each month, employers pay **18.5 percent of an individual's salary** (up to 7.5 times the income base amount) to the state pension. Of these payments **2.5 percentage points goes to the premium pension** while the remaining 16 percentage points goes to the income-based pension.

In the state pension system, part of the pension contribution goes to the premium pension. The premium pension system is administered by the Swedish Pensions Agency, which in this context serves as a fund insurance company.

Our mission

AP7 is a public agency, whose mission has been to manage the premium pension capital in the state pre-selection option since the system's introduction in 2022. As the pre-selection option, we offer an efficient and responsible saving scheme that increases savers' pension while contributing to a well-functioning financial market and sustainable development. Everybody needs a pension they can live on and asset managers they trust, regardless of income, education, and interest in financial matters.

Our values

Our operations are to be carried out in an impartial manner, observing legislation and directives. In accordance with the new legislation on exemplary management, we coordinate our work with the other AP funds, with joint governing documents on values and sustainability reporting. We also have common guidelines, with AP1-AP4, for which assets not to invest in. We also have the ambition to work in an exemplary manner, especially when it comes to the development of standards linked to the climate and biodiversity.

AP7's work with responsible investments is based on the values and norms that are expressed in international conventions Sweden has signed, with regard to human rights, labour law, the environment and corruption. These norms are consistent with our role as a public agency and we assume that they reflect the values of the broad population group that the savers make up.

Our role as owners

AP7 is a universal and long-term owner. This means that we invest broadly on the global equity markets, and we do not buy to sell. For savers, the combination of high diversification and low fees generates financial value that makes a big difference over a period of 40-50 years. The asset management strategy also affects our active ownership work.

With over SEK 900 billion invested in more than 3,000 companies around the world, AP7 can act broadly as owners and with a long-term perspective, considering the interests of the entire market. We will transparently use all available tools to drive the stock market in a sustainable direction, and continually develop new knowledge and methods.



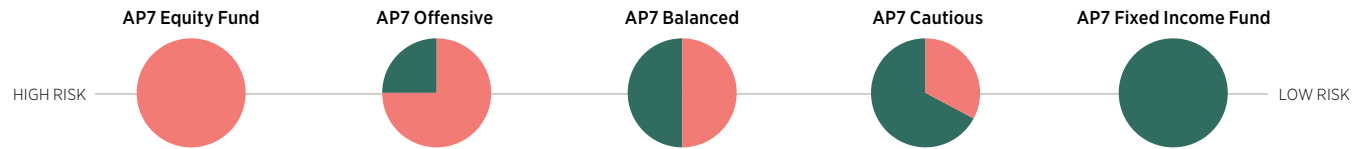
“Everybody needs a pension they can live on, and asset managers they trust, regardless of income, education, and interest in financial matters.”

Building block funds are the basis

In 2010, the Premium Savings Fund and the Premium Choice Fund were discontinued and replaced by the AP7 Equity Fund and the AP7 Fixed Income Fund. By combining these two funds, AP7 can offer six products to premium pension savers, of which AP7 Såfa (‘Statens årskullsförvaltningsalternativ’) is the pre-selection option. Along side the building block funds, the other products are AP7 Offensive, AP7 Balanced, and AP7 Cautious. These are combinations of the building block funds suited for savers who want to choose their own risk level, but not funds on the fund market. The funds can be chosen separately and be combined with other funds in the premium pension system.

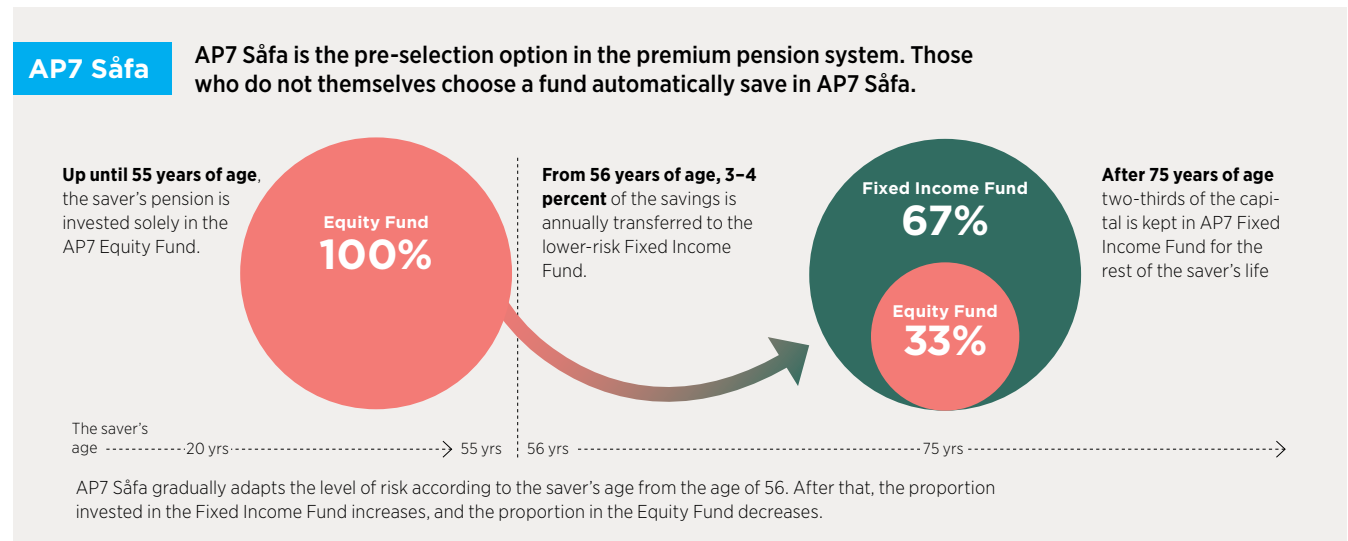
AP7 Equity Fund The majority of AP7’s managed capital is invested in the AP7 Equity Fund. The strategy of the fund is based on three main elements: a global equity portfolio, diversification, and a risk framework. The global equity portfolio is the main pillar, with investments in over 3,000 companies with a broad geographical and sector distribution, combined with financial instruments that raise the level of risk and expected return. Diversification enables the fund managers to spread and streamline its risk-taking by investing in assets that complement the global equity portfolio. To manage the risk level and protect the assets, we also apply a systematic risk framework. Read more on pages 9–13.

AP7 Fixed Income Fund A smaller proportion of AP7’s managed capital is invested in interest-bearing securities. AP7 Fixed Income Fund is a low-risk fund that invests primarily in Swedish government bonds, mortgage bonds, and green bonds.



AP7 Såfa A fund portfolio package comprising AP7 Equity Fund and AP7 Fixed Income Fund. The distribution between the funds is adapted to the saver’s age. Anyone not making an active choice has their pension money automatically invested in AP7 Såfa. The ambition is that continual saving in AP7 Såfa throughout a person’s working life will generate a long-term return that is at least 2 percentage points higher per year than the income pension.

Combining the building block funds based on the saver’s age gives AP7 Såfa a profile that adapts the level of risk to the number of years remaining before the saver retires. This means that savers’ pensions are invested in the Equity Fund up until the age of 55. Between the ages of 56 and 75, 3–4 percent of the money is transferred each year to the Fixed Income Fund and, after 75 years of age, two-thirds of the money is kept in the Fixed Income Fund for the rest of the saver’s life.



The National Pension Insurance Funds Act as of 1 January 2023

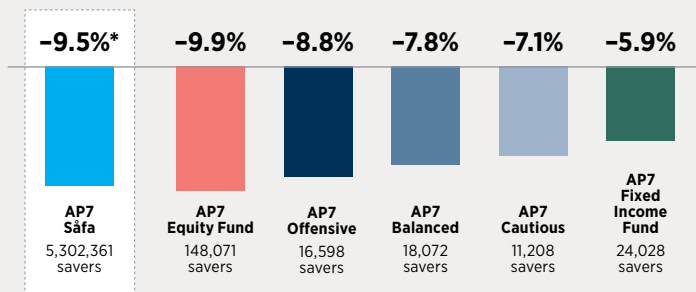
AP7 manages funds for the purposes set out in the provisions on premium pensions in the Social Insurance Code. The asset management should be focused solely on the interests of the pension savers. The funds that the Seventh AP Fund manages must be invested so that a high long-term return is achieved at the selected risk level.

The capital in the funds managed by AP7 must be managed in an exemplary way through responsible investments and responsible ownership. AP7 must pay particular attention to how sustainable development can be promoted without renouncing the goal of achieving long-term high returns at the chosen risk level.

Read more at riksdagen.se

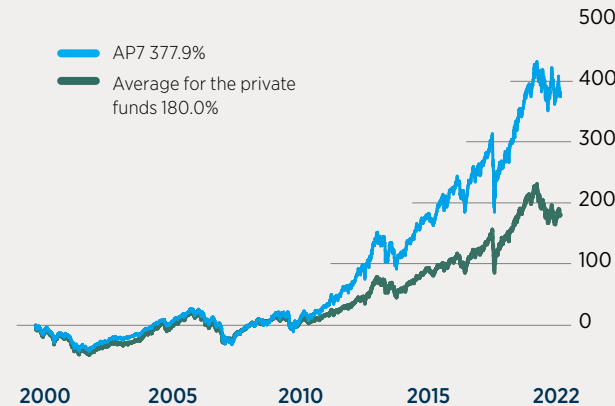


Return 2022



* The return for the average S fa saver in 2022 was -9.5 percent. In the same period, the average return for the private premium pension funds was -15.1 percent. From the start in autumn 2000 until year end 2022 the return of the pre-selection option was 378 percent, corresponding to 7.4 percent per year in time-weighted return. In the same period, the return in the private premium pension funds was 180 percent, and an average annual return of 4.8 percent.

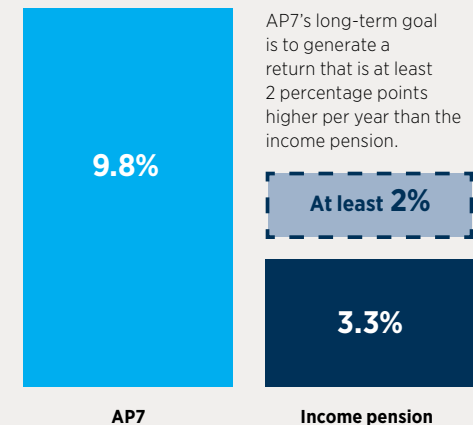
Return 2000-2022 in percent



On behalf of AP7, the Swedish Pensions Agency calculates an index that reflects the development of funds that are available on the Swedish Pension Agency's fund market, excluding AP7's products. The index does not include discounts that the funds offer in the premium pension system.

Average return 2000-2022

Capital-weighted return



Continual saving in AP7 S fa throughout a person's working life will generate a long-term return that is at least 2 percentage points higher per year than the income pension. So far, the pre-selection option has exceeded the ambition for return. Since 2000, the capital-weighted return has, on average, been 9.8 percent per year, compared with the return in the income pension of 3.3 percent per year.

AP7's asset management builds on a long-term approach

The world's stock markets were hit hard by soaring inflation and geopolitical tensions in 2022. AP7's asset management benefited from its diversification strategy and managed the uncertainty supported by the risk framework. Great progress was made in terms of integrating sustainability in asset management. And in November, a government decision was made that allows further inclusion of illiquid assets in AP7's investments from 2023 onwards.

Return 2010–2022

AP7 Equity Fund **415%**

AP7 Fixed Income Fund **5.5%**



Market development

After a very strong development in 2021, the world's stock markets suffered a severe setback in 2022. This was caused by above all the higher inflation rate, which was partly driven by the previous extensive central bank stimulus and bottlenecks in the logistics chains that emerged during the pandemic. The Russian invasion of Ukraine in February reinforced the development, directly and indirectly, through price increases on energy and food which spread to other types of goods and services as well.

The development prompted central banks around the world to implement sharp interest rate hikes to curb inflation, which took many market players by surprise. Concerns about the effect of interest rate increases on the economy and companies' profits led to large stock price movements during the year.

Alongside the war in Ukraine, the relationship between the US and China was also in focus. Geopolitical tensions and experiences from the pandemic led to discussions about the effects on world trade and the future of globalization.

"Companies with geographically dispersed production have started to consider moving this closer to home to shorten the value chain and gain control", says Ingrid Albinsson, Head of Asset Management at AP7.

Growth companies have enjoyed a long period of favourable market conditions. However, this has not been as obvious since the pandemic broke out. Value companies with stable results have recently benefited more than in the last decade. The valuation of growth companies' expected future profits has also fallen in line with increased interest rates, which relatively speaking has benefited value companies.

"This has been favourable for AP7 since we have reduced our exposure to growth companies slightly and instead increased the exposure to, for example, value companies. It has benefited our return relative to the benchmark," says Carl Fredrik Pollack, responsible for sustainability integration in asset management.

Weak krona contributed positively

The return of the Equity Fund was -9.9 percent, while the return of the Fixed Income Fund was -5.9 percent. The two funds had similar development which is unusual as their risk characteristics differ significantly.

The development had different root causes. The Fixed Income Fund, consists of bonds issued in Swedish kronor, and fell as a result of the Riksbank's interest rate increases. The Equity Fund was mainly pressured by the global stock market turmoil, but the strengthening of the US dollar against the Swedish krona provided support considering the large proportion of US shares in the fund.

The diversification portfolio dampened the level of risk in the equity fund, but made a negative overall contribution to the result. Private equity holdings contributed positively to the return, while risk premiums (shares selected for specific characteristics) and the small-cap portfolio had a negative development.

The purpose of the premium pension is to enable higher

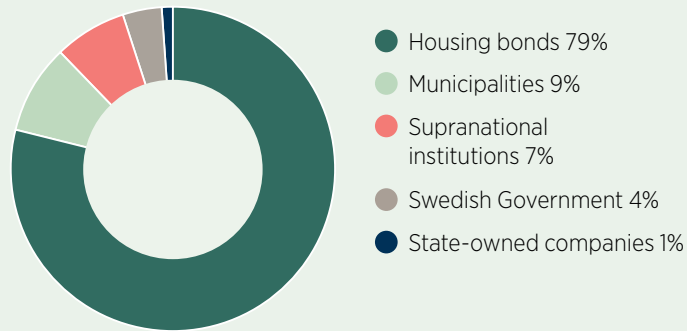


Long-term perspective and risk spreading

A long-term perspective and diversification are two pillars in AP7's asset management strategy. Diversification involves risk spreading in several tiers. One approach involves investing in more than 3,000 companies around the world, with a broad geographical and sector distribution. This is supplemented with investments in emerging markets, smaller companies (small-cap), risk premiums, and in asset types such as private equity. As of 1 January 2023, AP7 can also invest in illiquid asset classes such as real estate and infrastructure.

Diversification also involves a time perspective, since new premium pension capital is allocated every year, which spreads the investments and thereby the savers' risk over their entire working life. The risk level in AP7 Sâfa is also adjusted based on the saver's age, from a higher proportion in shares, and thereby higher risk at younger ages, to greater security as the saver approaches retirement.

Issuers in AP7 Fixed Income Fund



The investments in green bonds increased to 9,2 billion SEK in 2022, corresponding to 10 percent of AP7 Fixed Income Fund.



return and a better pension, by taking risk, compared to the income pension, which is the larger part of the state general pension. The exposure of the income pension is above all to Swedish kronor and to the Swedish economy.

“What AP7 S fa brings with the Equity Fund is diversification into other parts of the world, including an exposure in US dollars. This provides a better composition to the pension savings as a whole, which became particularly evident during a volatile year such as 2022. Then the decline in the Equity Fund will not be as significant”, says Ingrid Albinsson.

Target of 10 percent green bonds achieved

For the Fixed Income Fund, whose role is to stabilize risk and secure the return in AP7 S fa, the return amounted to -5.9 percent. The sharp rise in interest rates led to exceptional declines in the valuation of bonds with longer maturities. However, the overall maturity of the fund’s fixed-income securities, the so-called duration, is relatively short – approximately three years.

The climate action plan adopted by AP7 in 2022 shows a clearly raised ambition for how AP7 should contribute to net zero emissions, including the role of the asset management. In line with the plan, AP7 during the year increased the proportion of green bonds in the fund, i.e. bonds where the capital is earmarked for various environmental purposes. The target that

this share should reach 10 percent in 2022 was achieved and the ambition is to increase the share further to 50 percent in 2025.

The investments were made in bonds with a high credit rating issued by supranational institutions, such as the World Bank and the European Investment Bank, as well as by certain state-owned companies. The bonds yield slightly higher returns than Swedish government bonds, partly because they are not as liquid.

“The strength lies in our long-term perspective. In the past, we have held bonds issued by the Swedish government with very high liquidity, which are relatively more expensive. Therefore, the shift to international bonds has benefited us, while it is favorable that they are green,” says Pontus von Essen, responsible for strategy at AP7.

First investment of the transition portfolio

The climate action plan has also been the basis for the transition portfolio that began to take shape in 2022, and the first investment was made in December. The transition portfolio reflects AP7’s commitment to gearing up the climate work in the equity portfolio. Looking at AP7’s global stock holdings in over 3,000 companies, it is about increasing holdings in certain companies compared to the index.

“We are more likely to do good as active owners in a com-

pany with high emissions that has a longer transition ahead of them, than in a company that is already best in class. It’s about increasing the weights of a number of companies in the portfolio and putting extra focus on them, both through increased investments and active ownership,” says Carl Fredrik Pollack.

The ambition is to achieve real economic impact through globally reduced emissions. When the asset managers search for suitable companies for the portfolio, they therefore primarily look for those with the greatest opportunity as well as the will to adjust their operations in accordance with the climate goals.

“There are a large number of companies that need to transform their businesses and this will take a long time,” says Carl Fredrik Pollack.



Investments in more than 3,000 shares with broad geographical and sector distribution

Strategy in the AP7 Equity Fund

AP7 Equity Fund is a diversified global equity fund with elements that raise the level of risk, and a clear sustainability profile.

GLOBAL PORTFOLIO

Global equity with a broad geographical and sector distribution in over 3,000 companies, combined with equity-related financial instruments that increase risk and the expected return.

DIVERSIFICATION

In order to spread and increase the efficiency of risk taking, AP7 Equity Fund invests in asset classes and investment strategies that supplement the range in the global portfolio. For example, investments are made in private equity, smaller businesses, emerging markets, and in factor risk premiums in equities with special properties.

RISK FRAMEWORK

In order to adapt the total risk level in the fund over time, a systematic risk framework is applied. The framework manages risks in the equity portfolio and protects the fund capital, primarily from the effect of extreme downturns in the equity market.

New law enables increased diversification

In November, the Swedish parliament approved a proposal for new rules giving AP7 the possibility to invest in so-called illiquid or alternative assets, such as real estate and infrastructure, in addition to the investments in private equity that AP7 has made over 20 years. The amendment entered into force on 1 January 2023, increasing the limit for AP7's investments in unlisted assets from 10 to 20 percent.

"As a pension fund, we have a long investment horizon and this type of more long-term assets suits us well. They also move in a different way than stocks, which creates more stability in the portfolio. It provides better risk diversification and enables higher returns over time. In this way, we use AP7 Såfa's unique conditions within the premium pension as starting point," says Per Olofsson, deputy CIO and head of alternative investments.

The investments will be made gradually over several years

and with a wide geographical spread. Investments in illiquid assets also resonate well with AP7's sustainability ambitions. There is a great need for capital to build sustainable properties and develop sustainable infrastructure. As in the rest of the portfolio, AP7 will be an active owner even in the unlisted assets with the ambition to influence the market in a more exemplary sustainable direction, but the approaches may differ.

"Within our private equity investments, we have been conducting a dedicated sustainability work during the past nine years, together with our partners HarbourVest, Adams Street, Hamilton Lane and LGT, which we have seen moved the industry in the right direction" says Per Olofsson.

Private equity will continue to be a relatively large one share of the unlisted assets, while the assets in real estate and infrastructure will be replenished gradually based on the opportunities that arise in the market.

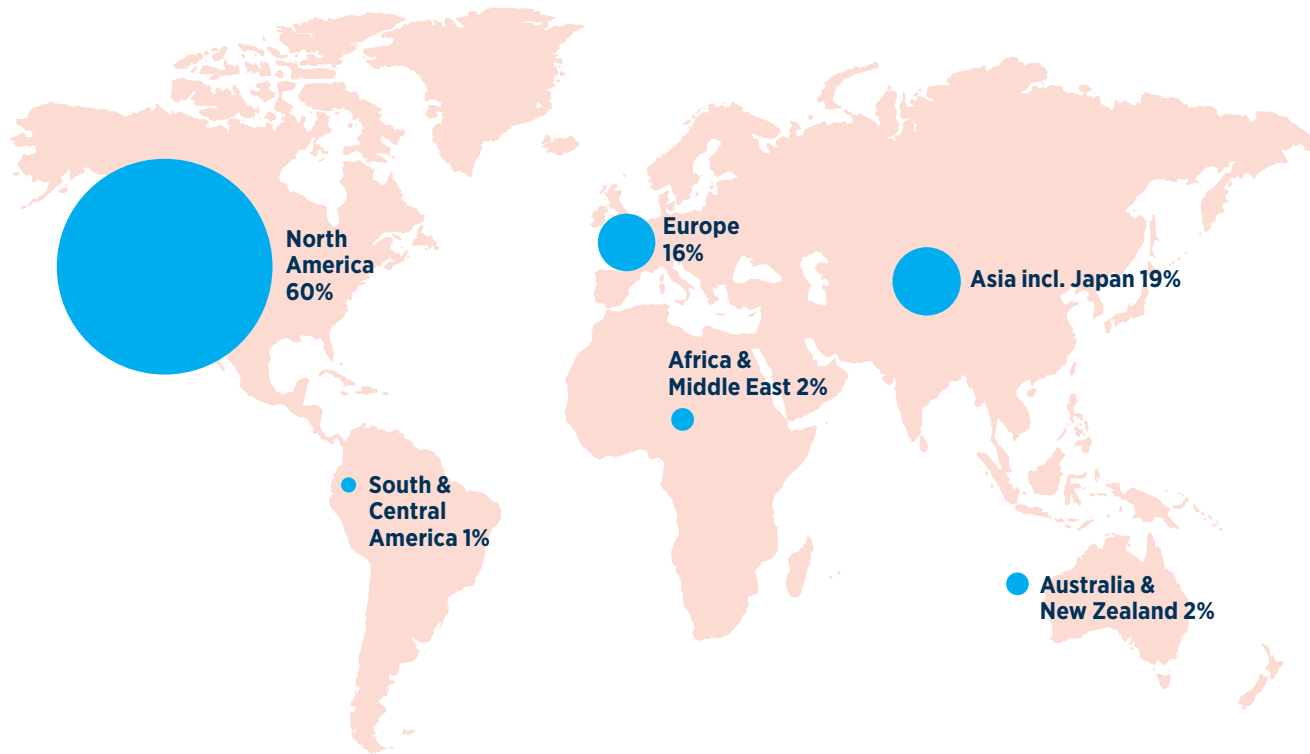
Volatile market ahead

A long-term perspective is the basis of AP7's investment philosophy. Short-term market events are handled within the risk framework, a strategy that was successful during the pandemic. Facing 2023, there are several uncertainties to take into account – including continued geopolitical tensions, inflation and the fact that the world is likely to head into a recession.

"When we entered 2022, the stock market had risen by over 30 percent the year before. Although stock valuations have come down, there is room for continued turbulence with all the uncertainty that prevails. We therefore maintain a lower than normal risk level in the portfolio. Timing the market is not our ambition, but our portfolio is created to handle a varying market development over a long period of time. We will continue working with diversification to build an even more resilient portfolio in these volatile markets," Ingrid Albinsson concludes.

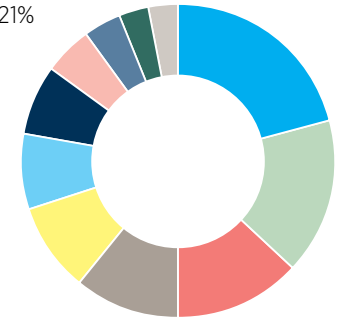
Regions in the AP7 Equity Fund

The dominating sectors and regions in the AP7 Equity Fund depend on their global market weighting. The US is the AP Equity Fund’s biggest market, with 60 percent of its holdings, because of the size of the market value in global indexes. For the same reason, information technology is the biggest sector.



Sectors in the AP7 Equity fund

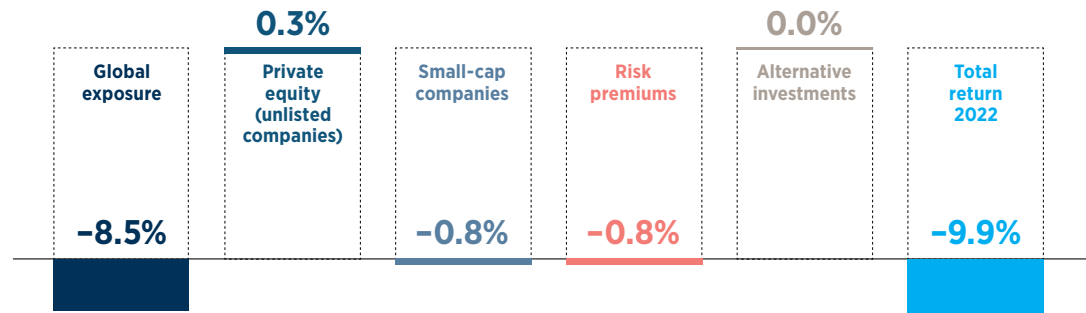
- Information technology 21%
- Finance 16%
- Health care 13%
- Consumer durables 11%
- Industrial goods 9%
- Consumer staples 8%
- Telecom operators 7%
- Material 5%
- Energy 4%
- Power supply 3%
- Real estate 3%



As of 1 January 2023, AP7 can also invest in illiquid assets, such as real estate and infrastructure.

Contributions to return in the AP7 Equity Fund

The return of the Equity Fund was –9.9 percent in 2022. Most of the fund’s capital is invested in the global portfolio with global index exposure, which had the largest effect on returns. Of the equity fund’s diversified features, private equity contributed with a positive development in contrast to smaller companies (small-cap companies) and risk premiums. Alternative investments, including green equity mandates, added up to a net zero return.



AP7's role in sustainable development

Using AP7's mission and investment philosophy as a point of departure, our main contribution to sustainable development is through three roles: as active owner, as enabler, and as knowledge builder. We collaborate with other investors on developing norms, guidelines, and standpoints for responsible ownership.

The primary objective of AP7's sustainability work is to bring about changes in the real economy.

- AP7's sustainability work is based on our long-term universal ownership.
- When engaging with companies, AP7 uses several integrated methods – primarily combinations of dialogue, voting, legal processes, and blacklisting.
- AP7 develops sustainable norms in collaboration with other global investors.
- AP7 applies a scientific approach.

AP7's promise to the savers is to generate good return in a responsible way. All of AP7's managed capital is subject to requirements for responsible management based on standards for human rights, working conditions, the environment and anti-corruption.

As a long-term and global investor, we can provide most benefit by being an active owner and by investing in companies that offer solutions to sustainability challenges. Together with other investors, we engage with companies and develop norms to bring about real effects in society. In line with the new legislation on exemplary management, we coordinate our work with the other AP funds.

Climate change is one of the most pressing sustainability issues of our time. AP7 therefore has the ambition to work in an exemplary manner, especially in norms development and active ownership regarding climate and biodiversity issues. We pay special attention to the overarching objective to reduce global emissions. Read more about our climate action plan and goals, and our view on climate-related risks, on pages 16–19.

AP7 as active owner

With a diversified and global portfolio, AP7 can act broadly as owners and with a long-term perspective. Our ambition is to use active ownership, in collaboration with other investors that share our values, to contribute with solutions to societal challenges. In this way, AP7 secures the financial interests of both current and future savers. In our active ownership work, we engage with companies by combining different methods: dialogue, voting at general meetings, legal processes, and blacklisting. Read more about our active ownership work on pages 20–23.

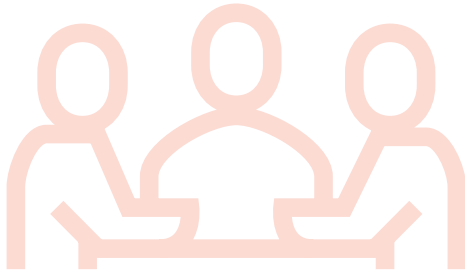
AP7 as enabler

As investors, we can provide funding for businesses that contribute with solutions to various sustainability challenges, such as companies specialising in climate innovations. We have green mandates in all asset classes, and by 2025 we will have doubled the proportion of green investments compared with 2020. At year end, AP7 had green mandates totalling SEK 3.2 billion with the asset managers KBI Global Investors and Impax Asset Management. We also had SEK 9.2 billion invested in green bonds and SEK 1.5 billion in green investments in unlisted companies.

AP7 as knowledge builder

In our role as knowledge builder, we work to generate and disseminate knowledge, and bring together different actors in a public dialogue on sustainability issues. We promote constructive dialogue between decision-makers, the business community, and investors. We also want to help bridge the gap between research and practice in the field of sustainable investments. Read more on page 28.

Working with themes enables us to examine at depth various areas that are linked to our sustainability objectives, and to collaborate with other actors who operate and have expertise in the area. Read more about our current themes on pages 24–27.



Sustainability goals

Our sustainability work is based on the norms reflected in Global Compact's ten principles and the UN 2030 Agenda for Sustainable Development. These norms are also reflected in our sustainability goals. Climate change is one of the most urgent sustainability issues. In 2022, we have developed a climate action plan that describes how we will contribute to global net zero emissions in 2050. Read more on pages 16–19.

GOAL: Contribute to a secure pension	Follow-up
Continual savings in the pre-selection option will generate a long-term return that is at least 2 percentage points higher per year in relation to the income pension.	Since 2000, the capital-weighted return has, on average, been 9.8 percent per year, compared with the return in the income pension of 3.3 percent per year.
GOAL: Be an active owner	Follow-up
AP7 will be an active owner and engage with companies to drive them in a sustainable direction.	AP7 voted at 4,523 of 4,578 possible general meetings (99 percent).
AP7 will vote at a minimum of 95 percent of the general meetings of the companies in the equity portfolio.	AP7 conducted dialogue with 110 companies on a total of 138 cases of verified or potential violations of norms. Dialogue was also held with some 50 companies within the framework of our thematic work, and dialogue was supported with 160 companies within CA100+.
	AP7 had blacklisted a total of 104 companies at the end of 2022.
	Together with other institutional investors, AP7 had 18 ongoing legal processes at the end of 2022.
GOAL: Active ownership for climate transition	Follow-up
In 2025, all prioritised companies* in AP7's portfolio will be subjects of deepened active ownership, with the goal of attaining net zero emissions by 2050.	In 2022, 69 percent of the prioritised companies were subject of deepened active ownership.
In 2025, at least 50 percent of the prioritised companies* in AP7's portfolio will conduct credible transition work.	In 2022, 26 percent of the prioritised companies were conducting a credible transition work.
By 2025, 3 of 4 portfolio companies in the energy sector will have reached level 3 or higher in TPI's assessment of Management Quality.**	77 percent of the portfolio companies attained level 3 or higher (compared with 62 percent in the base year, 2020). Hence, the goal was achieved ahead of time.

* Companies with the greatest climate impact.

** Management Quality score evaluates the quality of companies' governance/management of their risks and opportunities related to the low-carbon transition on a scale of 0–4. Level 3 indicates that the company has integrated the climate issue into its operational decision making, and Level 4 that the company has a holistic understanding of its climate impact and has integrated it into its business strategy.

GOAL: Investments	Follow-up
AP7 will have green mandates in all asset classes that AP7 invests in.	Green bonds: SEK 9.2 billion (SEK 2.0 billion in 2021) Green mandate in listed equity: SEK 3.2 billion (SEK 3.4 billion in 2021) Green investments in private equity: SEK 1.5 billion (SEK 1.6 billion in 2021)
By 2025, the proportion of green investments will have doubled compared with 2020.	
AP7's transition mandate will make up 10 percent of the Equity Fund by 2025. The first investment should be made in 2022.	The first investment was made in 2022.
Double the proportion of green bonds in 2022 and increase it to 50 percent of the Fixed Income Fund by 2025.	The share of green bonds in the Fixed Income Fund increased by 7.9 percentage points in 2022 and amounted to 10 percent (2.1 percent in 2021).
GOAL: Establish sustainable norms	Follow-up
AP7 will be involved in driving the development of sustainable norms and active ownership in national and international collaboration forums.	In 2022, AP7 was an active member in CA100+, Ceres, GISD, ICGN, IIGCC, SISD, Swesif, TNFD and TPI.
	AP7 is member of the TNFD steering group, which will develop a risk framework with a focus on nature and biodiversity.
	Since 2016, AP7 has been developing and applying method development and a definition of what comprises a violation of the Paris Agreement. This work continued in 2022.
	In 2022, together with investors around the world, we launched a global standard for responsible climate lobbying. See page 17.
GOAL: Contribute to more knowledge	Follow-up
AP7 will disseminate knowledge about sustainable investments and active ownership.	The theme Sustainable Impact Measurement was concluded with the publication of a report and a discussion about the subject, see page 24.
	We have ongoing dialogue with researchers and during the year we participated in a Vinnova-funded research collaboration with researcher Emma Sjöström at Stockholm School of Economics, "Voting for climate change: integrating climate in corporate governance."
	AP7 produces Ägarpodden (Ownership Pod), where researchers and fund companies discuss strategies for sustainability and responsibility, see page 28.

AP7's climate work

The aim of our climate work is to drive a transition of the economy, through active ownership and investments in enterprises that contribute to reduced climate risks.

AP7's long-term mission, to generate good returns for our savers, is dependent on the implementation of the Paris Agreement and long-term sustainable development in the global market. As a universal, long-term asset owner and state pensions fund, AP7 is in a stronger position than many other investors to work on developing norms and methods for the market, and to implement these in companies around the world. Parallel with engaging through ownership, AP7 can contribute to financing of climate solutions.

In order to contribute to reaching net zero emissions by 2050, AP7 adopted a climate action plan during the year. The plan is based on the IPCC scenarios and IEA's Net Zero Roadmap 2050, which shows how the energy sector (accounting for three quarters of today's emissions) should reach net zero by 2050. The plan includes objectives for AP7's active ownership and investments, and is available on ap7.se.



Active and focused ownership

The climate is one of AP7's focus areas, and we work actively in all ownership processes for the implementation of the Paris Agreement. We believe we can benefit the climate the most by exerting pressure on companies to adapt their operations and reduce emissions.

Although our portfolio consists of thousands of companies, only a few hundred account for the absolute majority of the climate impact. We prioritise these companies in our dialogues since one of the goals in our climate action plan is that we will engage in more comprehensive active ownership with a focus on companies whose activities have a large climate impact. Another goal is to continually increase the proportion of companies in our portfolio that conduct credible transition work in line with the Paris Agreement.



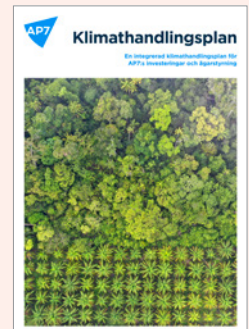
At general meetings, we generally vote in favour of climate proposals, and against the board of companies that underperform on climate issues. On our website, we report how we have voted at all companies' general meetings.

By including the Paris Agreement in our norms-based screening, we are involved in defining the boundaries for acceptable conduct regarding the climate issue. Through our blacklisting process, we exclude companies that conduct activities that conflict with the Paris Agreement. In 2020, we extended this to

CLIMATE ACTION PLAN

During the year, AP7 published a roadmap for how we will contribute to achieving net zero emissions globally by 2050.

With our Climate Action Plan, we want to make our intention clear of being a positive driving force to reach net zero emissions by year 2050, and describe how we will proceed. With ownership in more than 3,000 companies all over the world, AP7's climate risks are largely the same as those of the global economy as a whole. Therefore, a transition is in our interest that leads to reduced climate risks in the real economy and not only in our portfolio. The plan includes a number of timed goals for AP7's active ownership and investments. As part of the action plan, we have, among other things, mapped the proportion of our portfolio companies with credible plans for transition and developed a plan to increase this proportion through investments and active ownership. The Climate Action Plan is based on the scenarios of the UN Climate Panel, IPCC, and the Net Zero Roadmap 2050 of the International Energy Agency, IEA. The plan will be developed continually. → [Read more in our Climate Action Plan.](#)



“ The climate is one of AP7’s focus areas, and we work actively in all ownership processes for the implementation of the Paris Agreement.

include companies in our portfolio that continue to expand their fossil-based activities in coal production and power. In 2022, we further raised our requirements on companies with fossil-based activities, and we now include coal companies that cannot present credible transition plans and oil companies who do not have the intention to discontinue their oil sand extraction.

Greater impact through collaboration

Collaborating with other investors with similar ambitions, such as within the investor collaboration CA100+, is vital when we engage with and support companies in adapting to the Paris Agreement. In 2022, for example, we launched a global standard for reporting and assessing corporate climate lobbying, together with other investors worldwide.

Within our theme Climate Transition, which was concluded in 2022, we have been evaluating how we can strengthen our influence and develop our active ownership tools to increase impact. In this work, we have focused on the companies in our portfolio that have the largest climate impact. Read more on page 27.

Financing of climate solutions

The systemic change that we are facing requires innovations and investments in all sectors. In AP7’s active asset management, we make use of the opportunity to finance businesses that focus on innovations and solutions to climate challenges. In addition to this, we have increased our exposure to businesses that can be favoured by a transition to a fossil-free economy.

AP7 has ‘green mandates’ in the management of all our asset classes (equity, fixed income, and private equity). At the end of 2022, the total value was SEK 13.8 billion. During the year, we increased our investments in green bonds to SEK 9.2 billion. Of our private equity, SEK 1.5 billion comprises clean tech. We also have two green investment mandates in listed equity totalling SEK 3.2 billion.

NEW GLOBAL POLICY FOR CLIMATE LOBBYING

Since 2015, AP7 has taken action for responsible climate lobbying with the intention of preventing industry associations from stopping or delaying effective climate legislation.

Since the Paris Agreement presupposes stricter national legislation, systematic anti-climate lobbying constitutes a serious threat to achieving the goals of the agreement. In March 2022, the result of our many years of work was launched – a global standard for responsible climate lobbying that clarifies owners’ expectations. In September 2022, 56 of the world’s top-emitting companies had published reports in which they transparently disclose and follow up on their lobbying work.

→ [Read more at climate-lobbying.com](https://climate-lobbying.com).

Rio Tinto

Rio Tinto was one of the first companies AP7 engaged with in terms of climate lobbying. When the dialogue was initiated, in 2017, the company was uncooperative, and the following year we submitted a shareholder proposal at the company’s annual general meeting. Since then, Rio Tinto has changed its position and now reports annually on its climate lobbying. In 2022, Rio Tinto took yet another step and terminated its membership in one of its industry associations. → [Read more at Reuters](https://www.reuters.com).



VOTING FOR THE CLIMATE

AP7 votes at over 4,000 general meetings each year and almost always for proposals on improved climate strategy or reporting. In 2022, we sharpened our voting policy for companies within the CA100+. We have also identified companies that underperform in TPI’s Management Quality score. In 2022, AP7 initiated a dedicated dialogue with 23 companies with insufficient ambitions in terms of emissions and reporting. During these dialogues, we have expressed our dissatisfaction in both words and actions by voting against board members or against the approval of the company’s annual report.

At the energy company ConocoPhillips’ general meeting in May 2022, AP7 voted against the board on seven agenda items. Among other things, we voted for the company to adopt a reduction target for greenhouse gas emissions and to report on its climate lobbying. AP7 also voted against two board members as an indication of the need to strengthen the company’s climate-risk management.

→ [See our voting database](#).

AP7’S CLIMATE-RELATED GOALS

AP7 has signed the Net Zero Asset Owner Commitment within the Paris Aligned Investment Initiative. We will work actively, in accordance with our commitment, to ensure that our portfolio companies reach net zero emissions by 2050.

GOALS FOR ACTIVE OWNERSHIP

Activity goals:

– In 2025, all prioritised portfolio companies* in will be subject to deepened active ownership, in addition to voting. In 2022, this share was 69 percent.

Result-oriented goals:

– In 2025, at least 50 percent of the prioritised companies* will conduct credible transition work. In 2022, the level was 26 percent.
– In 2025, three out of four companies in our portfolio will have reached level 3 or higher in TPI’s evaluation of Management Quality. The goal was reached ahead of time in 2022.

* Companies with the largest climate impact.

Read more
in our Climate
action plan



AP7's climate risks

With a large and global ownership, across industries and regions, AP7's sustainability risks are largely the same as those of the global economy as a whole.

AP7's managed assets total SEK 900 billion and, as responsible owners, we must have an overview and analyse the effects on our investments by issues such as climate change, biodiversity, human rights and corruption. We manage these risks through our active ownership work which is described on page 20.

Climate risks

The risks relating to climate change are often divided into two main categories: physical and transition risks.

Physical risks

One of the major risks to AP7's mission, to generate returns and provide our savers with a good pension, is that we fail when it comes to limiting the global temperature increase to below 1.5 degrees. The economic values at stake if the climate risks are not managed successfully are very large. Physical risks to businesses arise from tangible effects of rising global temperature, rising sea levels, and more frequent occurrences of extreme weather.



Transition risks

Transition risks are those deriving from the transition to a low-carbon society, where consumption patterns and attitudes will shift, new products replace old, and climate policy becomes more stringent. The transition risk is considered as a financial risk, as the value of certain companies will fall when, for example, measures are implemented to phase out fossil fuels. At the same time, the value of other companies, that develop or apply new technologies that enable the transition, increases.

The transition will favour some companies in AP7's portfolio, and be unfavourable to others. Considering that we invest in a large number of companies in a wide variety of sectors and countries, our savers' exposure to the risks of each individual company is reduced. In our blacklisting process, we exclude companies that conduct activities conflicting with the Paris Agreement, including companies that are expanding their fossil fuel activities and do not have credible transition plans. We therefore assess that our exposure to transition risks is lower than the exposure of our comparison index.

Climate scenario analysis

AP7's has carried out an analysis based on three main scenarios of global warming and their effect on different asset classes:

1. Transition in line with the Paris Agreement
2. Disorderly transition to the Paris Agreement
3. Failed transition to the Paris Agreement

The effects of an orderly and disorderly transition will vary for different asset classes, sectors, and companies, since the political decisions create different transition effects and physical effects in the real economy. In the third scenario, with no transition, the transition effects will be limited, but the failed transition will have major negative consequences for the global economy as a whole.

Scenario analyses are built on assumptions, but can represent an indication about the future and facilitate decision-making. Large pension companies and global asset owners are exposed to the global economy. They will find it difficult to avoid transition risks if the global economy is put under pressure by the physical risks and climate change. Consequently, our most important contribution is to be active owners together with other investors, and engage with companies on the entire market and encourage them to adapt their operations. → [Read more in our climate action plan on ap7.se.](#)

Climate reporting supports decision making

Transparent reporting from companies about climate-related risks and opportunities forms an important basis both in our investment decisions and in the dialogue with the companies. The Task Force on Climate-related Financial Disclosures (TCFD) provides guidance on how to identify and report climate-related financial risks and opportunities. Reporting in accordance with the framework increases companies' understanding of their climate impact and how to manage it. AP7 supports TCFD and is working to increase transparency from our portfolio companies.

AP7 measures the carbon footprint

As part of our broader climate work, AP7 measures and reports the carbon footprint of the AP7 Equity Fund. The footprint gives an impression of the amount of direct emissions from the underlying portfolio companies. It forms one of several bases when we identify companies for deepened active ownership, whereby companies that together make up 70 percent of our portfolio footprint are included.

The objective of AP7's climate work is that the companies we own will reduce their emissions. The portfolio footprint can be an indicator of changes in emissions. At the same time, the

“ With a large and global ownership, across industries and regions, AP7's sustainability risks are largely the same as those of the global economy as a whole.

footprint is affected by changes in equity holdings, which in itself does not impact the real emissions. Consequently, the total change is divided into emission changes and holding changes.

The table below shows that the overall emissions from AP7's portfolio increased in 2022. Changes in the companies' emissions contributed to an increase of 6.2 percentage points, while changes in our holdings reduced the portfolio footprint by 1.7 percentage points.

AP7's holdings in power supply and in the materials industry account for the largest share of the portfolio emissions. A pre-requisite for us to globally meet the 1.5 degree target is that the companies adapt their operations to the Paris Agreement.

AP7 carries out an annual scenario analysis that provides an estimate of our companies' emissions and how they would relate to the Paris Agreement if our current portfolio remained unchanged in the future. Even though the probability of this is low, considering index changes, the analysis provides information

about the companies where we can generate most benefit as owners, i.e. those that contribute with the largest emissions, and thereby increasing the risk of exceeding the targets in the Paris Agreement. The analysis is carried out by ISS ESG, and covers emissions corresponding to Scope 1 and 2 according to the GHG Protocol.

Sustainable impact measurement

In addition to measuring carbon footprint, AP7 has the ambition to contribute to the development of other measures that may support investors and companies in managing sustainability-related risks and opportunities. The work has taken place within the framework of our theme Sustainable impact measurement, see page 24.

AP7's carbon footprint for listed equity 2022, (Scope 1 and 2)

	2022	2021
Total emissions of equity portfolio (million tonnes CO ₂ e) ¹⁾	4.1	4.0
AP7 compared with MSCI ACWI ETF (%)	-7.4%	-9.7%
Change in portfolio's total carbon emissions in relation to previous year (%)	4.5%	-4.5%
- of which change caused by changes in portfolio holding (%-points)	3.2%	3.2%
- of which change caused by changes in companies' emissions (%-points)	6.2%	-8.5%
Relative carbon emissions (tonnes CO ₂ e/SEK million) ²⁾	5.4	4.8
Carbon intensity (tonnes CO ₂ e/SEK million) ³⁾	17.1	17.7
Portfolio-weighted carbon intensity (tonnes CO ₂ e/SEK million) ⁴⁾	16.9	16.3
Market value of the fund's directly owned listed equity portfolio included in the analysis (SEK billion)	765	831
Proportion of market value for which reported CO ₂ e data is available (%)	99.9	99.9

¹⁾ Total carbon emissions: Sum of the owned proportion of each portfolio company's carbon emissions.

²⁾ Relative carbon emissions: Sum of the owned proportion of each portfolio company's carbon emissions in relation to the portfolio's market value.

³⁾ Carbon intensity: Sum of the owned proportion of each portfolio company's carbon emissions in relation to the sum of the owned proportion of the portfolio companies' revenues.

⁴⁾ Portfolio-weighted carbon intensity: Sum of each portfolio company's carbon intensity, i.e. a company's carbon emissions in relation to its revenues, weighted according to each company's proportion of the portfolio.

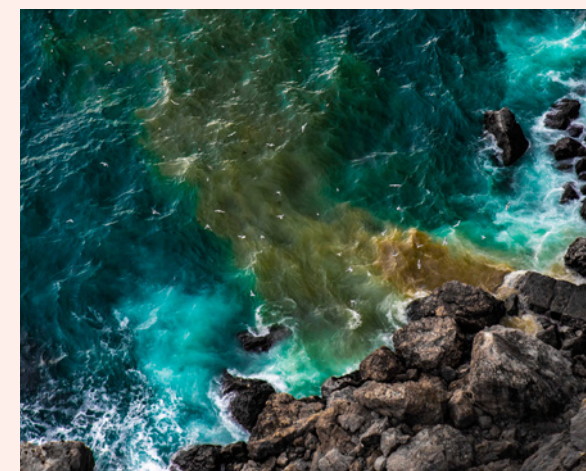
TNFD – UNDERSTANDING NATURE-RELATED RISKS

For investors to understand how companies impact nature and biodiversity, and are also affected by it, has become increasingly important when assessing companies' risks and opportunities.

Since 2021, AP7 has been a member of the steering group for the Taskforce on Nature-related Financial Disclosures (TNFD), which develops a framework for handling and reporting on nature-related risks. A beta version was presented in March 2022, and the final version is planned for autumn 2023.

The purpose of the framework is for companies to include analysis of nature-related issues in their strategy work and financial decisions. TNFD's steering group consists of 40 members worldwide, representing financial actors and companies in a wide range of sectors.

- Climate challenges are increasing while a large part of the world economy is dependent on natural resources. This has made it clear that pension capital and other financial actors need to gain better insight into companies' nature-related risks. Thus, there is a need for standardised reporting. The dependency of, and the impact on, nature poses risks for companies and investors. At the same time it brings business opportunities that may contribute to nature, says Flora Gaber, Manager ESG analysis at AP7.



AP7 as driver for sustainable development

A strongly diversified portfolio with holdings in many countries and sectors sets the framework for AP7's active ownership. As a universal and active owner, AP7 aims to influence the entire market in a sustainable direction over the long term.

In order to attain sustainable and responsible asset management, AP7 works mainly with four methods to engage with companies: taking action at general meetings, engagement dialogue, public blacklisting, and legal processes. We combine

these methods to varying extents. We base our work on the norms pertaining to human rights, labour rights, environment and corruption enshrined in the international conventions that Sweden has signed.

Since 2014, our norm-based work has been supplemented with thematic in-depth work in selected areas, see page 24.

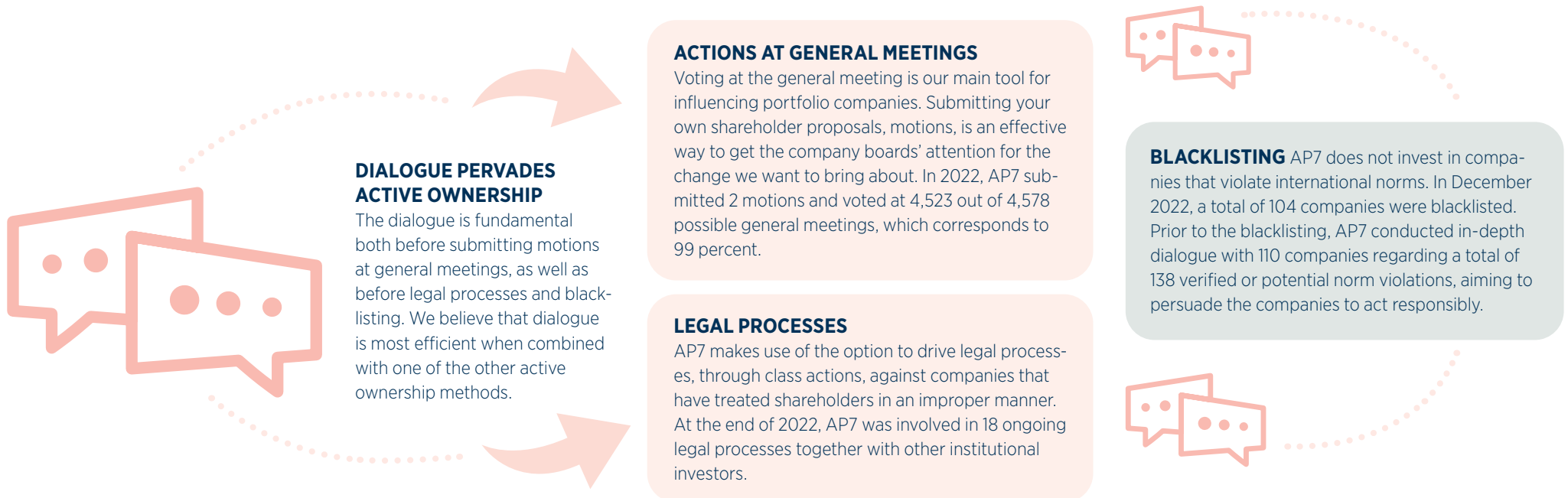
Actions at general meetings

The general meeting is every company's highest decision-making body, and offers an opportunity for shareholders to actively

exert influence on the company's governance. Voting at general meetings is AP7's principal tool for engaging with the absolute majority of the companies in the fund's portfolio and for driving our principle-based position on various sustainability issues.

In certain countries, we can file our own shareholder resolutions at general meetings. To increase impact in particularly important issues, AP7 often joins forces with other shareholders and drive proposals jointly.

According to the AP Funds Act, AP7 can not vote at Swedish general meetings, but since 99 percent of our shareholding is



“ The dialogue is the basis for all active ownership activities, before motions at general meetings, as well as before legal processes and blacklisting.

outside Sweden, we can still vote at virtually all general meetings – over 4,000 every year. To increase transparency, we publish on ap7.se how we voted on all agenda items at the more than 4,000 general meetings.

General meeting season 2022

In 2022, AP7 voted at 4,523 of 4,578 possible general meetings, corresponding to 99 percent. At 47 percent of these general meetings, AP7 voted against the board’s recommendation or in favour of a shareholder resolution that the board did not support. AP7 voted at general meetings in 54 different countries. Of these, China, the US and Japan dominated, where 61 percent of the general meetings were held.

During the year, AP7 voted on a total of 499 resolutions on various sustainability issues, compared to just over 200 last year. We supported a majority of these, 73 percent, abstained in 6 percent of the cases, and voted against



20 percent of the resolutions. Through our voting, AP7 has, among other things, voted for companies to take responsibility for working conditions, human rights and improved climate reporting.

Engagement through dialogue

Dialogue with the companies permeates all our active ownership work. AP7 is engaged in a large number of ongoing dialogues concerning reported violations of norms. In 2022, AP7 conducted dialogue with 110 companies on a total of 138 cases of verified or potential violations of norms, with the aim of persuading the companies to act responsibly. In addition, a large number of dialogues were conducted regarding reported incidents, and dialogue with around 50 companies within the frame of our theme work. In order to increase impact in the dialogues, AP7 often works in collaboration with other investors. Read more about dialogue on net zero commitments in the case to the right.

Blacklisting of companies

We expect the companies in which we invest to follow the international norms enshrined in the UN Global Compact’s ten principles regarding human rights, labour law, environment, and anti-corruption. Since 2016, the Paris Agreement has been part of the UN Climate Convention. AP7 does not invest in companies that violate these norms, which are our lowest acceptable level and the basis for blacklisting.

By publishing the names of the companies twice a year, together with the reason for the blacklisting, we want to exert

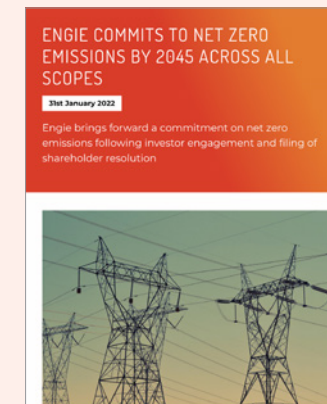
DIALOGUE ON NET ZERO COMMITMENT

Within Climate Action 100+, AP7 conducts together with 700 other investors a focused advocacy work against some 160 of the world’s largest emitters of greenhouse gases.

Together, these companies account for nearly 80 percent of the global business community’s greenhouse gas emissions. Currently, the investors have secured commitments from more than 80 of the companies to reach net zero emissions by 2050 at the latest. → [Read more at Climate Action.](#)

Engie

One of the companies that AP7 has engaged with is the French company Engie, which in 2020 was the only European energy company that had not made a commitment to net zero emissions by 2050. After half a year of intensive dialogue, together with a dozen other owners, we presented a motion for the general meeting in 2021, which led to Engie making a net zero commitment until 2045 and the motion could be withdrawn.



VOTING FOR GENDER EQUALITY

In 2022, AP7 has voted against board members in a number of companies with a lack of gender equality and single-gender boards. The vast majority of companies with single-gender boards are based in Asia. During the year, AP7 has also supported proposals in a number of American companies regarding increased transparency on unequal pay and preventing discrimination.

pressure on the companies to change their conduct. The ambition is to be able to reinvest in a blacklisted company, as soon as it can show that its norm violations have ceased. Our method of blacklisting is mainly incident-based, which means that we blacklist companies whose violation of these international norms has been verified.

The climate aspect in AP7's blacklisting is continually being developed in line with research within the area. Research has shown that the single most important measure for mitigating climate change is to stop using coal as a source of energy. Since 2020, we have therefore been blacklisting companies with a large absolute climate impact in coal production and coal power, and that are planning to expand their fossil fuel-based activities. Since 2022 we also include coal companies that cannot show credible transition plans and oil companies who do not have the intention to discontinue their oil sand extraction. The development has resulted in a total of 36 companies being blacklisted since December 2020.

Blacklisted companies in 2022

In December 2022, a total of 104 companies were excluded from AP7's investment universe. The complete list of blacklisted companies is presented at the end of this report and on ap7.se.

During the year, 17 companies were added to AP7's blacklist. 16 of the companies were blacklisted as a result of developments in the blacklisting method based on the Paris Agreement. Six companies were removed from the list during the year.

Legal processes

AP7 drives legal processes, through class actions, against companies that have misled shareholders or influenced the share price negatively. An example can be withholding information that affect the share price. The aim is both to discourage companies from irregularities, and to compensate shareholders. The majority of the legal cases result in a settlement. Thus far, the legal processes in which AP7 has participated have returned approximately USD 13 million to our savers. Regulations are applied, in all cases, to ensure that AP7 is not liable for costs, regardless of outcome.

In 2022, there were no settlements and three new processes were initiated; against Rivian Automotive, Lucid Group and Coinbase Global. At the end of 2022, AP7 was involved in ongoing legal processes against 18 companies together with other institutional owners. Ten of these were in the United States: Rivian Automotive, Lucid Group, Coinbase Global, Goldman Sachs Group, General Electric Company, The Kraft Heinz Company, Cobalt Energy, Qualcomm, Activision Blizzard and Citigroup. In addition, there are ongoing processes against Toshiba, Mitsubishi and Nissan in Japan, Vivendi in France, Steinhoff in the Netherlands, Deutsche Bank – Postbank and Volkswagen/Porsche in Germany, and BHP in Australia.

STRENGTHENING TESLA-WORKERS' RIGHTS

During the year, AP7 co-filed a shareholder resolution together with Nia Impact Capital, at Tesla's annual general meeting to strengthen workers' rights. AP7 has been in dialogue with Tesla for several years regarding concerns over workers' rights. Given limited progress in those discussions AP7 has chosen to actively support this shareholder resolution which aims at strengthening employee rights and improving transparency on disputes such as discrimination and harassment.



VW – FROM DIALOGUE TO LEGAL CASE

Volkswagen has repeatedly opposed shareholder proposals regarding transparency on the company's climate lobbying. AP7, the Church of England Pensions Board, the Danish AkademikerPension as well as AP2, AP3 and AP4 have turned to court to clarify the rights of German minority owners.

Publicly, Volkswagen is an advocate of a sustainable transition. However, through its membership in a number of associations within the automotive industry, the company may have engaged in lobbying that stand in conflict with their stated climate ambitions. This potential contradiction poses a risk and has prompted investors to demand increased transparency from Volkswagen.

For several years, AP7 and other owners have together tried to submit proposals to Volkswagen's annual general meeting, but these have been rejected by the company. The court ruling will clarify whether companies have the right to refuse shareholders to submit proposals regarding climate lobbying transparency to a vote at German shareholders' meetings. A positive outcome would also improve shareholders' opportunities to demand transparency from German companies on issues other than the climate.

"As a long-term owner, we encourage Volkswagen to ensure that their climate lobbying is in alignment with their stated climate ambition. Other German listed companies have published assessments of their lobbying activities. It is therefore con-

cerning that Volkswagen has opposed this transparency and that we as shareholders were not allowed to raise the issue at the annual general meeting. Together, we are taking this to court to clarify this gray area within company law in Germany," says Emma Henningsson, responsible for active ownership at AP7.

AP7: Climate lawsuit against VW could have Europe-wide implications

Legal case brought against German auto manufacturer by pension funds could open the door to more shareholder proposals in Europe.

By Paul Verney 21 October 2022

Save Share A+ A- 100%



The climate lawsuit being brought against German car manufacturer Volkswagen by investors could have Europe-wide implications for shareholder engagement, according to Swedish government pension fund AP7.



Johan Florén, Chief ESG and Communication Officer
Charlotta Dawidowski Sydstrand, Head of ESG

“ AP7 will place greater focus on the responsibility of boards to ensure that the companies conduct business in a sustainable way and transform their operations to achieve net zero emissions.

Three quick questions on active ownership

1. How has AP7's active ownership work developed in 2022?
2. Has there been any method development?
3. What trends do you foresee in the area in the coming year?

1. The major transformative change is the implementation of our climate action plan to help achieve net zero

emissions. It encompasses a number of activities and targets which will govern our work for many years to come, but the results of which we could already see this year.

In 2022, we also started the theme Universal ownership. Within this theme, we investigate how we can develop and combine our active ownership methods to achieve even more effect. Among other things, we developed our way of working within legal processes as AP7 together with several other pension funds filed a lawsuit against Volkswagen. The court case will decide whether the company has the right to refuse shareholders to submit proposals to the general meeting. This is the first time German company law is tested on this matter and the outcome will have implications for the rights of minority shareholders in Germany and possibly also for other European markets with similar legislation.

2. We continuously develop our active ownership tools in pace with new knowledge and research and new collaborations and standards in the market.

During the year, we sharpened our requirements on fossil fuel companies and now blacklist coal companies that cannot demonstrate credible transition plans, as well as oil companies that do not plan to discontinue their oil sands operations. We continue to submit our own climate proposals at general meetings and have tightened our voting policy and vote even more against board members in companies with large emissions that do not manage their climate risks.

In 2022, for the first time, we commissioned an audit of our own climate policy impact in accordance with the standard for responsible climate lobbying AP7 was involved in developing. By examining our own policy influence, we want to set a good example and show a possible method for organizations to evaluate their memberships and ensure that they conduct responsible climate lobbying.

3. We see internationally that investors, through net zero goals and transition plans, place increasing emphasis on active ownership to achieve real emission reductions. According to the International Energy Agency, IEA, emissions must be halved by the year 2030. This means that the transition needs to accelerate in the next few years with substantially reduced emissions and multiplied investments in renewable energy. This means that investors must sharpen their demands on the transition efforts within companies with large emissions. Companies that have committed to achieving net zero emissions by 2050 also need to set credible reduction targets in the near term in order to reduce emissions as soon as possible.

In 2023, AP7 will place greater focus on the responsibility of boards to ensure that the companies conduct business in a sustainable way and transform their operations to achieve net zero emissions. In parallel with climate risks, issues of biodiversity and natural capital have also rapidly increased in importance on companies' sustainability agendas. We are convinced that this development will continue for many years and that the issue will be increasingly integrated with climate work.

AP7's thematic work

Read about
our learnings
from previous
theme works

Read more
at ap7.se



AP7 complement our active ownership work by exploring specific themes in three-year blocks. This is a way to engage ourselves in particularly important areas. In 2022, the theme on climate transition was concluded.

By focusing on a few themes in parallel, we can examine at depth complex areas that relate to our sustainability priorities and where we can have an impact by increasing our knowledge.

When we select a new theme, a number of clear criteria are considered. To start with, the area must be relevant to AP7's holdings and asset classes. We must also be able to make a reasonable difference in a resource-efficient way, and find suitable partners to collaborate with on generating and spreading knowledge and on driving the work forward.

The theme affects our prioritisations for its duration and has consequences both for our dialogue with portfolio companies and our work at general meetings. We also engage in broader collaborations with other actors on advancing standards and norms related to the area.

During the year, we decided that the theme for the period 2023–2025 will be Board responsibility. The theme aims to push for improved corporate governance by holding boards accountable that do not meet its obligations to look out for shareholders' interests and manage companies' sustainability risks. In 2022, we completed the theme Climate Transition. The other ongoing themes are Deforestation and Biodiversity (2021–2023) and Universal Active Ownership (2022–2024). Read more on the following pages.

Previous themes:

Private equity, Climate, Fresh water, Corporate climate lobbying, Working conditions in food supply chains, Sustainable impact measurement

CURRENT THEME WORKS

Climate Transition 2020–2022

Deforestation and Biodiversity 2021–2023

Universal Active Ownership 2022–2024

Board Responsibility 2023–2025

SEMINAR CONCLUDED SUSTAINABLE IMPACT MEASUREMENT THEME

In autumn 2022, AP7 published the final report from the theme Sustainable Impact Measurement. To discuss challenges and opportunities with measuring the societal benefit of investments and active ownership, we invited Maria Håkansson, CEO Swedfund, Lisa Beauvilain, Head of Sustainability & ESG, Impax Asset Management, and Emma Sjöström, researcher at Stockholm School of Economics and at Misum.



The theme Sustainable Impact Measurement was concluded in 2021 and in 2022 we published a report summarising the work and our conclusions. The report is available at ap7.se.

Read more
at ap7.se



Theme work 2022–2024

Universal Active Ownership

Read more
at ap7.se



As a universal owner with holdings all over the world, active ownership is AP7's primary means of achieving real impact in the global economy. Therefore, maximising the effects of our ownership activities has the highest priority.

The theme Universal ownership is a platform for investigating how we can best use our resources and our role as a global owner. During the three years the theme runs, we will work on developing and refining our ownership activities further. We will also evaluate new tools and working methods and investigate how these can be combined for the best possible impact.

Same goal - different methods

Engaging with other large capital owners is an important starting point for discussing working methods and tools, and finding common interests. Usually, we share the same goals, but we have found that our working methods often differ. AP7 has relatively few external asset managers and also control our voting and active ownership work. An early observation is that this makes it easier for us to act than for other large capital owners who outsource their voting to external asset managers, who are often many more in number.

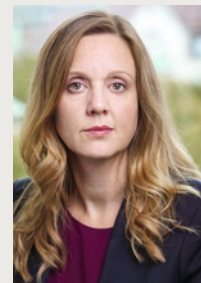
To increase our knowledge we conduct a continuous dialogue with researchers in the field. During 2022, AP7 were in contact with Emma Sjöström at Stockholm School of Economics, regarding her research on boards' role in companies' climate work. We have also been in contact with Ellen Quigley, Senior Research Associate in Climate Risk & Sustainable Finance at the Centre for the Study of Existential Risk, Cambridge University.

Integrated with active ownership

The theme work does not take place in isolation, but is integrated with AP7's active ownership work to develop new tools and ways of working:

- ▶ **Targeted actions against companies** Together with other asset owners, AP7 started a court process to get Volkswagen to increase the transparency of its lobbying activities. We also submitted a motion to Tesla's annual general meeting with the intention of convincing them to strengthen employee rights. Read more on page 22.
- ▶ **Climate voting** During the year, we have sharpened our requirements on companies and, among other things, made a mark at the general meetings against companies with a low rating in TPI's assessment of Management Quality. Our next step will be to gather more owners behind our demands to increase the impact.
- ▶ **Company dialogue** AP7 has developed a method to identify prioritized companies for engagement dialogue on climate change. Together with partners and coalitions, we have conducted an in-depth dialogue with over 180 companies.
- ▶ **Transition portfolio** AP7 made the first investment in our transition portfolio. The ambition is to invest in a limited number of companies with high emissions and through proactive dialogue influence them to speed up the transformation of their operations. Read more on page 11.

- ▶ **Voting policy** AP7 participates in a working group within the IIGCC with the aim of persuading proxy advisors to develop a stricter voting policy that meets the needs of net zero asset owners.
- ▶ **Climate lobbying** AP7 is member in a steering group that drives the European CA100+ companies' transparency in climate lobbying. The ambition is to deal with organisations that obstruct ambitious climate regulations, by getting more companies to audit and report on their climate lobbying. Read more about the global lobbying standard AP7 has been part in developing on page 17.



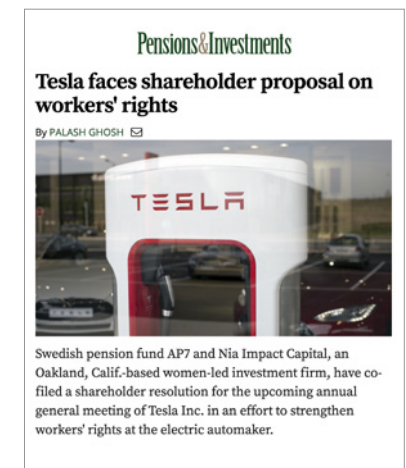
Emma Henningsson, responsible for active ownership at AP7



There is clear value in combining different tools for active ownership that complement each other.



→ Read more about Volkswagen at Reuters.



→ Read more about Tesla at Pension & Investments.

Theme work 2021–2023

Deforestation and Biodiversity

Read more
at ap7.se



Alongside climate change, the loss of biodiversity is one of the major threats to humanity. AP7's thematic work aims to develop our active ownership in order to protect forests and biological diversity.

The theme of deforestation and biodiversity concerns two interconnected global crises: the climate and the loss of biodiversity. These should be dealt with in parallel according to the first joint report of the intergovernmental organizations IPBES and IPCC.

Deforestation entails both increased emissions of greenhouse gases and a loss of biological diversity. AP7 therefore started the theme with active ownership with the aim of reducing deforestation. Since then, the theme has been broadened to deal more generally with biodiversity, among other things through the collaboration within TNFD (Taskforce on Nature-related Financial Disclosures).

TNFD – Framework for biodiversity

At the end of 2021, AP7 was included in the steering group for TNFD, which works to develop a framework for companies' reporting of nature-related risks and opportunities, as well as their impact on nature. An overarching purpose is to steer financial



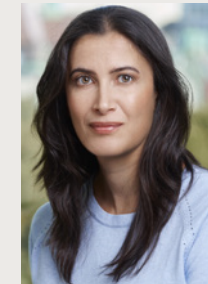
capital away from operations with a negative impact on nature to those with a positive impact. During the year, AP7 has been active in developing three beta versions of the framework. The final version is expected to be launched in September 2023.

Ahead of the launch of WWF's Living Planet Report, AP7 also participated in a panel discussing the role of businesses and the financial sector in accelerating the transition for the climate and in the preservation of biodiversity.

Platforms for collaborations

AP7 is involved in several collaborations connected to the area:

- ▶ **UNPRI**, PRI's Sustainable Commodities Practitioners' Group, is an initiative on deforestation where AP7 participates in developing guidelines for how investors should handle the issue. In 2022, we participated in a call on action for the world's governments to adopt an ambitious global framework for biodiversity – the so-called "Post-2020 Global Biodiversity Framework".
- ▶ **FAIRR** is an investor alliance that organises investors in dialogue with companies on sustainability issues. Through its membership, AP7 is involved in urging the G20 countries to set ambitious targets for emission reductions in the agricultural sector. In 2022, we also called on the UN's Food and Agriculture Organization (FAO) requesting that they develop a roadmap for net zero emissions. In November 2022, FAO announced plans to release such a roadmap.
- ▶ **SID15** is a Sida-led forum for investors who wish to collaborate on SDG 15. AP7 is chair of the group, which, among other things, supports the research project BioFIN, which during the year received a grant from Mistra of SEK 50 million for its research.



Flora Gaber,
manager ESG-analysis at AP7

“ The food and agriculture sectors are major contributors to the emissions, yet also very susceptible to climate change and deforestation due to factors such as fluctuating precipitation patterns, droughts and floods. ”

Interview
in ESG Clarity



- ▶ **Ceres** is an initiative for investors who want to increase their commitment against deforestation. AP7 became members in 2022 and joined the collaboration "Food 50", where the aim is to accelerate development towards net zero emissions in the food industry through active ownership. Through the collaboration, the investors engage in dialogues with 50 of North America's largest emitters in the industry. AP7 has started a dialogue with one of the companies with a particular focus on deforestation.

Our contribution to Agenda 2030 and the global goals for sustainable development. Through our theme work Deforestation and Biodiversity we contribute to goal number 15 on preservation of ecosystems and biodiversity.



Theme work 2020–2022

Climate Transition

Read more
at ap7.se



The theme has focused on what investors can do to drive transition in the companies with the largest impact on climate. In 2022, AP7 published an action plan for how we should work to contribute to net zero emissions by 2050 at the latest.

In the theme Climate Transition we have evaluated how we can use our influence as owners and develop our active ownership tools in order to contribute to real emission reductions in the companies.

Based on independent analyses

The independent research institute Transition Pathway Initiative (TPI) comprises the hub in the theme. Their forward-looking scenario analyses, of how companies' business plans align with the Paris Agreement, form an important basis for our active ownership work. In June 2022, the TPI Global Climate Transition Centre was established to produce research and analysis for investors on how companies are adapting to net zero. The centre will also assess issuers of corporate and government bonds. AP7 is a member of the institute's policy team since 2020.



In the theme Climate Transition we have evaluated how we can use our influence as owners and develop our active ownership tools in order to contribute to real emission reductions in the companies.

Action plan for net zero emissions

During the year, AP7 published a climate action plan for how we will contribute to net zero emissions by year 2050. The plan is based on our commitment within the Paris Aligned Asset Owners and on the IPCC's scenarios and the IEA's Net Zero Roadmap 2050. It includes goals in four areas: investments, active ownership, public policy dialogue and transparency.

In this work, AP7 focuses on the portfolio companies with the largest climate impact, and during the year we have carried out an initial assessment of the portfolio's emissions.

The focus on the boards' role in the companies' transformation has increased, and over the years AP7 have sharpened our requirements on boards through our voting. Read more about our voting policy in our climate action plan and see how we voted on all issues at general meetings in our database at ap7.se.

Global standard for climate lobbying

AP7 sees good opportunities to develop knowledge and standards in the market together with other actors. Negative climate lobbying from industry organisations has been a major



challenge to the implementation of the goals of the Paris Agreement. In 2022, attention was drawn to the case of Volkswagen, which, unlike other German car manufacturers, refused to publish information about its lobbying activities, and in October AP7 submitted a lawsuit against the company together with other capital owners. Read more on page 22.

In March 2022, AP7 together with Church of England Pensions Board and BNP Paribas Asset Management, launched a global standard for responsible climate lobbying with clear and uniform investor expectations on companies. The standard consists of 14 indicators and an investor statement. Its purpose is to bring about changes in the climate lobbying of companies and their lobbying organisations.

→ [Read more at climate-lobbying.com](https://climate-lobbying.com)

Higher demands on fossil fuel companies

The climate aspect of AP7's blacklisting process is developing continuously. In 2020, we raised our requirements on companies that carry out extensive coal operations with plans for expansion, and the year after, we included fossil fuel companies that are not able to present credible transition plans in line with the Paris Agreement. The development has continued in 2022, with the review of additional oil and gas companies, and during the year we blacklisted oil companies involved in oil sands. Read more about our climate work on pages 16–19.

Our contribution to Agenda 2030 and the global goals for sustainable development. Through our active ownership and thematic work in Climate Transition we contribute to goal number 13 – fighting climate change.



On our savers' terms

Savers in the pension system are at a disadvantage in terms of information, and many lack interest in the subject. AP7 works actively to provide information about pensions and savings in a way that is adapted to our savers' terms.

The pension system is complex and exploring the field requires a certain level of engagement. Many savers feel that pensions is a complicated area, and those with many years left before retirement may find it hard to engage with the subject.

The pension system is designed to give savers responsibility for the investment of the premium pension, with a wide range of funds to choose from. To make an informed decision, savers need access to factual and nuanced information. Such information is available at the Swedish Pensions Agency's website. Savers who do not make an active choice automatically have their pension money invested in AP7 Såfa.

Effective communication

By spreading information about private finance, the pension system, and AP7 Såfa, we want as many people as possible to have access to the best possible information in order to make an informed decision about their premium pensions. However, nobody should feel forced to make a choice. Based on our mission, we also communicate about issues such as sustainability and responsible investments.

Our over five million savers is the prime target group for our communication. Surveys have shown that many of them have a lower income and level of education than average, partly because many young people automatically have their money invested in the pre-selection option when they first enter the workforce.

The most resource-efficient way to reach our savers is through digital channels. Through our blog *Förvalt* we offer nuanced and accessible information about pension savings, asset management, and sustainability.

Podcast spreads knowledge about ESG issues

In our podcast *Ågarpodden* we discuss with researchers and experts from fund companies, to increase our knowledge about sustainability and the role of asset owners to take responsibility and have a positive impact.

In one episode, Emma Sjöström, at Misum, Stockholm School of Economics, talks about her research on exerting influence by divesting shares versus through active ownership. Bo Becker, Professor in the Department of Finance at the School of Economics, discusses the importance of cost of capital to influence businesses. John Hassler, Professor of Economics at Stockholm university, talks about the most important ways to reduce global carbon dioxide emissions. And in one episode, Joakim Sandberg, Professor of Practical Philosophy and Financial Ethics at the University of Gothenburg, reasons about the difference between what feels right and what has a real effect. The sections with thoughts from API, Nordea, SPP and us at AP7 are also well worth listening to.

SWEDES POSITIVE TO THE PREMIUM PENSION

During the year, AP7 commissioned Kantar Sifo to conduct a survey on the Swedish people's perception of premium pensions and sustainability. The result showed that nearly two thirds have a positive view of the premium pension. A large majority believe that the AP funds should take environmental and ethical aspects into account in fund management, which is in line with how the AP funds are governed by law. However, the opinions were divided regarding pension funds' ability to influence companies within ESG issues.

Read more
at ap7.se



Förvalt
Om pension, sparande och andra val i livet

Kapitalförvaltning Hållbarhet Såfa

Maria Schultz

Varför får jag inte ta ut min premiepension i en klumpsumma?

Det är en ganska stor skillnad på premiepension och till exempel tjänstepension. Till skillnad från tjänstepensionen, som avtalas mellan arbetsgivare och arbetstagare, regleras inbetalningarna till den allmänna pensionen i lag. Utöver det kan man spara privat till pensionen och de pengarna gör man så klart vad man vill med.

Employees

In a small organisation like AP7, every employee's skills and momentum are crucial in us fulfilling our mission. By offering a workplace that is characterised by humility, responsibility, freedom, and collaboration, employees can enjoy working with us, and they have the opportunity to develop and feel involved.

Competence development

The competence level of AP7 employees is vital in the knowledge-intensive activities we conduct. Skills are developed both through external training and through internal seminars and knowledge exchange between employees. The need for competence development is identified through, for example, annual appraisal interviews, at which individual development plans are drawn up. In 2022, all employees had at least one appraisal interview with their immediate supervisor.

In 2022, mandatory trainings were held for AP7's employees in data privacy and GDPR; money laundering issues and sanctions; as well as rules regarding market abuse. We also had an introductory training for all employees in the newly implemented whistleblower system.

Diversity and gender equality

Different experiences and perspectives are important for an innovative work climate, and we see diversity as a strength. AP7 works actively for an even gender distribution within the organisation, and diversity is included as a parameter in recruitments. We also work proactively to prevent all forms of discrimination.

At the end of 2022 the total number of employees in AP7 was 42, of which 20 were women. All employees are covered by the collective bargaining agreement, BAO-JUSEK (SACO). The management team comprises seven people, three women and four men. In 2022, two people were recruited, and two employees left the organisation.

A sound work environment

A healthy work environment, both physical and psychosocial, is central to promoting good health and wellbeing among the employees. AP7 works systematically and continuously to improve the work environment. The work environment policy, action plan, risk assessment, and procedures, are followed up annually by the management together with the safety representative, and revised when necessary.

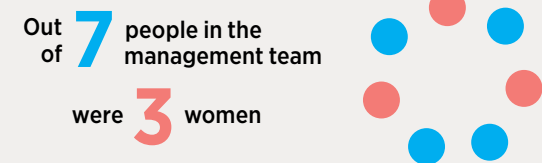
Continual dialogue is important for improving the work environment, and all employees are expected to participate in the work. Health promoting initiatives are prioritised, such as a wellness allowance, teambuilding, and social activities. Another important consideration for AP7 is that employees feel they have flexibility in their work and can attain a balance between work and leisure time.

AP7 conducts monthly pulse surveys to gather continuous feedback on how satisfied our employees are and how they feel about the work environment. Based on the results we can respond quickly to changes and develop action plans if necessary. We also conduct an employee engagement survey every second year to discover more long-term trends. The survey was conducted in December 2022 and the findings will be analyzed in the spring of 2023.

Returning to the office after the pandemic

The transition to remote and digital working during the covid 19 pandemic largely worked well. At the same time, AP7 values the

Employee data 2022



* In 2022, AP7 recruited two people and two people left the organisation.

Monthly pulse surveys provides continuous feedback from our employees



physical meeting, as we are convinced it facilitates collaboration and knowledge transfer.

Since the restrictions linked to the pandemic were lifted in the spring of 2022, we have offered our employees a work model where they can combine remote and office work. To evaluate the flexible arrangement, we conducted a survey in June. The results show that our employees are generally positive and that a majority feel that they work most efficiently when they are able to combine remote work with in-office work. The vast majority also believe that it has contributed to increased energy, wellbeing and better work-life balance. No employee stated that their wellbeing has changed for the worse.

Employee data	2022	2021
Number of employees, average	42	40
– of which women, %	48	46
Number of members of the management team, average	7	7
– of which women, %	43	43
Average age	49	47
Employee turnover*, %	2.5	10
Sick leave, %	1.0	1.1

* In 2022, AP7 recruited two people and two people left the organisation. In 2021 four people joined AP7, and no employees left the agency.



AP7’s employees are positive about the possibility of combining remote working with working in the office



Work of the Board and fund governance

AP7's activities are governed by the National Pension Insurance Funds Act. The Board of Directors is responsible for the fund's organisation and asset management.

The Seventh AP Fund is a public agency tasked with managing premium pension funds for the Swedish population. AP7's activities are governed by the National Pension Insurance Funds Act (AP Funds Act), which states that the AP Funds have independent boards with responsibility for the fund's organisation and asset management. Unlike other Swedish agencies, the operation is not governed through other government directives.

The Swedish Government annually approves the AP Funds' income statement and balance sheets. The Government also commissions an evaluation of the activities of the AP7 Funds every year. This evaluation is presented in a written submission to the Government.

Composition of the Board

The Seventh AP Fund's board is appointed by the Government and consists of nine members. The members are appointed on the basis of their competence to promote the fund's management and must be Swedish citizens. The CEO of the Fund is not a member of the Board. Board members normally serve for a maximum of eight years. In 2022, Karolina Ekholm was replaced by Henrik Saxborn as board member.

The Board's tasks and responsibility

The Board has the ultimate responsibility for AP7's operation and organisation, and for the management of the fund's assets. Responsibility for everyday management is delegated to the CEO, through the Board's instructions. Where the Board's work is not governed in the AP Funds Act, it is governed primarily by the internal rules of procedure that the Board approves annually.

The Board annually approves the operational plan, including the targets and guidelines for investment activities, risk man-

agement plan, ownership policy, and the budget in accordance with the AP Funds Act. The Board also makes decisions on overall policies and governing documents, takes a position on strategic issues, ensures that decisions are implemented, and that the operation and its risks are followed up and controlled in an appropriate manner. The Board is also responsible for recruiting the CEO and, if deemed necessary, the Executive Vice President and CIO.

The Board evaluates the CEO's performance once a year at a meeting where the CEO is not present. The Board also carries out a review of its own performance every year, with the aim of developing the Board's working methods. The evaluation is externally facilitated every two years. An assessment of the quality level of the Board's material also takes place annually.

The Board's work in 2022

The Board held six scheduled meetings in 2022. At each ordinary meeting, the Board reviews the asset allocation of the portfolio and any changes in this, as well as the fund's development and the management's expectations regarding market development. In addition, the operational managers and AP7's control positions submits a written report to each meeting. During 2022,

the Board received training in whistleblowing rules, as well as in AP7's climate action plan and the blacklisting process.

The CEO also participates in the board meetings, and other employees may be called in as experts on particular matters. The Fund's regulatory manager is the Board's secretary.

In addition to the ordinary meetings, members of the Board held meetings in committees: the Executive Committee, Asset Management Committee, and Audit Committee. The table below shows the Board members' attendance at these meetings.

Fees to board members

Fees and other payments to the Board are determined by the Government. Annual payments remain unchained and are SEK 200,000 to the Chair, SEK 150,000 to the Vice Chair, and SEK 100,000 for other members. For work in committees and other assignments, the Government has decided on an annual framework of SEK 100,000 to be divided between the board members. Based on this, the Board has decided on SEK 9,000 as compensation for work in the Audit Committee and Asset Management Committee, with double payment to the chair in each committee. No payments are made for work in the Executive Committee.

Attendance at board meetings and meetings of board committees

Board member	Board meetings	Executive Committee	Asset Management Committee	Audit Committee
Per Frennberg, Chairman	7/7	7/7	4/4	
Emma Ihre	7/7	7/7		4/4
Susanne Ekblom	7/7			4/4
Tonika Hirdman	7/7		4/4	
Henrik Saxborn*	5/7		2/4	
Mikaela Valtersson	6/7			3/4
Magnus Vesterlund	7/7			4/4
Roine Vestman	7/7		4/4	
Anders Wihlbom	7/7		4/4	

* In 2022, Karolina Ekholm was replaced by Henrik Saxborn

Board committees

The Board of AP7 has set up three committees: Executive Committee, Asset Management Committee, and Audit Committee. The committees prepare matters for the board to consider.

Executive Committee: The Committee prepares the Board's work, and decides twice a year on exclusions of companies from investments. The Executive Committee also constitutes AP7's remuneration committee. In 2022, the Committee comprised Per Frennberg (chair), Emma Ihre, and CEO Richard Gröttheim.

Asset Management Committee: The Committee prepares the Board's work on matters relating to asset management. In 2022, the Committee comprised Per Frennberg (chair), Tonika Hirdman, Roine Vestman, Anders Wihlbom, and Henrik Saxborn who replaced Karolina Ekholm.

Audit Committee: The Committee prepares the Board's work regarding financial reporting, auditing, internal control, internal and external audit, risk management, and compliance matters. In 2022, the Committee comprised Susanne Ekblom (chair), Emma Ihre, Magnus Vesterlund, and Mikaela Valtersson.

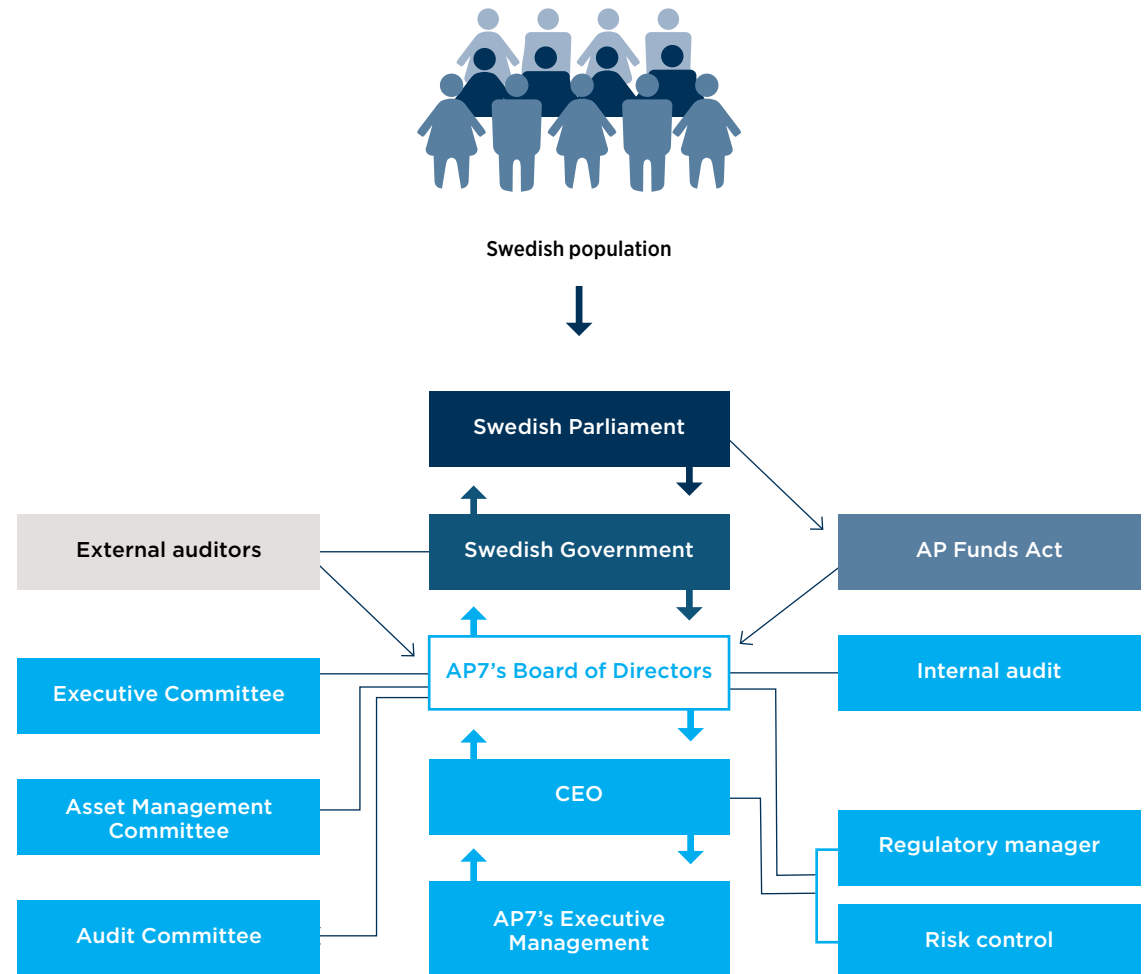
Conflicts of interest

Guidelines for handling conflicts of interest are established every two years and communicated in connection with the introduction of new board members. The Chair of the Board is informed about potential conflicts of interest and, if needed, the matter is escalated to AP7's regulatory bodies. For the Board members' ongoing assignments see pages 33–34.

External audit

AP7's auditors are appointed by the Government. The current auditors are Helena Kaiser de Carolis and Peter Nilsson, PwC. The assignment applies until AP7's balance sheets and income statements for 2022 are approved. PwC are also auditors for the AP1–AP4 and AP6. The auditors report directly to the Board through a written audit report and an oral presentation and participate in at least one board meeting per year. They also report annually to the Ministry of Finance.

AP7's governance structure



Board of Directors



PER FRENBERG

Chairman of the Board

Chair of the Executive Committee and of the Asset Management Committee

Elected: 2018

Other assignments: Head of Investment, Euro Accident Livförsäkring.

Previous assignments: Strategist, portfolio manager, interest manager and asset management manager at Alecta. Researcher and teacher in financial economics at the School of Economics at Lund University.

Education: PhD in Economics, Lund University

Year of birth: 1964



EMMA IHRE

Vice chairman of the Board

Executive Committee, Audit Committee

Elected: 2018

Other assignments: Head of Sustainability Embracer Group, co-opted member of the Board and Investor Ombudsman in the Nordkinn Asset Management hedge fund, Board member of Sida, Advisory Board member, Lund Institute for Sustainability Impact.

Previous assignments: Head of Sustainability at Mannheimer Swartling, Chairman of the Board of Global Compact Network Sweden, Responsible for sustainable entrepreneurship at the Ministry of Finance, Head of Corporate Engagement at Ethix SRI Advisors, and Managing Director of Amnesty Business Group.

Education: B.A. in Economics, Stockholm University

Year of birth: 1971



TONIKA HIRDMAN

Asset Management Committee

Elected: 2015

Other assignments: Director-General of the Fondation de Luxembourg, Chairman of the Board of Nordnet Fonder.

Previous assignments: CEO of ABN AMRO Bank Luxembourg, CEO of Banco Fonder, Administration Officer at the Ministry for Foreign Affairs, Administration Officer at Finansinspektionen.

Education: International Economics programme, Uppsala University

Year of birth: 1966



HENRIK SAXBORN

Asset Management Committee

Elected: 2022

Other assignments: Vice Chairman of PSP Swiss Property AG, Board member of AMF Fastigheter, Board member of Annhem AB.

Previous assignments: CEO of Castellum AB, Managing Partner NIAM, Vice Chairman of EPRA (European Public Real Estate Association), Board member of Børssällskapet in Gothenburg, Board member of Sweden Green Building Council, Chairman of CMB Chalmers (Center for Management in the Construction Sector).

Education: Master of Science in Real Estate Economics, KTH Royal Institute of Technology.

Year of birth: 1964



ANDERS WIHLBORN

Asset Management Committee

Elected: 2019

Other assignments: Chairman of the Board of Advinans AB, Board member of Linnane Pharma AB and Optimas Capital Ltd.

Previous assignments: Managing Director of the Bank of America Merrill Lynch.

Education: MSc, Stockholm School of Economics, MBA Program, International Business, University of Hong Kong.

Year of birth: 1962



MIKAELA VALTERSSON

Audit Committee

Elected: 2019

Other assignments: Deputy CEO of Kunskapsskolan AB. Member of the Board of Axfoundation, Antonia Ax:son Johnson's sustainability foundation, and of the think tank Fores.

Previous assignments: Member of the Swedish parliament (MP) and the party's economic-political spokesperson, as well as a member of The Parliamentary Committee on Finance. Chairman of the National Association of Independent Schools.

Education: High school teacher, social studies and history.

Year of birth: 1967



MAGNUS VESTERLUND

Audit Committee

Elected: 2020

Other assignments: Chief Economist at Insurance Sweden (Svensk Försäkring).

Previous assignments: Head of the Risk Department at Folksam Liv-gruppen. Various positions within the Riksbank, as well as a national expert in the European Commission.

Education: Master of science in economics, Linköping University.

Year of birth: 1970



ROINE VESTMAN

Asset Management Committee

Elected: 2020

Other assignments: Associate Professor at the Department of Economics, Visiting Researcher at The Riksbank, Scientific Advisor to The Swedish National Debt Office (Riksgälden), Stockholm University, Senior Fellow at the Centre for Economic Policy Research, Guest Researcher at the Swedish House of Finance.

Previous assignments: Post-doc and researcher, Scientific Advisor to the Swedish Financial Supervisory Authority (Finansinspektionen).

Education: PhD in economics, New York University, US.

Year of birth: 1978



SUSANNE EKBLOM

Chair of the Audit Committee

Elected: 2020

Other assignments: Member of the Board and Chairman in Assemblin's audit committee, Board member of Norstat, and self-employed consultant.

Previous assignments: President and CEO of Vectura Fastigheter AB, CFO at Investor AB, CFO at SVT, and various positions at Scania. Member of the Boards of ElinderSten, GoCo, SOS Barnbyar, Kunskapsskolan, Vectura Fastigheter, Sveriges Radio Förvaltnings AB (SRF) and Radiotjänst i Kiruna (deputy).

Education: BSc in Business Studies, Stockholm University.

Year of birth: 1966

Executive management



RICHARD GRÖTTHEIM
CEO

Employed since: 2000

Previous assignments: Sweden's Central Bank (Riksbanken), Aragon Fondkommission AB, Götabanken

Education: Bachelor's degree in economics, Stockholm university

Year of birth: 1959



INGRID ALBINSSON
Deputy CEO and CIO

Employed since: 2011

Previous assignments: Swedbank Robur, SEB
Education: Bachelor of Science in economics and econometrics, Stockholms university

Year of birth: 1963



TINA NYLUND
Chief Operating Officer

Employed since: 2017

Previous assignments: KPMG, Postgirot Bank, PPM, AMF Fonder, SPP Fonder

Education: Degree of Master of Science in Business and Economics, Uppsala university

Year of birth: 1965



HANS BERGSTRÖM
Compliance Officer

Employed since: 2009

Previous assignments: ABN AMRO/Alfred Berg
Education: Master of Law, Uppsala university

Year of birth: 1967



JOHAN FLORÉN
Chief ESG and Communication Officer

Employed since: 2009

Previous assignments: Worked in communications since 1993, CEO/agency owner, communications manager, consultant

Education: B. Sc. in philosophy, political science and business administration, Uppsala and Stockholm University

Year of birth: 1965



HÅKAN TOBIASSON
Chief Risk Officer

Employed since: 2011

Previous assignments: PPM/The Swedish Pensions Agency, Second AP-fund, Sweden's Central Bank (Riksbanken)

Education: Master's degree in economics, Karlstad university, Diploma Program for Financial Analysts (CEFA), Stockholm School of Economics

Year of birth: 1972



LOUISE SVENSSON
HR Manager and Head of Internal Communication

Employed since: 2013

Previous assignments: Edelman, Next PR and HK Strategies

Education: Master's degree in Marketing and Management, Jönköping International Business School, and Technological University Dublin

Year of birth: 1975

Sustainability information

About the sustainability report

AP7's sustainability report has been prepared with reference to GRI Universal Standards 2021 and covers our entire operations. It is published annually and this report covers the period 1 January 2022 to 31 December 2022, which is aligned with AP7's financial reporting. This sustainability report was published on 22 February 2023.

AP7 has also considered the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on reporting of climate-related risks and opportunities. A GRI index is presented on pages 40–42 and an index with references to TCFD's framework on page 43.

The Sustainability Report for 2022 has been prepared in accordance with the Seventh AP Fund's principles for sustainability reporting, which correspond to those in the Swedish Annual Accounts Act.

Prioritised sustainability issues

The content of the sustainability report is based on AP7's materiality analysis, which was updated in the fall of 2022. The purpose was to identify which sustainability issues are the most prioritised for AP7 to consider in its management and active ownership work. It is about the areas where AP7's operations have the greatest actual or potential impact on the outside world, from an economic, social and environmental perspective. During the assessment, account was also taken of areas with risks or opportunities that could affect AP7's value creation.

The assessment was based on AP7's mission, international conventions and guidelines that AP7 supports, global trends, internal risk assessment and the previous materiality analysis from 2017. Additional input was taken from AP7's ongoing stakeholder dialogues, as well as from discussions with internal and external experts.

The identified issues are in line with AP7's sustainability strategy, sustainability goals and working methods, see pages 14–30. In relation to the previous analysis in 2017, AP7's work with systemic environmental issues, such as climate, biodiversity and fresh water, is deemed to have become more material. That we prioritise these issues is reflected, among other things, in AP7's dialogues with portfolio companies and our commitment through various theme work, see pages 24–27.

The materiality analysis and the prioritised sustainability issues have been reviewed and determined by the company's CEO and the Chief ESG and Communication Officer. See the list of the material sustainability issues and AP7's impact in the table on page 38.

Sustainability governance

AP7's board annually establishes an ownership policy as part of the operational plan. Through the policy, AP7 undertakes to follow the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the OECD Guidelines on Corporate Governance.

The ownership policy also states how AP7 shall exercise the ownership function which follows from the holdings in the Equity Fund, that is, how AP7 will influence portfolio companies to take responsibility for sustainability, ethics and corporate governance. These guidelines are defined in a number of CEO instructions for voting, public blacklisting, class actions and in-depth themes.

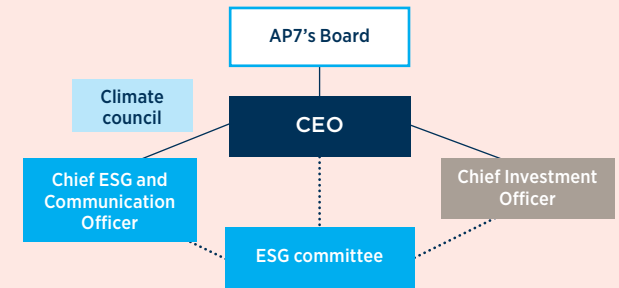
AP7's CEO and management are responsible for the development of the climate action plan as well as ESG-related policies and strategies. AP7's strategies and goals linked to sustainable development are followed up annually in connection with the Board establishing the guidelines for active ownership and the annual and sustainability report, including AP7's sustainability goals.

The Board is jointly responsible for sustainability issues and follows up AP7's ESG work at each meeting. Three of the board members have in-depth ESG qualifications. The Audit Committee and Asset Management Committee, respectively, prepare ESG-related issues for decision by the Board. Twice a year, the Executive Committee decides on companies to be publicly blacklisted, and the Committee may also be involved in other matters of particular importance. In addition to the ongoing reporting to the Board, they also participate in in-depth discussions on various ESG issues. In 2022, these included the AP7 blacklisting process and the climate action plan.

The Chief ESG and Communication Officer has the overall responsibility for AP7's work with responsible investments. The sustainability work is implemented in the fund's asset management through active ownership and with green investments within all asset classes.

An ESG committee, comprising representatives for active ownership and asset management, prepares ESG cases for decisions by the CEO. The ESG Committee is also a collaboration body that coordinates and integrates ESG issues in AP7's various departments. The Committee meets every two weeks.

Governance and implementation of AP7's sustainability work



- The Board annually establishes guidelines for active ownership as well as the annual and sustainability report, including AP7's sustainability goals.
- The CEO is responsible for ensuring that guidelines for active ownership are followed and implemented and that the ongoing work contributes to achieving AP7's sustainability goals.
- The Chief ESG and Communication Officer and the Chief Investment Officer are responsible for the work's implementation.
- The ESG committee coordinates and integrates the work in AP7's operations.
- The climate council, consisting of researchers, assists AP7's CEO with external consultation of ESG-related research.

The mission forms the basis for the sustainability work

Changes concerning AP7 in the AP Funds Act as of 1 January 2023
The Seventh AP Fund manages funds for the purposes set out in the provisions on premium pensions in the Social Insurance Code. The asset management must take place exclusively in the interest of the pension savers. The capital that the Seventh AP Fund manages must be invested so that a high long-term return is achieved at the selected risk level.

The capital that the Seventh AP Fund manages must be managed in an exemplary manner through responsible investments and responsible ownership. In the asset management work, the Seventh AP Fund must attach particular importance to how sustainable development can be promoted without sacrificing the goal of achieving long-term high returns at the chosen risk level.

Ethical guidelines

All employees are obliged to follow AP7's guidelines on ethics, which place major emphasis on the conduct of employees and stipulate what applies on matters such as hospitality and gifts, procurements, secondary employment, and potential conflicts of interest. The guidelines aim to prevent employees or their close relatives deriving any benefits from their connection to AP7, or being in a position of conflict between the fund's interests and their own private interests.

All employees undergo an annual anti-corruption training and confirm that they have understood AP7's ethical guidelines, as well as the guidelines for handling conflicts of interest. In the event of significant changes to the guidelines, employees are informed and must confirm in writing that they have taken note of the changes.

In 2022, mandatory trainings were held for AP7's employees in privacy protection and GDPR, money laundering and sanctions, as well as rules regarding market abuse. An introductory training was also held for all employees in the newly implemented whistleblower system.

AP7's business partners are informed about the ethical guidelines, as AP7's ethical policy is mentioned in asset management agreements. The policy is also available on the website, see page 39.

Which statutory requirements impact AP7's work on responsible investments?

The operations of AP7 are regulated by the National Pension Insurance Funds Act (2000:192). As of 1 January 2023, the rules have changed which increases AP7's opportunities to invest in alternative (illiquid) assets, such as real estate and infrastructure projects. This enables us to provide a better and more sustainable pre-selection option. The AP Funds Act states that AP7's asset management must be conducted exclusively in the interests of the savers and that the funds must be managed in an exemplary manner through responsible investments and ownership. In asset management, AP7 must pay particular attention to how sustainable development can be promoted without renouncing the goal of achieving long-term high returns at the chosen risk level. As we see no conflict between investment return and a sustainability approach, the law gives us ample room to conduct exemplary asset management to promote sustainable development. Unlike the other AP Funds, AP7 is not permitted to vote at general meetings of Swedish companies.

Stakeholder engagement

Collaboration and dialogue with actors in the outside world is critical in developing and improving AP7's operations and our working methods. Effective work with, for example, active ownership, norm development and knowledge dissemination is based on collaboration with investors, external experts and other actors with knowledge in various sustainability issues. The dialogue is also important to understand stakeholders' expectations on AP7 and our operations, as well as how they perceive our work.

AP7's key stakeholders are those who have the greatest interest in our business and for whom the mutual influence is significant. They consist of our savers, core suppliers, employees, partners, as well as our regulatory bodies, i.e. the Swedish Government's Pension Group and the Ministry of Finance. See the table below for an overview of the forms of our dialogue with each group, as well as their critical concerns.

Stakeholder group	Description	Form of dialogue	Critical concerns
Savers	5.1 million Swedes whose pension capital is managed by AP7.	Continual contact with individual savers, and annual surveys to find out what the Swedish population thinks about various pension-related issues.	<ul style="list-style-type: none"> - Financial performance/return - Active ownership - Information to the public
Core suppliers	External asset managers, who make investments on behalf of AP7 or who perform services for AP7 in some other way.	Continual dialogue and annual assessments	<ul style="list-style-type: none"> - Active ownership - Impact investments
Employees	42 employees, who together carry out AP7's mission.	Appraisal interviews and employee surveys	<ul style="list-style-type: none"> - Competence development - Work environment/-conditions
Collaboration partners	Actors that contribute to skills development in AP7, and to AP7's in-depth work.	Continual dialogue and dialogue within the framework of ongoing collaborations	<ul style="list-style-type: none"> - Active ownership - Impact investments
Swedish Pensions Agency	The agency that collaborates with AP7 by channelling capital into the funds and managing pension payments.	Continual dialogue	<ul style="list-style-type: none"> - AP7's mission and confidence - Information to the public - Financial performance
Regulatory bodies	The Swedish Government's Pension Group which, through the AP Funds Act, tasks AP7 with asset management.	Continual dialogue	<ul style="list-style-type: none"> - AP7's mission and confidence - Financial performance - Active ownership
	The Ministry of Finance, which is responsible for monitoring and following-up AP7's activities.	Continual dialogue and annual reviews	<ul style="list-style-type: none"> - AP7's mission and confidence - Financial performance - Active ownership - Compliance with laws

Material sustainability issues

Sustainability issue*	AP7's main impact
Long-term return	AP7's mission is to manage the premium pension capital in the State pre-selection option. All people need a pension they can live on, and through the pre-selection option, savers who do not make an active fund choice should be given the opportunity for a return and pension as good as other savers.
Ethical conduct and anti-corruption	AP7's sustainability work is based on the Global Compact's ten principles, which includes working against all forms of corruption. Society's and savers' trust is central to AP7 being able to fulfill its core mission. Bribery or suspicions of bribery can seriously damage AP7's reputation and as a government agency, AP7 should act in an exemplary manner in this area.
Human rights	AP7's sustainability work is based on the Global Compact's ten principles, which includes working against all forms of human rights violations. As a public agency, AP7 should act in an exemplary manner in the area, and AP7 works, among other things, through its active ownership to reduce the risks of human rights violations.
Systemic environmental issues (climate/biodiversity/fresh water)	AP7's long-term mission , to create a good return for our savers, is dependent on the implementation of the Paris Agreement and a long-term sustainable development in the global market. AP7 has identified the climate, biodiversity and access to fresh water as particularly challenging areas and works through active ownership to reduce related risks. AP7 also invests in businesses that contribute to reduced climate risks and carries out theme work in areas where we can make a difference in a resource-efficient way.
Product portfolio	Through its asset management AP7 must create a good return in a responsible manner. As a long-term, global investor, AP7 can benefit most by being an active owner and by investing in companies that offer solutions to various sustainability challenges.

Sustainability issue*	AP7's main impact
Active ownership	AP7's long-term mission , to generate good returns for our savers, is dependent on the implementation of the Paris Agreement and long-term sustainable development in the global market. AP7 works actively to understand and manage sustainability risks and opportunities in the portfolio and to influence the portfolio companies in matters related to the environment, human rights, labor law and anti-corruption.
Establishment of sustainable norms	As a global, long-term asset owner and state pensions fund, AP7 is in a stronger position than many other investors to work on developing norms and methods for the market, and to implement these in companies around the world. AP7 works with norms development in collaboration with other actors, at a national and international level.
Dissemination of knowledge	AP7 works to develop and spread knowledge about sustainable investments and active ownership. As a state pension fund, AP7 can bring together decision-makers, businesses, experts and investors and work to bridge the gap between research and practice in the field.
Information to the public	The pension system gives savers own responsibility for the placement of their premium pension savings. By informing the public, about private finances and the pension system, AP7 wants to provide savers better conditions to understand their pension and make informed decisions about their premium pension.
Employees	In a small and knowledge-intensive organisation , the competence and well-being of the employees, as well as the ability to attract and retain the necessary competence, is a prerequisite for AP7 to be able to deliver on its mission – to create returns and work actively with active ownership.

* The selection of sustainability issues has been based on AP7's mission, operations and working methods, as well as on the Global Reporting Initiative's (GRI's) framework for sustainability reporting and the GRI's sector supplement for the financial industry – *Financial Services Sector Supplement*.

Memberships and voluntary agreements

AP7 adheres to the following memberships or voluntary agreements.

UN Principles for Responsible Investments (UNPRI)	A global initiative for institutional investors working to integrate sustainability aspects in their investments. AP7 has signed PRI's principles for responsible investment.
Institutional Investors Group on Climate Change (IIGCC)	European network for investors who collaborate on climate change.
Climate Action 100+	A five-year project for investors who are working to drive climate measures in the world's companies with the greatest emissions.
Carbon Disclosure Framework (CDP)	Global information system that helps companies, cities and states to measure and manage their environmental impact.
Sweden's Sustainable Investment Forum (Swesif)	Swedish sustainability network for investors.
Swedish Investors for Sustainable Development (SISD)	Swedish sustainability network for investors that was set up and is organised by the aid agency, Sida.
Global Investors for Sustainable Development (GISD)	Global sustainability network for investors set up on the initiative of the UN, taking inspiration from the Swedish network SISD.
Transition Pathway Initiative (TPI)	Global initiative and research institute that provides information on companies' carbon dioxide emissions, and helps investors evaluate how companies with large carbon emissions are working to become fossil-free, and whether their work is in line with the Paris Agreement.
Farm Animal Investment Risk & Return (FAIRR)	Global investor network with a focus on sustainability in the animal agriculture sector.
Taskforce on Climate-related Financial Disclosures (TCFD)	International initiative that has developed a framework for identifying and reporting companies' climate-related financial risks and opportunities.
Taskforce on Nature-related Financial Disclosures (TNFD)	International initiative that develops a framework for companies' reporting and identification of nature-related risks and opportunities, as well as for their impact on nature.
The Paris Aligned Investment Initiative Net Zero Asset Owner Commitment (PAII NZAOC)	Global network for investors working for portfolio holdings to reduce their emissions in line with the Paris Agreement.
Ceres	A non-profit organization that works with the capital market to solve the main global sustainability challenges.
International Corporate Governance Network (ICGN)	ICGN is a global network for active ownership issues. ICGN works for increased voting rights for shareholders at general meetings and a stronger position in relation to company management.

Supplier assessment

AP7 has a relatively small number of suppliers, mainly of external asset management and analysis services, in the UK and the US. The external asset management means that our investments are managed by external asset managers, often larger specialized firms. AP7 relies on external asset management for the majority of our invested capital. In the agreements, we demand that the managers comply with sustainability requirements, which for example prohibit investments in companies that AP7 has blacklisted. We maintain a continuous dialogue and evaluate all of our external asset managers annually, including new ones. AP7 has chosen not to entrust active ownership activities to external managers, but handles itself voting at general meetings, engagement dialogues, screening and blacklisting, as well as legal processes.

GRI content index

Statement of use | AP7 has reported with reference to the GRI Standards for the period 1 January 2022 to 31 December 2022.

GRI 1 used | GRI 1: Foundation 2021

GRI Standard	Disclosure	Page reference	Comments and omissions
General Disclosures			
GRI 2: General Disclosures 2021	2-1	Organizational details	
	2-2	Entities included in the organization's sustainability reporting	44
	2-3	Reporting period, frequency and contact point	36
	2-4	Restatements of information	
	2-5	External assurance	44
	2-6	Activities, value chain, and other business relationships	6-7, 14, 39
	2-7	Employees	29-30
	2-8	Workers who are not employees	
	2-9	Governance structure and composition	31-34
	2-10	Nomination and selection of the highest governance body	31
	2-11	Chair of the highest governance body	33
	2-12	Role of the highest governance body in overseeing the management of impacts	36
	2-13	Delegation of responsibility for managing impacts	36
	2-14	Role of the highest governance body in sustainability reporting	36
	2-15	Conflicts of interest	32
	2-16	Communication of critical concerns	
	2-17	Collective knowledge of the highest governance body	33-34
	2-18	Evaluation of the performance of the highest governance body	31
	2-19	Remuneration policies	31, 51-52

GRI Standard	Disclosure	Page reference	Comments and omissions
	2-20 Process to determine remuneration	31, 51-52	
	2-22 Statement on sustainable development strategy	4-5, 14-15	
	2-23 Policy commitments	6, 36	
	2-24 Embedding policy commitments	36-37, 39	
	2-25 Processes to remediate negative impacts	20-22, 29-30, 36-38, 43	
	2-26 Mechanisms for seeking advice and raising concerns	30, 41	In 2022, a whistleblower system was implemented with reporting to an external actor. Reporting is done to the Board of Directors.
	2-27 Compliance with laws and regulations		In 2022, there were no reported cases of non-compliance resulting in fines or sanctions.
	2-28 Membership associations	39	
	2-29 Approach to stakeholder engagement	37	
	2-30 Collective bargaining agreements		All employees are covered by collective bargaining agreements.

MATERIAL TOPIC DISCLOSURES

GRI 3: Material topics 2021	3-1 Process to determine material topics	36	
	3-2 List of material topics	38	
	3-3 Management of material topics	36	

ECONOMIC STANDARDS

ECONOMIC PERFORMANCE

GRI 3: Material topics 2021	3-3 Management of material topics	15, 32-33	
AP7 Own disclosure	Long-term return	9	
GRI 201: Economic performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	15-23, 25-27, 36, 43	See also AP7's climate action plan, which is available at ap7.se.

ANTI-CORRUPTION

GRI 3: Material topics 2021	3-3 Management of material topics	20-21, 36-37	
GRI 205: Anti-corruption 2016	205-2 Communication and training on anti-corruption policies and procedures	29, 37	
	205-3 Confirmed incidents of corruption and actions taken		In 2022, no confirmed cases of corruption have occurred.

GRI Standard	Disclosure	Page reference	Comments and omissions
ENVIRONMENTAL STANDARDS			
EMISSIONS			
GRI 3: Material topics 2021	3-3 Management of material topics	15-23, 25-27, 36, 43	
GRI 305: Emissions 2016	305-3 Other indirect greenhouse gas emissions (Scope 3)	19	
SOCIAL STANDARDS			
EMPLOYMENT			
GRI 3: Material topics 2021	3-3 Management of material topics	29-30, 36	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	29-30	
SECTOR-SPECIFIC DISCLOSURES – FINANCIAL SECTOR			
PRODUCT PORTFOLIO			
GRI 4: Sector disclosures, Financial services	FS-6 Distribution of product portfolio by region, size and sector	13	
	FS-8 Economic value of products and services with special environmental objectives	14-15, 17	
ACTIVE OWNERSHIP			
GRI 4: Sector disclosures, Financial services	FS-10 Companies in the portfolio that the organisation has interacted with regarding environmental/social matters	14-15, 17, 25-26	
	FS-11 Proportion of managed capital covered by positive or negative environmental or social screening	11	All AP7's managed capital is subject to requirements for responsible management based on standards for human rights, working conditions, the environment and anti-corruption.
SOCIETY			
GRI 4: Sector disclosures, Financial services	FS-14 Initiatives to improve accessibility to financial services for disfavoured groups in society	15, 28	

* The selection of sustainability issues has been based on AP7's mission, operations and working methods, as well as on the Global Reporting Initiative's (GRI's) framework for sustainability reporting and the sector supplement for the financial industry - Financial Services Sector Supplement.

Reporting of climate-related risks and opportunities

The Task Force on Climate-related Financial Disclosures (TCFD) has developed a framework that describes how organisations should report climate-related risks and opportunities. AP7 has adapted the reporting of climate-related information to the recommendations in TCFD's framework to describe how we work strategically with climate-related risks and opportunities. The table below summarises our reporting. Additional information about AP7's climate work can be found on pages 16–19 and in our climate action plan, which is available at ap7.se.

	Disclosure	Summary of AP7's reporting
Governance	The Board's oversight of climate-related risks and opportunities, and the management's role in assessing and managing these risks and opportunities.	<p>AP7's board annually reviews and determines AP7's operational plan, which includes the guidelines for active ownership through which we undertake to comply with international conventions, such as the UN Framework Convention on Climate Change and the Paris Agreement. The operational plan also includes guidelines for risk management, including climate risks. In 2022, the Board established AP7's climate action plan, which describes how AP7 will contribute to global net zero emissions in 2050. The Board is regularly informed about AP7's sustainability work and how the work in relation to the goals in the climate action plan is progressing. The Board's Executive Committee determines which companies are to be blacklisted, and the committee is also involved in other significant sustainability issues.</p> <p>AP7's Chief Investment Officer is responsible for integrating sustainability aspects, including climate risks, in the investments that are made. The Chief ESG and Communication Officer is responsible overall for implementing sustainability and climate aspects in AP7's active ownership.</p>
Strategy	The impacts of climate-related risks and opportunities on the organization's strategy, and the resilience of the strategy taking into consideration different climate-related scenarios	<p>AP7 has a long-term investment horizon where the aim is to push for a transition of the economy through active ownership and investments in businesses that contribute to reduced climate risks. AP7 invests in a large number of companies in different sectors and regions, and the fund's climate risks are largely the same as in the entire global economy. The diversified holdings reduces savers' exposure to each individual company's risks.</p> <p>AP7 has performed an analysis based on three main scenarios for global warming and their respective impact on different asset classes, see AP7's climate action plan at ap7.se.</p>
Risk management	The processes used by the organization to identify, assess, and manage climate-related risks	<p>Climate change has a significant impact on economic development and thus also on the return of the Equity Fund. Identifying and assessing climate risks and opportunities is therefore essential and a work in constant development.</p> <p>AP7's investment philosophy is based on a long-term perspective, and the climate action plan that AP7 published in 2022 clarifies how sustainability and climate aspects should be integrated into asset management. In our active asset management, we invest in businesses that offer solutions to the climate problem, and we have green mandates in all our asset classes. AP7 is also developing a transition portfolio that will combine active management with active ownership.</p> <p>Since 2014, AP7 has measured and reported annually the equity portfolio's carbon footprint. Since 2021, we also report the changes in the footprint that are due to changes in portfolio companies' emissions and the changes that are due to changes to our holdings. AP7 uses the carbon footprint as one of several bases for prioritising our active ownership to push for actual emission reductions in the real economy. In our active ownership, we prioritise the companies that have the largest climate impact. The prioritised companies make up at least 70 percent of the carbon footprint of our portfolio. In 2022, a zero measurement was made of the level of transition of these companies. Read more in our climate action plan.</p>
Metrics and targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities	AP7 has signed the Net Zero Asset Owner Commitment within the Paris Aligned Investment Initiative with the overall goal that the fund will contribute to global net zero emissions by 2050. In the climate action plan, AP7 has developed sub-goals in four areas: investments, active ownership, public policy dialogue and transparency. AP7 measures and reports the combined carbon footprint of the portfolio companies in the Equity Fund, where the goal is for the companies to reduce their emissions.

Signatures of the Board and of the Managing Director

The Sustainability Report for 2022 has been prepared in accordance with the Seventh AP Fund's Principles for Sustainability Reporting, which correspond to those in the Swedish Annual Accounts Act.

The Sustainability Report in this document is found on pages 14–43.

Stockholm, 9 February 2023

Per Frennberg,
Chair

Emma Ihre,
Vice chair

Susanne Ekblom

Tonika Hirdman

Henrik Saxborn

Mikaela Valtersson

Magnus Vesterlund

Roine Vestman

Anders Wihlbom

Richard Gröttheim, Managing Director

Auditor's statement regarding AP7's Statutory Sustainability Report

To Seventh AP Fund, national registration number 802406-2302

Engagement and responsibility

The Board of Directors has been responsible for the sustainability report for 2022 and for ensuring that it has been drawn up in accordance with AP7's principles for sustainability reporting.

Focus and scope of the audit

Our examination of the statutory sustainability report has been guided by FAR's auditing standard RevR 12, Auditor's report on the statutory sustainability reporting. This means that our examination of the statutory sustainability reporting is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Statement

A sustainability report has been prepared.

Stockholm, 10 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant

Peter Nilsson
Authorised Public Accountant

Annual report and accounts

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AP7 Fixed Income Fund

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Seventh AP Fund Annual Report 2022

Corporate registration number 802406-2302

DIRECTOR'S REPORT

All amounts in SEK thousands

Mission of the Seventh AP Fund

Within the Swedish national pension system, part of the pension contribution is allocated to a premium pension and managed in funds according to the individual choices of pension savers. The premium pension system is administered by the Swedish Pensions Agency. The Seventh AP Fund (AP7), which is also a government agency, is tasked with developing and managing the state options within the premium pension system, in particular the Government pre-selection option.

Premium pension savers have their funds invested in AP7 Såfa ('Statens årskullsförvaltningsalternativ') and can then actively choose that their funds be invested in another fund in the premium pension system.

This management report deals with the operations of the 'fund company' AP7, including the products AP7 provides via the two building block funds, AP7 Equity Fund and the AP7 Fixed Income Fund.

The government offer – six "products"

The government offer consists of six different investment options; the pre-selection option AP7 Såfa, the two building block funds AP7 Equity Fund and AP7 Fixed Income Fund and three fund portfolios with different risk levels, AP7 Cautious, AP7 Balanced and AP7 Offensive. All products are available through the Swedish Pensions Agency and can be combined with other funds in the premium pension system.

Building block funds

The AP7 Equity Fund and the AP7 Fixed Income Fund are the building block funds that the other four AP7 products AP7 Såfa and the three fund portfolios are created using. The funds are provided with capital annually, primarily by the Swedish Pensions Agency carrying over the previous year's established pension rights into the funds. For detailed information on the development of these funds, please refer to the specific annual reports of these funds.

AP7 Såfa

AP7 Såfa is not a fund but an instruction to the Swedish Pension Authority on how investments for each saver should be distributed between the building block funds, AP7 Equity Fund and the AP7 Fixed Income Fund. AP7 Såfa consists of the AP7 Equity Fund and the AP7 Fixed Income Fund in different proportions that are adjusted over time according to a life-cycle profile based on the saver's age. Until the age

of 55, AP7 Såfa consists of 100% AP7 Equity fund. Between the ages of 56 and 75, the share of the AP7 Equity Fund is reduced annually and replaced with the AP7 Fixed Income Fund. From the age of 75, the distribution remains constant at 33% AP7 Equity Fund and 67% AP7 Fixed Income Fund.

Three Government fund portfolios

Through different combinations of the AP7 Equity Fund and the AP7 Fixed Income Fund, three fund portfolios are also created with different risk levels. The three government fund portfolios are AP7 Cautious, AP7 Balanced and AP7 Offensive.

- AP7 Cautious consists of 33%¹⁾ AP7 Equity Fund and 67% AP7 Fixed Income Fund
- AP7 Balanced consists of 50%¹⁾ AP7 Equity Fund and 50% AP7 Fixed Income Fund
- AP7 Offensive consists of 75%¹⁾ AP7 Equity Fund and 25% AP7 Fixed Income Fund

Managed capital and returns

Managed capital 2022

In 2022, the Swedish Pensions Agency invested premium pension funds for the 2021 pension rights. In total, the inflow of capital through the purchase of shares in the funds amounted to SEK 44.6 billion (SEK 46.4 billion in 2021). The outflow of capital through the redemption of shares, due to pension payments and that premium pension savers switched to other funds, amounted to a total of approximately SEK 13.7 billion (SEK 25.2 billion in 2021) during the year.

At the end of 2022, AP7 managed a total of SEK 905.2 billion (SEK 966.9 billion), of which SEK 814.0 billion was in the AP7 Equity Fund and SEK 91.2 billion in the AP7 Fixed Income Fund. The decrease in total managed assets is explained by a negative growth in value during the year due to declines in global equity markets.

Return 2022

Inflationary developments and geopolitical tensions put strong pressure on the world's financial markets in 2022, leading to major price movements and wide declines in the equity markets. For AP7, however, the US dollar's strengthening against the Swedish krona partially offset the impact of the broad decline as AP7 has a large share of US shares under management.

At the same time, the Riksbank raised the policy rate to curb the

growth of inflation, which had a negative effect on AP7 Fixed Income Fund's holdings of Swedish bonds.

AP7 Såfa has a lifecycle profile. This means that the distribution between equity and fixed income investments differ between different age groups and therefore the return will also vary for savers of different ages. In order to get a fair picture of the value growth on individual pension accounts, savers are referred to their pension account with the Swedish Pensions Agency²⁾. AP7's total capital under management, where AP7 Såfa represents 94.8%, has in 2022 had a return of -9.5%. During the same period, private premium pension funds have on average yielded a return of -15.1%. The difference is explained, among other things, by the fact that AP7's products have a higher currency exposure than the private premium pension funds, but also the development of AP7's private equity investments and risk premiums have contributed positively.

The risk (measured as standard deviation over the last 24 months) for AP7 has been 13.0%, compared to 13.5% for the average for the private premium pension funds³⁾.

Since its inception in 2000, the pre-selection option⁴⁾ has yielded an average annual return of 7.4%, compared to 4.8% for the private premium pension funds (time-weighted return).

A saver who invests in the equity market is expected to have a long-term return that exceeds a fixed income investment. A typical premium pension saver who has invested in AP7 since 2000 has received a capital-weighted return of 9.8% per year. Capital-weighted returns indicate the average annual development of an average saver's account and can be compared to the development of the income pension. AP7's long-term return ambition is that continuous saving in the pre-selection option throughout employment should yield a long-term excess return over the income pension of at least two percentage points per year. The development of the income pension during the period had meant a development corresponding to 3.3% per year. During the lifetime of the pre-selection option so far, the ambition for a rate of return has thus been exceeded.

¹⁾ The fund portfolios are rebalanced once a year in connection with the Swedish Pensions Agency's placement of pension rights, which means that the allocation between the AP7 Equity Fund and the AP7 Fixed Income Fund may deviate from the allocation during the year.

²⁾ www.pensionsmyndigheten.se/my/pages

³⁾ The Swedish Pensions Agency calculates indices that reflect the development of funds eligible for the Swedish Pensions Agency's fund marketplace, excluding AP7's products. Discounts on fund fees, agency fees and inheritance gains are not included.

⁴⁾ The Premium Savings Fund up to and including May 2010 and thereafter AP7 Såfa

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In 2022, the Government's fund portfolios have yielded the following returns:

- **AP7 Cautious** -7.1% (85.9% since its inception in May 2010)
- **AP7 Balanced** -7.8% (143.1% since its inception in May 2010)
- **AP7 Offensive** -8.8% (257.2% since its inception in May 2010)

The building block funds AP7 Equity Fund and AP7 Fixed Income Fund have in 2022 yielded the following returns:

- **AP7 Equity Fund** -9.9% (benchmark index -5.6%)
- **AP7 Fixed Income Fund** -5.9% (benchmark index -5.8%)

Further information about the AP7 Equity Fund and the AP7 Fixed Income Fund is given in the annual reports for each fund.

Operations Results

In 2022, AP7's revenue from operations amounted to SEK 443.5 million (SEK 606.4 million). The decrease is due to the fact that the fund fee was reduced by 0.025% as of 1 January 2022. Costs, including net interest, amounted to SEK 457.2 million (SEK 395.2 million). The result was thus SEK -13.7 million (SEK 211.2 million). Equity at the end of the year was SEK 1,381.2 million (SEK 1,395.6 million).

AP7's revenue is entirely dependent on the size of the managed assets⁵⁾, while costs are about half of it. The capital-dependent costs consist of fees to external asset managers and to custodian banks.

As AP7's revenue depends on the size of the managed assets, any surpluses in asset management activities shall accrue to the premium pension savers by gradually reducing the management fees in the funds managed by AP7. Management fees are AP7's only source of revenue, and the amount of depends entirely on the size of the managed assets. Therefore, in the event of a sharp and persistent decline in the equity markets, a situation may arise as revenues decrease so much that operations cannot be carried on without raising management fees or drastically reducing costs. In order to reduce this risk, AP7's Board of Directors has decided that a buffer corresponding to twice the average of the projected fixed costs for the next five years is to be built up. In December 2021, AP7's Board of Directors decided to reduce the management fee for the AP7 Equity Fund to 0.05% as of 1 January 2022. As global equity markets have declined during the year, and as AP7's budget is in balance, management fees for the AP7 Equity Fund (0.05%) and the AP7 Fixed Income Fund (0.04%) remain unchanged in 2023.

Decision on revised investment rules for AP7

In November 2022, the Swedish Parliament decided on changed investment rules for AP7. The amendments will allow AP7 to invest up to 20% of the fund capital in alternative asset classes. This means that invest-

Key Performance Indicators for AP7 Products – Overview

	Return 31/12/2021 -31/12/2022	Average annual return since start (05/21/2010)	Total risk (standard deviation 24-month, %)
AP7 Equity Fund	-9.9%	13.9%	14.1%
AP7 Fixed Income Fund	-5.9%	0.4%	2.4%
AP7 Sāfa ⁶⁾	-9.5%	12.9%	13.0%
AP7 Cautious	-7.1%	5.0%	5.9%
AP7 Balanced	-7.8%	7.3%	7.9%
AP7 Offensive	-8.8%	10.6%	11.0%
Private funds	-15.1%	8.3%	13.5%

Return for the pre-selection option compared to the average for the private premium pension funds

	Accumulated returns since start in 2000	Average annual return since start in 2000	Average annual return last 10 years
The pre-selection option ⁷⁾	377.9%	7.4%	14.5%
Private funds	180.0%	4.8%	9.6%

ments in real estate and infrastructure are allowed, alongside the investments in private equity which AP7 has been making for many years. The expansion of permitted asset classes allows for further diversification of AP7's investments. The Swedish Parliament has further decided that AP7's management should be handled in an exemplary manner through responsible investments and ownership, following the same standards as the other AP funds. In its management, AP7 must pay particular attention to how sustainable development can be promoted without sacrificing the overall goal of a long-term high return.

Year 2022

Overall

During the year, AP7's CEO, Richard Gröttheim, announced that he intends to leave his position in 2023. As a result, the Board of Directors initiated a recruitment process after the summer and in December, Pål Bergström was hired as the new CEO of AP7. Pål Bergström will take up his position no later than 1 July 2023. Richard Gröttheim remains CEO until Pål Bergström takes office.

During the year, employees have returned to the office after having worked remotely as a result of the Covid-19 restrictions. If the work permits, employees may continue to spend part of their working hours at home, but most of the work should be done from the office.

In addition to ongoing operations, the work during the year has been concentrated on development according to the established strategic plan, which includes the expansion of the share of green bonds in the fixed income portfolio, the development and implementation of a transition portfolio as part of AP7's climate action plan and the procurement of a new portfolio management system. Much work has also been done to prepare the organisation for the opportunities for investment in real estate and infrastructure that result from new regulations for AP7.

Asset management

In 2022, the work of asset management focused on the development and integration of sustainability issues into management. This has been done both through the development of a so-called transition portfolio, where certain companies that are deemed to have credible transition plans to reach the target of net-zero emissions in 2050 are given increased weight in the portfolio, as well as through the share of green bonds in the interest portfolio having increased during the year. In terms of organisation, this area has also been strengthened by assigning an asset management employee to the role of head of sustainability integration in asset management and by hiring a fixed income manager.

In addition, a lot of work has been done on procurements by external managers of global share and risk premium mandates and on strengthening a number of core processes in asset management operations, including liquidity management and securing and equity lending processes.

The asset management organisation has also identified possible investment options in real estate and infrastructure. The first investments in the asset classes are expected during the first half of 2023.

ESG

As a universal owner, AP7 focuses on norm development and active ownership in collaboration with other like-minded investors to achieve real economic effects on systemic ESG issues. During the year, AP7 published its first climate action plan that outlines the fund's long-term climate strategy to develop both active ownership work and investments and contribute to the global goal of net-zero emissions by 2050. As one of 40 members of the TNFD (Taskforce on Nature-related Financial Disclosure) international steering group, AP7 has also actively participated at several levels in the development of an international framework for managing and reporting risks related to biodiversity

⁵⁾ AP7 Equity Fund and AP7 Fixed Income Fund

⁶⁾ Refers to all AP7 savers as a group and does not include discounts.

⁷⁾ The Premium Savings Fund through May 2010 and thereafter all AP7's products as a group and does not include discounts.

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and natural capital. Furthermore, the world's first global standard for responsible climate lobbying was launched in 2022 after many years of international investor cooperation where AP7 has been a driving force.

Administration

During the year, a comprehensive procurement of a new portfolio management system has been made and implementation of the solution chosen in early 2023 will continue throughout the coming year. On the system side, work has also been done to develop a new solution for system integration between AP7 and external managers, as the current solution is not sustainable in the long term. In addition, implementation of AP7's new risk system has been implemented and a database for data storage has been put into operation.

Within administration, a review has also been carried out of the process for handling flagging and short-selling reporting and the internal procedures have been strengthened.

Procurements have been made regarding external legal services, archiver/registrar and SOC service for cyber threat monitoring. In addition, procurement of an e-archive has been initiated.

Within administration, resources have also been allocated for further development of the operational model, including alpha management, green bonds and the management's conversion portfolio. An analysis of the regulatory framework relating to the EU Taxonomy Regulation and the Transparency Directive has also been made to ensure that AP7 can report sustainability-related issues according to the requirements that will apply to AP7 as of 2023.

Within IT and information security, measures have been taken as follows from AP7's strategic plan and the action plans developed. In addition, there is ongoing development of a data platform for storage, processing and analysis of data.

Control functions

In the area of risk and regulatory compliance, the work on developing AP7's risk culture and processes for risk governance and risk management has continued, as well as the development of the fund's management systems and management processes.

Personnel responsible for the control functions have participated in the fund-wide projects conducted during the year and have also implemented the annual and control plans established by the Board.

In addition, a project has been initiated regarding governance under new regulations, and implementation of the resulting conclusions will be managed during 2023.

In 2022, the control functions have also reviewed, and strengthened, the process of monitoring outsourced operations and implemented processes for handling money laundering and sanctions issues.

Human resources

During the year, the HR function has followed up and further developed the work that has been carried out for several years to strengthen AP7's organisational culture. The focus has been on leadership and collaboration.

A follow-up of the flexible working approach introduced in AP7's operations, with some possibility of working remotely, has been carried out through a survey. The results of the survey show that the possibility of working remotely is perceived very positively by AP7's employees.

A larger employee survey was also carried out during the year and the results generally show a very good work atmosphere in the various operations at AP7.

In addition, a number of procurements within occupational pension advisory services and HR and internal communications have been carried out.

HR has also assisted operations managers in the recruitments carried out during the year.

As an annual part of the HR function's work, salary mapping and salary review have also been carried out. Training for all staff has been held on issues related to money laundering and sanctions, market abuse and GDPR.

Collaboration between the AP Funds

The AP Funds' Cooperation Council was established in 2016 to develop cooperation and collaboration between AP1-AP4 and AP7. The presidency of the Cooperation Council rotates between the funds and during 2022 AP7 held the presidency. The aim is to collaborate in areas outside the investment activities with the aim of achieving cost efficiency, efficient use of resources and exchange of experience and knowledge. The collaboration takes place in different established forums in the form of coordination groups with a varying composition of representatives from the different AP funds. Common to these collaborations is that they are driven by the added value that the collaboration creates both for each individual fund and for the mutual funds. Each collaboration group formulates its own mission statement and action plan every year, which is followed up and reported semi-annually to the Cooperation Council. At the end of the year, the work is summarised in a report to the CEOs of the funds, which is also used as a basis in the Government's annual evaluation of the AP funds.

Organisation

Management

The Chief Executive Officer (CEO) has established a management team for operations. The management team has a strategic focus, and the CEO has established a number of committees to assist the management team, whose main task is to prepare questions for decisions in the management team. The management team consists of:

- CEO
- Executive Vice President and CIO
- Chief Operations Officer (COO)
- Chief ESG and Communication Officer
- HR Manager
- Chief Risk Officer
- Compliance Officer

The CEO makes decisions in the management team after consultation with other participants. The members of the executive management team constitute AP7's senior executives.

Asset management

At the end of 2022, the asset management organisation consisted of 13 permanent employees. Much of the assets are managed by external managers. The main tasks of the internal management are maintaining the agreed exposure level, active management of Swedish equities, fixed income management and the management of AP7's Private Equity portfolio.

As a large part of the assets are managed externally, AP7 devotes significant efforts to systematically monitoring and evaluating the external managers. The evaluation relates to management performance and compliance with contractual terms and to issues related to internal control and compliance with administrative procedures and regulations.

Administration

AP7's administrative units consist of fund and securities administration, risk and return, IT and information security, business development, finance and reporting, office service, register and law. At the end of 2022, 19 people were permanently employed in administration.

For AP7, efficiency aspects are of great importance. This means that external services are used in those areas where it is appropriate to ensure high competence, low costs and low vulnerability. This includes financial and payroll administration, IT operations, internal audit and some legal services. This model means that it is important for the organisation to function as a qualified client and to have in place effective and continuous quality and cost control for any outsourced assignments.

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ESG and Communication

AP7 is actively working to continuously develop the information for those who have not made a selection in the premium pension system. In the area of active ownership, we handle matters relating to how AP7 as a shareholder can influence the companies that we invest in to further the responsibility for sustainability, ethics and good corporate governance in their operations. At the end of 2022, six people were permanent employees in ESG and communications.

Control functions

AP7 works on the principle of “three lines of defence”, which means that the risks of the business are owned and controlled by the business itself, and that the risk work is followed up by the fund’s independent risk and compliance functions. The fund’s internal auditors, who report to AP7’s board, act as a third line of defence. At the end of 2022, two people were employed in the risk and compliance functions. During the year, certain compliance controls have been carried out by external regulatory consultants.

As part of AP7’s efforts to strengthen internal control, all new employees must confirm that they have read the fund’s ethical guidelines, guidelines for managing conflicts of interest and guidelines for internal governance and control. Any changes to these guidelines will be communicated to all personnel.

Employees

AP7 is a relatively small but highly qualified organisation. This means that it is of great importance that AP7 can attract and retain staff with the appropriate skills for the assignment. Therefore, great emphasis is placed on skills development. This is achieved both by providing extensive opportunities for external training and by an expressed goal of increasing employees’ knowledge and understanding of the business through internal skills sharing. Through a well-developed process for appraisals, the employees’ development needs are documented, and development plans are determined.

Great emphasis is also placed on the employees’ physical and mental wellbeing, as well as on a good work environment. To prevent ill health, all employees are offered a maximum health care allowance of SEK 5,000 per year.

AP7 strives for a gender balance in the organisation. Gender, trans-gender identity, ethnicity, religion or belief, disability, sexual orientation, age, or any other factor protected by applicable law shall not affect the pay scale.

During the year, two new employees have been hired and two employees have left the organisation. By the end of 2022, the number of permanent employees was 42 (20 women and 22 men). In addition,

AP7 had three hourly employees at the end of 2022. During the year, staff turnover amounted to 2.5 percent and sick leave to 0.99 percent.

Governance and control

Work of the Board

During the year, board member Karolina Ekholm was replaced by Henrik Saxborn. In 2022, the Board held six ordinary meetings, and an extraordinary meeting in December at which a decision on a new CEO was made.

The Board has established an executive committee consisting of the Board Chair, Vice Chair and CEO. The Executive Committee decides on the issues that the Board delegates to the Committee, including the exclusion of companies AP7 will not invest in according to AP7’s guidelines for active ownership. The Executive Committee also serves as a remuneration committee, which is tasked with ensuring that the Government’s guidelines for terms of employment for senior executives are complied with. The CEO does not participate in the remuneration committee in matters relating to remuneration to the CEO and is only adjunct to other matters.

An asset management committee has been established as support and advisor to the CEO in various business decisions and as an advisory body for internal asset management. At the end of 2022, the Asset Management Committee consisted of five board members and two employees (CEO and Executive Vice President/CIO). The Board Chair is the chair of the committee.

The Board has also established an audit committee, which also prepares regulatory issues of significant importance. In 2022, the Audit Committee consisted of four Board members. Susanne Ekblom is chair of the committee. The Audit Committee meetings are attended by the internal and external auditors when they have something to report, the CEO, the Chief Operations Officer, the Chief Risk Officer and the Compliance Officer.

In 2022, the external auditors were present at one board meeting.

Ownership issues

Ownership issues refer to how AP7 shall exercise the ownership function that follows from the shareholdings in the AP7 Equity fund. As part of the business plan, guidelines for active ownership for AP7 are established annually. The guidelines state how AP7 shall exercise its ownership function by virtue of the large shareholdings.

AP7 has been applying guidelines since 2012, which means that active ownership through voting at the general meeting can be done for foreign shares. AP7 regularly votes at the general meetings where possible. AP7 is normally prevented by law from voting for Swedish shares. AP7 works in active ownership and sustainability issues with

three parallel “themes” in three-year cycles. This means that in-depth work is done in selected focus areas, alongside the four tools used in the business (exclusion/blacklisting, dialogue, voting and legal processes). In 2023, AP7 will work on the themes of Deforestation and Biodiversity, Universal Active Ownership and Board Responsibility.

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INCOME STATEMENT

Note	2022	2021
<i>Operating revenue</i>		
Management fees	443,499	606,446
	443,499	606,446
<i>Operating expenses</i>		
1 Personnel costs	-94,062	-84,602
2 Other external costs	-100,779	-69,101
External managers and custodian bank	-270,174	-239,302
Depreciation of tangible fixed assets	-423	-972
	-465,438	-393,977
Operating profit	-21,940	212,469
<i>Profit/loss from financial items</i>		
3 Interest income and similar	8,885	-
4 Interest expenses and similar	-630	-1,256
	8,255	-1,256
Profit/loss after financial items	-13,684	211,213
Profit/loss for the year	-13,684	211,213

BALANCE SHEET

Note	2022	2021
Assets		
<i>Tangible fixed assets</i>		
5 Equipment	673	1,011
Total tangible fixed assets	673	1,011
Total fixed assets	673	1,011
<i>Current assets</i>		
6 Prepaid expenses and accrued income	56,697	67,781
7 Other receivables	3,226	3,151
Cash and bank	1,492,379	1,448,698
Total current assets	1,552,302	1,519,630
Total assets	1,552,975	1,520,641
Equity and liabilities		
<i>Equity</i>		
Art	40	-
Decommissioned art	-	-120
Retained earnings	1,395,556	1,184,463
Profit/loss for the year	-13,684	211,213
Total equity	1,381,912	1,395,556
Liabilities		
8 Accrued expenses and deferred income	150,016	111,778
Accounts payable	9,232	4,612
Other liabilities	11,815	8,695
Total liabilities	171,063	125,084
Total equity and liabilities	1,552,975	1,520,640
Pledged assets	None	None
Contingent liabilities	None	None

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Accounting Principles

AP7 follows the regulations in the National Pension Insurance Funds Act (2000:192). The accounting principles have not changed in relation to the previous year.

Revenue reporting

Revenue consists of fixed management fees received from the managed funds. These are recognised as income in the period to which they relate.

Depreciation principles for fixed assets

Fixed assets are valued at cost less accumulated depreciation. Depreciation is done in percentages as follows:

	2022	2021
Equipment	20%	20%
Remodelling of leased premises	30%	30%

Depreciation is shown in the note for the balance sheet item.

Valuation principles, etc.

Assets and liabilities have been valued at cost unless otherwise stated below. Receivables and liabilities in foreign currency have been recorded at the exchange rate on the balance sheet date.

Receivables

Receivables are recorded at the amounts expected to be received.

All amounts in SEK thousands

Note 1 Personnel costs

	2022	2021
Number of employees		
Average number of employees	43	40
Employees as of 31 December	45	42
Number of senior executives (as of 31 December)	7	7
Salaries and fees		
Board Chair	218	218
Board excl. Chair	846	931
CEO	4,747	4,268
Executive management excl. CEO	11,259	10,750
Other employees	34,630	31,315
Total	51,700	47,482
Pension costs		
CEO	1,371	1,223
Executive management excl. CEO	5,699	5,287
Other employees	9,262	8,909
Total	16,332	15,419
Social costs		
Board Chair	68	68
Board of Directors excl. Board Chair	266	293
CEO	1,826	1,639
Executive management excl. CEO	4,932	4,580
Other employees	13,157	12,008
Total	20,249	18,588
Senior executives		
Women	3	3
Men	4	4

Remuneration to senior executives 2022:

	Fixed Salary	Other benefits	Pension costs	Total
Chief Executive Officer	4,747	7	1,371	6,125
Executive Vice President/ Chief Investment Officer	3,017	6	890	3,913
Chief Operations Officer	2,094	8	822	2,924
Chief ESG and Communications Officer	1,848	6	1,118	2,972
Chief Compliance Officer	1,568	6	1,018	2,592
Chief Risk Officer	1,490	6	1,101	2,597
Human Resources Manager	1,242	7	750	1,999
	16,006	46	7,070	23,122

Remuneration to senior executives 2021:

	Fixed Salary	Other benefits	Pension costs	Total
Chief Executive Officer	4,268	4	1,223	5,495
Executive Vice President/ Chief Investment Officer	2,907	4	831	3,742
Chief Operations Officer	2,012	4	848	2,864
Chief ESG and Communications Officer	1,715	4	1,009	2,728
Chief Compliance Officer	1,521	4	912	2,437
Chief Risk Officer	1,449	4	1,027	2,480
Human Resources Manager	1,146	4	660	1,810
	15,018	28	6,510	21,556

AP7 applies the collective agreement between BAO and JUSEK/CR/CF (SACO) as well as the Government's guidelines for remuneration to senior executives. The Board of Directors of AP7 has adopted guidelines for the remuneration of senior executives and employees.

No employee has a salary containing a variable component. In addition, the following applies to the CEO, Vice President and the Chief Operations Officer. The retirement age is 65 years. The CEO, Vice President and the Chief Operations Officer are exempt from the pension plan in force under the collective agreement and instead receive individual pension insurance at a cost corresponding to 30% of the fixed salary, in accordance with the government's guidelines for terms of employment for senior executives in companies with state ownership.

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Note 1 Personnel costs, cont.

For the CEO and the Vice President, the notice period is six months. In the event of termination by the employer, severance pay may be paid for 12 months after the period of notice, equal to the fixed monthly salary⁸⁾. Settlement is made against the basic salary and supplements and income from business activities.

For senior executives, excluding the CEO, Vice President and Chief Operations Officer, pension provisions may exceed 30% of the salary. This follows from the applicable collective pension plan, BTP1 or BTP2. BTP1 is defined contribution while BTP2 is primarily defined benefit.

The Government's guidelines for senior executives state that remuneration must be moderate and not higher than at comparable companies, while at the same time they need to be competitive in order not to become an obstacle in the supply of skills. This objective is achieved through a clear process in which AP7's Remuneration Committee (chair, vice chair and CEO (adjunct)) prepares the salary framework for all employees, remuneration to senior executives, managers for the control functions and other employees with a remuneration at least equal to that of one of the senior executives, and negotiates salary and other terms with the CEO. The full Board adopts decisions on remuneration issues after preparation by the Remuneration Committee. The lower limit for the competitiveness of remuneration is influenced by, among other things, seniority requirements and client competence. The requirements are in turn a consequence of the business being run by a small organisation and many subcontractors. The remuneration levels of AP7 employees cannot be significantly below the levels offered by private asset management companies. In 2022, a comparison study was conducted by the independent international consulting firm Willis Tower Watson. The comparison study includes financial actors in Sweden at large, including major banks and other AP funds. The results showed that AP7's remuneration levels are modest and not in any area salary-leading.

In general, the remuneration level is at the median. AP7's Board of Directors therefore assesses that AP7's remuneration levels are overall in line with the levels offered by the private market participants and that the Government's guidelines have therefore been followed in 2022.

The fees of the Board of Directors are decided by the Government. In addition to the fees determined by the Government, a total of SEK 100,000 has been paid to the board members who are also part of the Asset Management Committee or the Audit Committee.

Note 2 Other external costs

	2022	2021
Audit assignment PwC	526	476
Premises rent	6,123	5,034
Information and data	36,448	30,609
Other external services	52,444	29,196
Other costs	5,238	3,786
Total other external costs	100,779	69,101
Fees to audit firms		
Audit assignment	526	476
Tax advice	3,895	403
Other advice	253	705
Total fees	4,674	1,584

Audit assignment refers to the auditor's work with the statutory audit.

Note 3 Interest income and similar

	2022	2021
Realised gain on sale of securities	8,885	-
Total interest income and similar	8,885	-

Note 4 Interest expenses and similar

	2022	2021
Interest expenses	-358	-850
Exchange rate losses	-272	-406
Total Interest expenses and similar	630	-1,256

Note 5 Equipment

	2022	2021
Opening acquisition value	5,044	4,645
Purchasing	97	519
Decommissioning of equipment	-37	-
Decommissioning	-	-120
Closing cumulative acquisition values	5,104	5,044
Opening depreciation	-4,033	-3,061
Cancelled depreciation		
Decommissioned equipment	25	-
Depreciation for the year	-423	-972
Closing cumulative depreciation	4,431	-4,033
Closing book value	673	1,011

Note 6 Prepaid expenses and accrued income

	2022	2021
Accrued fund fees	37,797	57,889
Other interim receivables	18,900	9,892
Prepaid expenses and accrued income	56,697	67,781

Note 7 Other receivables

	2022	2021
Tax asset	3,226	3,151

⁸⁾ 18 months for employment contracts concluded by 31 December 2016

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Note 8 Accrued expenses and deferred income

	2022	2021
Accrued personnel costs	5,011	5,389
Accrued costs external managers and custodian bank	134,812	98,979
Tax liability	3,958	3,654
Other interim liabilities	6,235	3,756
Total accrued liabilities and deferred income	150,016	111,778

Stockholm, 9 February 2023

Per Frennberg
Board Chair

Emma Ihre
Vice Chair

Susanne Ekblom

Tonika Hirdman

Henrik Saxborn

Mikaela Valtersson

Magnus Vesterlund

Roine Vestman

Anders Wihlborn

Richard Gröttheim
Chief Executive Officer

Our audit report was submitted on 10 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant
Appointed by the Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Government

Auditor's report

For the Seventh AP Fund, corporate identity number 802406-2302

The audit report regards the full statutory annual report for the Seventh AP Fund and is a copy of the audit report submitted on 10/02/2023.

Report on the annual report

Statement

We have carried out an audit of the annual report for the Seventh AP Fund for 2022.

In our opinion, the annual report has been prepared in accordance with the Act (2000:192) on National Pension Insurance Funds (AP funds) and provides a true and fair view of the financial position of the Seventh AP-fund as of 31 December 2022 and of its financial results for the year in accordance with the National Pension Insurance Funds Act. The management report is consistent with the other parts of the annual report.

We therefore recommend that the income statement and balance sheet be adopted.

Basis for Statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for preparing the annual report and for providing a true and fair view in accordance with the National Pension Insurance Funds Act. The Board and the CEO are also responsible for the internal control that they deem necessary to prepare an annual report that does not contain any material misstatement, whether due to fraud or error.

When preparing the annual report, the Board of Directors and the CEO are responsible for assessing the fund's ability to continue operations. They disclose, where applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operation.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance as to whether the annual report as a whole does not contain any material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of certainty but is no guarantee that an audit conducted in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements can arise due to fraud or errors and are considered material if, individually or together, they can reasonably be expected to influence the financial decisions that users make based on the annual report.

As part of an audit under ISA, we use professional judgment and have a professionally sceptical approach throughout the audit. In addition, we perform the following steps:

- We identify and assess the risks of material misstatement in the annual report, whether due to fraud or error, design and perform audit procedures, among other things, based on these risks and obtain audit evidence that is sufficient and appropriate to form a basis for our statements. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may include acts of collusion, forgery, deliberate omissions, misinformation or breach of internal control.
- We obtain an understanding of the part of the fund's internal control that is relevant to our audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of the accounting principles used and the reasonableness of the estimates of the Board of Directors and the CEO in the accounting and related disclosures.

- We test the suitability of the Board and the CEO using the assumption of continued operations in the preparation of the annual report. We will examine, on the basis of the audit evidence obtained, whether there is any material uncertainty factor relating to such events or circumstances that may lead to significant doubts about the fund's ability to continue operations. If we conclude that there is a material uncertainty factor, we must draw attention to the information in the annual report about the material uncertainty factor or, if such information is insufficient, modify the statement about the annual report. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may cause the fund to no longer be able to continue operations.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report reflects the underlying transactions and events in a manner that provides a true and fair view.

We must inform the Board of Directors of, among other things, the planned scope and focus of the audit and its timing. We must also disclose significant observations during the audit, including any significant deficiencies in internal control that we have identified.

Report on other legal and regulatory requirements

Statement

In addition to our audit of the annual report, we have also reviewed the inventory of the assets managed by the Seventh AP Fund. We have also reviewed whether there are any observations to report in respect of the management of the Seventh AP Fund for 2022 by the Board of Directors and the CEO.

The audit did not give rise to any observations concerning the inventory of assets or other management matters.

Basis for Statements

We have carried out the audit in accordance with good auditing practice in Sweden. Our responsibilities under this section are described in

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more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the accounting documents and for the management of the fund's assets under the National Pension Insurance Funds Act.

The Board is responsible for the organisation of the fund and the management of the fund's affairs. This includes, among other things, continuously assessing the fund's financial situation and ensuring that the fund's organisation is designed in such a way that the accounting, management of funds and the fund's financial affairs are otherwise controlled in a satisfactory manner. The CEO shall manage the day-to-day management in accordance with the guidelines and instructions of the Board and, among other things, take the measures necessary for the fund's accounting to be completed in accordance with law and for the management of funds to be managed in a satisfactory manner.

Auditor's Responsibilities

Our goal regarding the audit of the management, and thus our statement on the management, is to obtain audit evidence in order to be able to assess with a reasonable degree of certainty whether there are any matters to be reported indicating deficiencies in the management of the Board and the CEO of the Seventh AP Fund for the financial year 2022.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit conducted according to good auditing practice in Sweden will always detect actions or omissions that may give rise to remarks.

As part of an audit according to good auditing practice in Sweden, we use professional judgment and have a professionally sceptical approach throughout the audit. The audit of the management is primarily based on the audit of the accounts. The additional audit procedures performed are based on our professional assessment based on risk and materiality. This means that we focus the review on such measures, areas and conditions that are essential for the business and where deviations and violations would have particular significance for the Seventh AP Fund. We review and test the decisions made, the basis for decisions, the measures taken and other conditions relevant to our statement about the administration.

Stockholm 10 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant
Appointed by the Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Government

AP7 Equity Fund Annual Report 2022

Corporate registration number 515602-3862

DIRECTOR'S REPORT

All amounts in SEK thousands

Investment strategy

The AP7 Equity Fund is an important component in creating a life-cycle profile in the pre-selection option AP7 Såfa and is thus a building block in the national pension system's premium pension component. The fund is also included in the Government's fund portfolios. See further information about these portfolios in the Annual Report for the Seventh AP Fund (AP7).

The objective of the AP7 Equity Fund is to achieve a long-term high return at the chosen risk level, that exceeds the return on the fund's benchmark index (see explanations for key ratios below). The fund is actively managed with a clear sustainability profile and the following strategy:

- Investment of assets in global equities with broad geographic and sector distribution, and equity-related derivative instruments that increase expected return and risk – *global portfolio*.
- Increased risk spread by rebalancing and adding more asset classes and investment strategies – *diversification*.
- Adaptation of the fund's risk level and content over time using a systematic risk management – *risk framework*.

In 2022, work began on a transition portfolio as part of AP7's climate action plan. The first investment was made in December. The goal is to design a transition mandate that will constitute 10 percent of the Equity Fund by 2025. The transition mandate portfolio is intended to combine active management with active ownership. The aim is to contribute to increased diversification while working through active ownership for an increased climate change transition in the companies. The portfolio reflects AP7's commitment to increase climate work in the equity portfolio. In terms of AP7's global equity portfolio of over 3,000 companies, it regards increasing the holdings in certain companies in relation to the fund's benchmark index.

Leverage, which means that the fund's value development is strengthened in regard to the underlying market's development, may be used in the management of the fund. The aim is both to increase returns in the global portfolio, and to create exposure to desired asset classes and to manage the portfolio's risks in diversification and risk management.

Global portfolio

The global portfolio in AP7 Equity Fund consists of global equities. The asset class shall provide a share exposure equivalent to the MSCI All Country World Index¹⁾. Leverage is achieved using financial instruments (derivative instruments) that increase the investment scope.

Diversification

In order to spread and streamline risk-taking, the Equity Fund invests in asset classes and investment strategies that complement the selection in the global portfolio. This diversification is handled in several ways and is achieved through the following strategies:

– Emerging markets

In addition to the exposure to emerging markets provided by the fund's global exposure, the fund further invests in emerging market equities. The fund thus has a five-percentage point higher exposure to emerging market equities than is provided by market-weighted exposure according to the MSCI All Country World Index.

– Private equity

The fund's private equity investments shall include indirect investments in unlisted companies. The AP7 Equity Fund's investments are channelled through two companies formed abroad for this purpose. The Equity Fund owns equities in these companies in the form of the transferable securities that are permitted for investments under the Swedish Securities Funds Act. The companies in turn invest, on behalf of AP7, in equities in companies/funds that directly or indirectly invest in equities in unlisted companies. The strategy is long-term and is expected to generate a higher return than listed companies over time.

– Small-cap companies

In addition to the exposure to large and medium-sized companies provided by the fund's global exposure, the fund also invests in smaller companies, so-called small-cap companies. The definition of a small-cap company is based on MSCI's definition where a typical small-cap company (median) has a market value of SEK 10 billion. The fund thus has a higher exposure to smaller companies than is provided by the fund's reference portfolio.

– Factor risk premiums

Investments in factor risk premiums have the potential to diversify the portfolio and lower the risk without adversely affecting long-term

expected returns. Factor investing means that portfolios are formed through systematic selection of equities with specific characteristics, such as low valuation, high quality or positive price development. Exposure to the properties entails risk-taking for which the fund is expected to receive a premium, which in turn is expected to lead to improved risk-adjusted returns over time.

– Alternative strategies

Absolute return strategies may be used to increase the fund's return and to influence its risk profile. The use of absolute return strategies must be carried out with a holistic perspective. Alternative strategies also include the fund's green management mandate.

Risk framework

The risk management framework is based on AP7's long-term perspective and basic assumptions that market conditions and prospects should affect the long-term composition of savings. The framework is a way to manage risks in the equity portfolio and protect the fund capital, in particular by limiting the impact of extreme declines on the stock market and its impact on the capital of the Equity Fund.

Derivative instruments and share loans

The fund rules allow derivative instruments to be used as part of the investment strategy. In 2022, this opportunity was exercised in day-to-day management via share futures and currency contracts. Furthermore, OTC derivatives (Total Return Swaps) are used to create leverage in the management. The fund's average net equity market exposure in 2022 was approximately 115.2 percent (115.0). At the end of 2022, the net equity market exposure amounted to 115.5 percent (114.5) of the fund capital.

Derivative instruments	2022	2021
Derivative gross exposure ²⁾ %, highest	20.4	20.0
Derivative gross exposure %, lowest	17.8	17.8
Derivative gross exposure %, average	19.0	19.1

The fund has a share lending program through the Bank of New York Mellon. This programme has generated net revenue of SEK 91.1 million during 2022 (85% of total revenue for the share lending program). The cost of the programme was SEK 16.1 million (15% of the total revenue for the share lending program). Deposits of shares for so-called genuine short selling occur within the framework of alternative strategies.

^{1,2)} See Explanation of Key Performance Indicators, page 60

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Responsible investments

Since its inception in 2000, AP7 has carried out active advocacy work. The starting point for the work on responsible investments is the values that are expressed in international conventions that Sweden has signed regarding human rights, labour law, the environment and corruption.

Today, AP7 works with combinations of four different advocacy methods for sustainable and responsible investments: being active at general meetings, advocacy dialogues, public blacklisting (exclusion) and legal processes.

AP7 also works with three overlapping in-depth themes. Each year, the theme that has been ongoing for three years ends and a new theme is introduced. The new theme for 2022 was Universal Active Ownership, which aims to further develop knowledge on how capital owners with global portfolios can optimise their active ownership efforts to achieve real sustainability impacts. The theme of Deforestation and Biodiversity initiated in 2021 continued during the year and the theme of Climate Transition initiated in 2020 was concluded. The result of a completed theme work is presented annually in a theme report that is published in AP7's theme bank on the website, and relevant lessons from the theme are integrated into AP7's ongoing asset management and active ownership processes.

Within the framework of the theme work and based on AP7's role, mission and investment philosophy, AP7 has identified three roles within which AP7 can make the most of sustainable development – as active owner, as enabler and as knowledge builder.

Being active at general meetings

AP7's equity portfolio reflects the entire real economy and by making AP7's voice heard at annual general meetings, AP7 has an opportunity to impact the entire equity market. According to the AP Funds Act, AP7 is not allowed to vote general meetings in Sweden, but since most of the shareholding is outside Sweden, AP7 can still be active in the absolute majority of the more than 3,000 companies it has invested in.

In 2022, AP7 voted at 4,523 out of 4,578 possible general meetings, corresponding to 99 percent. At 47 percent of these, AP7 has voted against the board's recommendation or for a shareholder proposal that the board has not supported. AP7 voted at general meetings in 54 countries. Of these, China, the US and Japan dominated, with 61 percent of the meetings held. During the year, AP7 voted on a total of 499 motions on various sustainability issues. We supported a majority of these, 73 percent, abstained in 6 percent of cases and voted against 20 percent of the proposals. Read more about how AP7 voted on <https://www.ap7.se/proxy-votingroasting/>

Advocacy dialogue

AP7 conducts dialogues with companies on cases of reported incidents of situations involving risks of human rights abuse, or risks related to labour law, the environment and corruption. In addition, AP7 has conducted a number of dialogues with other investors in the context of the fund's thematic sustainability work.

In 2022, AP7 conducted in-depth, norm-based advocacy dialogues with 110 companies on a total of 138 cases of verified or potential norm violations. In addition, a large number of dialogues have been conducted regarding reported incidents and dialogue with about twenty companies within the framework of the thematic work.

Public blacklisting

AP7 uses blacklisting to influence companies that violate human rights, labour laws, the environment, and anti-corruption. As of 2016, the Paris Agreement to the United Nations Framework Convention on Climate Change has been included and since 2020, the screening has evolved to include companies that continue to expand their operations in coal production and coal power. In order to identify and verify violations that companies have been involved in, AP7 collects information from a large number of sources, including within the UN system and other intergovernmental organisations, authorities, courts, media and NGOs. The information is quality assured, the company's responsibility is investigated and an assessment is made if its actions are in violation of norms. AP7 is supported by several external experts in the process.

The list of excluded companies, as well as the reason for exclusion, is published twice a year in order to influence the companies. The companies are normally excluded for five years, after which AP7 invests in the company again provided that the violation has ceased and that no new incidents have occurred. In December 2022, a total of 104 companies were excluded from AP7's investment universe. The list is available at www.ap7.se.

Legal processes

In the US, AP7 takes advantage of the opportunity to pursue legal proceedings through class action against companies that have mistreated shareholders and adversely affected the share price. The purpose of the legal proceedings is both to point out and discourage companies from acting fraudulently and to recover money. This may include companies that withhold accurate information in order to avoid affecting the share price. A majority of the court cases end in a settlement. AP7 had 18 pending legal proceedings at the end of 2022.

Significant risks as of the balance sheet date

The AP7 Equity Fund is a global equity fund where leverage is used in the management. Developments in the equity market constitute the single biggest risk and a significant drop in the global equity markets can lead to a sharp decline in returns. Since the majority of the fund's assets are located outside Sweden, and no assets are hedged, the fund is exposed to major currency risk.

Performance development

The AP7 Equity Fund achieved a total return of -9.9 percent in 2022, which was 4.3 percentage points lower than the return in the fund's benchmark index.

The Equity Fund was pressured by global stock market turmoil, as a result of, among other things, sharply rising inflation. The strengthening of the dollar against the Swedish krona made a positive contribution to performance, given the large proportion of US equities in the fund. Overall, the global portfolio made a negative contribution to total returns. The diversification portfolio mitigated the level of risk in the fund but contributed negatively to the result.

The return contribution from the different types of risk that constitute the diversification portfolio varied during the year. Holdings in unlisted companies (private equity) and alternative strategies contributed positively to the return, while factor risk premiums, small-cap companies and overweighting towards emerging markets contributed negatively.

Market development

Inflation, monetary policy austerity and the war in Ukraine were the focus of the world's financial markets in 2022. The stock market year was affected by wide global declines in prices amid very large fluctuations. The global pattern was similar to stock exchanges that fell sharply and bottomed out during the autumn and then recovered slightly during the last quarter of the year.

Inflation was already in focus at the beginning of the year, and it received additional fuel with the Russian invasion of Ukraine in February. Price increases were mainly seen in energy and food, but gradually spread to more types of goods and services throughout the year. In the United States, the highest inflation rate was recorded in over 40 years.

The world's central banks, which in 2021 viewed inflation as temporary, now acted vigorously to combat it. The US Federal Reserve (Fed) was quick to raise the policy rate in the spring, and during the year the majority of the world's central banks followed suit with increasingly larger increases. The Swedish Riksbank raised the policy rate in several steps to 2.5 percent, including a 100-point increase in September.

Market interest rates, both short and long-term, rose sharply during

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the year. The interest rate rise was at its highest in the first half of the year, when it became clear that inflation would become higher and last longer than the central banks previously expected. The rise continued during the second half of the year but at a more moderate pace.

Concerns about the effect of interest rate increases on the economy and companies' earnings led to a reduced risk appetite and significant price fluctuations. The US stock market, the S&P500, fell by around 18 percent, but the US dollar strengthened by 15 percent against the Swedish krona, which mitigated the downturn for Swedish savers. The Stockholm Stock Exchange, which was one of the world's strongest in 2021, was one of the weakest in 2022 with a decline of 25 percent.

Emerging market developments varied greatly. The commodity-dominated Latin American stock exchanges performed relatively well compared to the Asian ones with a significant portion of technology companies. The Chinese stock market was one of the worst as a result of the country's zero-tolerance policy against Covid-19, which led to widespread shutdowns. Alongside the war in Ukraine, the tension between the US and China was also in focus. The uncertain world situation also affected the number of IPOs, which fell sharply compared to the previous year.

The energy sector was by far the strongest during the year, supported by the rising energy price and was the only sector that showed positive returns. Utilities, pharmaceuticals and groceries fared relatively well.

Interest-sensitive sectors such as telecommunications and technology companies fell the most. Retail and other consumer-related sectors also had a difficult year as they were affected by consumers' weakening purchasing power. The fact that the growth companies were affected relatively harder by interest rate increases was positive for AP7 as we reduced our exposure to growth companies somewhat, in favour of an increased share of value companies.

The inflow of capital to the Equity Fund amounted to SEK 30.1 billion in 2022. Outflow amounted to SEK 8.6 billion.

The fund's ten largest listed holdings as a percentage of fund capital at the end of 2022

Apple Computer Inc.	3.48
Microsoft Corp.	2.82
Amazon.com Inc.	1.25
Taiwan Semiconductor	0.91
Alphabet Inc. – Class A	0.91
Unitedhealth Group Inc.	0.81
Alphabet Inc Class C	0.78
Johnson and Johnson	0.77
Tencent Holdings Ltd.	0.68
Berkshire Hathaway Inc.	0.63
Total of ten largest holdings	13.0

Significant events after the balance sheet date

On November 23rd, the Swedish Parliament (Riksdagen) adopted changes to the AP Funds Act relating to the Seventh AP Fund and its management. These include:

- the goal of the pre-selection option within the premium pension is a high-quality pension savings that provides a secure pension, i.e. the same goal as for the premium pension system as a whole
- a sustainability goal has been introduced for the Seventh AP Fund, which means that fund management must be conducted in an exemplary manner
- there should be greater opportunities to invest the fund's capital in so-called illiquid assets.

This means that in 2023, the fund will gradually initiate investments in new illiquid asset classes such as real estate and infrastructure. This is considered to contribute positively to the fund's risk-adjusted return and provide a better product to the savers.

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KEY PERFORMANCE INDICATORS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund assets (MSEK)	814,003	879,041	655,423	616,662	418,944	396,162	314,874	261,072	235,725	173,493
Number of shares (thousands)	1,672,798	1,628,143	1,628,291	1,603,903	1,483,257	1,361,024	1,273,624	1,230,448	1,184,861	1,143,683
Share price (SEK)	486.61	539.90	402.52	384.48	282.45	291.08	247.21	212.15	198.93	151.71
Return										
Fund yield (%)	-9.9	34.1	4.7	36.2	-3.0	17.7	16.5	6.6	31.1	34.0
Benchmark index: ¹⁾ (%)	-5.6	31.2	2.5	33.5	-3.3	18.0	16.5	6.2	30.8	35.3
Average return										
2 years (%)	10.0	18.5	19.4	14.9	6.9	17.1	11.5	18.3	32.6	26.0
5 years (%)	10.8	16.9	13.7	14.1	13.2	20.8	17.3	14.5	-	-
Since fund start (%)	13.9	16.2	14.6	15.7	13.6	15.9	15.7	15.5	17.5	14.0
Risk measure ²⁾										
Total risk fund (%)	14.1	17.6	19.3	15.1	12.5	10.8	17.2	16.7	10.2	11.4
Total risk benchmark index (%)	12.5	15.6	17.2	14.1	12.6	9.7	17.1	16.8	9.4	10.5
Active risk (%)	2.0	2.5	2.7	2.0	0.8	1.7	1.9	2.0	2.6	2.7
Active share (%)	29.1	28.2	28.1	27.2 ⁴⁾	11.7	8.2	8.6	9.9	-	-
Relative VaR MC 99% average year (%)	1.1	1.1	1.1	1.1	1.1	1.1	-	-	-	-
Relative VaR MC 99% max during the year (%)	1.2	1.1	1.1	1.1	1.2	1.3	-	-	-	-
Relative VaR MC 99% min during the year (%)	1.1	1.1	1.0	1.0	1.0	1.0	-	-	-	-
Relative VaR MC 99% per balance sheet date (%)	1.1	1.1	1.1	1.1	1.1	1.1	-	-	-	-
Turnover rate (%)	9.3	7.0	16.7	8.5	8.0	8.9	13.0	16.9	19.3	22.9
Fees										
Management fee (%)	0.05	0.075	0.08	0.09	0.10	0.11	0.11	0.12	0.12	0.14
Annual fee (%) ³⁾	0.07	0.09	0.10	0.11	0.13	0.13	0.14	0.15	0.15	0.17
Deposit/Withdrawal fee	None	None	None	None	None	None	None	None	None	None
Transaction costs										
Total (SEK thousand)	73,277	80,168	136,349	119,792	106,292	97,642	100,378	106,288	93,702	73,188
Share of turnover (%)	0.04	0.06	0.05	0.08	0.09	0.09	0.11	0.10	0.10	0.08
One-time deposit SEK 10,000 (SEK)	6.3	8.9	7.6	11.0	10.5	11.9	12.1	13.2	13.5	16.5

¹⁾ See explanation of key performance indicators²⁾ Risk measures are based on two years of historical monthly returns and are calculated in accordance with the guidelines of the Swedish Investment Fund Association. For more information, see www.fondbolagen.se.³⁾ Includes actual and estimated fees for alternative investments.⁴⁾ The increase in Active share is explained by the change of the benchmark index 01/01/2019 and that an exposure-based calculation method has been chosen.**Management fee**

The AP7 Equity Fund pays a management fee to AP7 on the last day of each month. The fee is calculated daily at 1/365th of the value of the fund and covers costs for, among other things, management, administration, accounting, storage of securities, auditing, information and supervision. In 2022, the fee amounted to 0.05% of the fund's wealth.

Transaction costs in the form of commissions to brokers and fees to custodian banks for securities transactions are charged directly to the AP7 Equity Fund and are not included in the management fee. Fees paid to managers of the fund's holdings in unlisted assets (private equity) are also not included in the fee but are charged directly to the Equity Fund.

Explanations of key performance indicators

Active risk:

A measure of how much a fund's share value varied compared to its benchmark index. A high active risk means that the fund's investments deviated significantly from the benchmark index during the period. The return on a portfolio with high active risk can be significantly greater or less than the return on indices. The measure is based on the performance of the fund shares and benchmarks over the past two years.

Active share:

A measure of how much of the fund's holdings deviate from the composition of the benchmark index, according to the recommendation of the Swedish Investment Fund Association.

Annual fee (%):

Refers to all costs of the fund excluding interest expense, performance-based fees and transaction costs. Management fees for alternative investments are included. The measure of costs charged to the fund over the past 12 months is expressed as a percentage of the fund's assets. The annual fee is calculated according to "CESR's guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document" (https://www.esma.europa.eu/sites/default/files/library/2015/11/10_674.pdf)

Benchmark index:

Since 01/01/2019, the fund's benchmark index is the MSCI All Country World Index (Gross). The benchmark index constitutes a relevant reference in relation to the fund's investment focus, asset class and markets.

Cost of one-time deposit, SEK 10,000:

Management costs according to the income statement in SEK attributable during the year to a shareholding amounting to SEK 10,000 at the beginning of the year and retained in the fund throughout the year.

Derivative exposure:

A measure of a fund's use of derivatives and other techniques and instruments. The calculation of the derivative exposure is based on the regulations of the Swedish Financial Supervisory Authority. The derivative exposure is calculated according to the underlying exposure value, which means that no so-called delta adjustments are made. Net calculation is not based upon short and long positions. This means that the value provides a simplified picture of the fund's exposure and may differ from the data specified in other contexts.

Relative Value-at-Risk:

AP7 uses a relative Value-at-Risk model to calculate aggregate exposure in the fund. The Monte Carlo model is used with a confidence level of 99 percent with a time horizon of five days. The measure aims to show how much the fund is expected to lose relative to the reference index over a certain period of time and with a certain degree of certainty, under normal market conditions. When calculating total exposure, the fund's Value-at-Risk is compared to Value-at-Risk for the reference index MSCI ACWI.

The fund's Value-at-Risk may not exceed twice the Value-at-Risk for the reference portfolio.

Return and risk calculations:

The AP7 Equity Fund's return and risk are calculated on the fund's Net Asset Value (NAV) rate, which is used in the purchase and redemption of shares. This method means that the return is reported after deduction of the management fee that the AP7 Equity Fund pays to AP7. The NAV price assessment uses the prices of the fund's assets that relate to the latest payment rate.

Total risk (standard deviation):

A measure of how much the share value has varied over a given period. Large variations in share value usually involve a higher risk but also a chance of better value growth. The measure is based on the performance of the fund shares and benchmarks over the past two years.

Transaction cost:

Commission and transaction fees to custodian bank.

Turnover rate:

Measures how many times securities have been purchased or sold in relation to the fund assets. The measure is stated as a percentage and is calculated by dividing the lower of the total amount of securities purchased or the total amount of securities sold during the period by the average fund assets.

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BALANCE SHEET

Note	31/12/2022		31/12/2021		
		Percentage		Percentage	
Assets					
1	Transferable Securities	792,055,955	97.3	853,149,213	97.1
	OTC derivative instruments with positive market value	96,223	0.0	3,660,157	0.4
	Other derivative instruments with positive market value	0	0.0	3,909	0.0
	Total financial instruments with positive market value	792,152,178	97.3	856,813,279	97.5
	Bank balances and other cash and cash equivalents	24,372,357	3.0	23,078,400	2.6
	Prepaid expenses and accrued income	529,070	0.1	451,418	0.1
	Other assets	804,519	0.1	1,078,265	0.1
	Total assets	817,858,124	100.5	881,421,362	100.3
Liabilities					
	OTC derivative instruments with negative market value	1,900,154	0.2	37,699	0.0
	Other derivative instruments with negative market value	0	0.0	64,184	0.0
	Other financial instruments with negative market value	1,863,457	0.2	2,165,884	0.3
	Total financial instruments with negative market value	3,763,611	0.5	2,267,767	0.3
	Prepaid revenue and accrued expenses	37,908	0.0	57,523	0.0
	Other liabilities	53,890	0.0	55,367	0.0
	Total liabilities	3,855,409	0.5	2,380,657	0.3
2	Fund assets	814,002,715	100.0	879,040,705	100.0

There is a list of holdings of all financial instruments as a separate appendix.

		31/12/2022	31/12/2021
Memorandum items			
13	<i>Borrowed securities and collateral received</i>		
	Lending financial instruments	19,631,541	15,023,967
14	Received collateral (government bonds, at least AA-rated) for loaned financial instruments	20,584,902	15,862,877
	Collateral received (cash) for OTC derivative instruments ³	-	4,355,283
	Pledged collateral (cash) for OTC derivative instruments	1,316,618	-
15	<i>Borrowed securities and pledged securities</i>		
	Borrowed financial instruments	3,636,047	4,214,829
	Pledged collateral (shares) for borrowed financial instruments	3,991,279	4,617,205
	Pledged collateral (cash) for other derivative instruments	1,389,567	1,185,374
Outstanding Commitments			
	Residual investment commitments in private equity	18,922,969	20,319,137

³ The amount refers to collateral received for the value of transactions as per the last banking day before the closing date.

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INCOME STATEMENT

Note		2022	2021
Revenue and change in value			
3	Change in value of transferable securities	-73,625,617	186,658,024
4	Change in value of OTC derivative instruments	-29,281,875	18,678,985
5	Change in value of other derivative instruments	-4,390,641	3,660,810
6	Interest income	235,946	-4,058
7	Dividends	16,922,043	13,434,303
8	Net foreign exchange gains and losses	3,407,152	1,794,347
9	Other financial income	134,675	152,734
	Total revenue and change in value	-86,598,317	224,375,145
Costs			
10	Management costs	-410,004	-579,551
11	Other financial costs	-206,952	-152,115
12	Other costs	-41,951	-38,937
	Total costs	-658,907	-770,603
	Profit for the period	-87,257,224	223,604,542

Accounting Principles

The annual report for the fund has been prepared in accordance with the National Pension Insurance Funds Act (2000:192) and the Swedish Financial Supervisory Authority's regulations on mutual funds (2013:9).

Business day accounting is applied, which means that the transactions affect the balance sheet on the business day, i.e. at the time when the material rights and thus the risks transition between the parties.

All financial instruments are valued at fair value. This means that listed equity securities, including listed equity index futures and derivative instruments traded on a regulated market, are valued at the latest payment price on the last day of trading during the accounting period.

Foreign financial instruments are converted to Swedish kronor at the latest payment price on the last trading day during the reporting period.

Currency derivatives are valued at the latest exchange rates on the last day of trading during the reporting period.

Unlisted equity securities, consisting of indirect investments in private equity funds, are measured according to the latest available fair value information with daily adjustment based on a relevant index based on how private equity firms have developed.

OTC derivatives (Total Return Swaps) are valued according to a model based on market-listed interest rates and information from the index provider on the development of the relevant share index on the last day of trading during the period.

When calculating capital gains and losses, the average cost basis method is used.

Borrowed securities are not reported in the balance sheet but are included as a memorandum item. Paid premiums (expense interest) for borrowed securities are reported as other financial costs.

Securities lent are included in the balance sheet. The market value, as well as the collateral received, is shown in memorandum items. Premiums received for loaned securities are reported as other financial income.

Tax

The AP7 Equity Fund is not taxable in Sweden. For investments abroad, there may in some cases be a tax liability in the form of a so-called definitive withholding tax on dividends.

All amounts in SEK thousands

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Note 1 Transferable securities

	31/12/2022		31/12/2021	
Transferable securities	764,054,312	93.9	829,618,398	94.4%
Transferable securities – Unlisted	28,001,643	3.4	23,530,815	2.7%
Total transferable securities	792,055,955	97.3	853,149,213	97.1%

Note 2 Change in fund assets

	01/01/2022 – 31/12/2022	01/01/2021 – 31/12/2021
Fund assets at the beginning of the period	879,040,705	655,422,966
Share issue	30,829,769	20,866,957
Share redemption	-8,610,535	-20,853,760
Profit for the period according to the income statement	-87,257,224	223,604,542
Fund assets at the end of the period	814,002,715	879,040,705

Note 3 Specification of change in value of transferable securities

	2022	2021
Realised price result	13,738,752	13,663,909
Realised currency result	7,988,671	-145,367
Unrealised price result	-156,060,171	111,851,186
Unrealised currency result	60,707,131	61,288,296
Total	-73,625,617	186,658,024

* Disposal of investment in the Legal, Financial and Administrative Services Agency's Corporate Bond Consortium FRN.

Note 4 Specification of value change of OTC derivative instruments

	2022	2021
Realised price result	-23,855,486	17,167,678
Unrealised price result	-5,426,389	1,511,307
Total	-29,281,875	18,678,985

Refers only to Total return swaps.

Note 5 Specification of change in value of other derivative instruments

	2022	2021
Realised price result	-8,325,936	3,696,894
Realised currency result	3,875,020	24,055
Unrealised price result	60,275	-60,139
Total	-4,390,641	3,660,810

Note 6 Specification of interest income

	2022	2021
Interest-bearing	0	7
Short-term interest investments	232,109	-4,369
Bank accounts	3,837	304
Total	235,946	-4,058

Note 7 Specification of dividends

	2022	2021
Dividends	17,693,303	13,828,709
Coupon tax	-1,025,525	-826,827
Restitution	254,265	432,421
Total	16,922,043	13,434,303

Note 8 Specification of exchange rate gains and net losses

	2022	2021
Currency derivatives	-50,061	-33,927
Bank accounts	3,457,213	1,828,274
Total	3,407,152	1,794,347

Note 9 Specification of other financial income

	2022	2021
Premium loaned shares	91,085	87,552
Other financial income	43,590	65,182
Total	134,675	152,734

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Note 10 Specification of management cost

Remuneration to AP7 for management has been paid at 0.05% (0.075%) per year on the managed assets. This leads to a management cost of SEK 410,004 thousand (SEK 579,551 thousand) for the full year 2022.

In 2022, 42 people received fixed remuneration from AP7. No variable remuneration has been paid. The total paid out to specially regulated staff is:

- SEK 23,122 (21,554) thousand to the executive management (seven people)
- SEK 18,839 (18,177) thousand to those involved in risk-based management activities (ten people)

Remuneration includes paid salary, other benefits and pension costs. To see details, see Note 1 of AP7's Annual Report. Compensation to managers employed by external asset management companies is handled internally within each organisation. PwC as external auditors are commissioned by the Government to, among other things, review remuneration to senior executives and ensure that the review did not lead to any deviations in relation to the Seventh AP Fund's remuneration policy.

Note 11 Specification of other financial costs

	2022	2021
Premier share deposits	-31,326	-33,381
Compensation paid for dividends when depositing shares	-78,517	-65,181
Interest expense	-9,376	-16,213
Other financial costs	-87,733	-37,340
Total	-206,952	-152,115

Note 12 Specification of other costs

	2022	2021
Commission	-33,041	-31,087
Transaction fees to BNY	-8,910	-7,850
Total	-41,951	-38,937

Note 13**Specification of the top 10 counterparties for securities lending**

	Country	Settlement type	Open term
BofA Securities Inc	US	Tripartite Agreement	
Citigroup Global Markets Inc.	US	Tripartite Agreement	
Citigroup Global Markets Limited	UK	Tripartite Agreement	
Goldman Sachs International	UK	Tripartite Agreement	
HSBC Bank PLC	UK	Tripartite Agreement	
JP Morgan Securities Plc.	UK	Tripartite Agreement	
Macquarie Bank Limited	Australia	Tripartite Agreement	
Merrill Lynch International	UK	Tripartite Agreement	
Morgan Stanley and Co. International PLC	UK	Tripartite Agreement	
UBS AG	Switzerland	Tripartite Agreement	
Total securities lending 31/12/2022			19,631,541
% of tradable assets			2.4
% of fund assets			2.4

Specification of the 10 largest issuers of collateral for securities lending

Government bonds	Currency	Market value	Term					
			< 1 day	1-7 days	8-30 days	1-3 months	4-12 months	> 1 year
US Government	USD	16,319,231		104,277	108,891	149,780	1,124,925	14,831,358
The Belgian Government	EUR	1,170,354						1,170,354
The Dutch Government	EUR	961,565					29,602	931,963
The UK Government	GBP	838,084					206,025	632,059
The French Government	EUR	573,035					29,602	543,434
The German Government	EUR	370,159				124,344	24,504	221,311
The Canadian Government	CAD	101,876					3,952	97,924
The Austrian Government	EUR	95,549						95,549
European Investment Bank	USD	84,054						84,054
The Finnish Government	EUR	44,274						44,274
Total market value 10 largest		20,558,182						

Collateral is not reused. All collateral is held in a separate account with the fund's custodian bank, Bank of New York Mellon.

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Note 14

Specification of counterparties for Total return swaps

	Country	Settlement type	Term						
			< 1 day	1-7 days	8-30 days	1-3 months	4-12 months	> 1 year	
JP Morgan AG	Germany	Bilateral			2,987,114	11,657,232	31,183,709		
Goldman Sachs International	UK	Bilateral			1,825,444	6,270,653	21,112,022		
UBS AG	Switzerland	Bilateral			1,901,017	2,882,971	6,923,799		
BNP Paribas	France	Bilateral				2,810,879	8,670,347		
BAML	France	Bilateral					11,423,836		
Citigroup Global Markets Europe AG	Germany	Bilateral			1,175,945	1,702,734	7,794,453		
Credit Suisse Bank Europe S.A	Spain	Bilateral			1,108,020	1,917,334	3,436,039		
Total outstanding nominal gross volume 31/12/2022								126,783,549	
% of fund assets									15.6

Specification of issuers of collateral for Total return swaps

	Currency	Market value	Open Term
Cash and cash equivalents	USD	1,316,618	1,316,618

Total market value

If cash is received, it is reinvested in short-term money market funds (STIFs). All collateral is held in separate accounts with the fund's custodian bank, Bank of New York Mellon.

Following the financial crisis of 2008/2009, regulators around the world have increased the demands on how reference rates are developed. This has meant, among other things, that decisions have been made to replace the interbank rate LIBOR traded in London with alternative interest rates. As of 31 December 2021, Libor has been replaced by SONIA for Pounds, by TONA for Yen and by SARON for Swiss Francs. USD Libor will be replaced by SOFR as of 30 June 2023. AP7 has no remaining exposures to Libor at the end of 2022.

Note 15

Specification of counterparties for securities deposits

	Country	Settlement type	Open term
Goldman Sachs International	UK	Tripartite Agreement	
Nordea Bank	Sweden	Tripartite Agreement	
Skandinaviska Enskilda Banken	Sweden	Tripartite Agreement	
Total securities deposits 31/12/2022			3,636,047
% of tradable assets			0.4
% of total fund assets			0.4

Specification of the top 10 securities provided for securities deposits

Shares	Currency	Market value
Booking Hldgs Inc USD 0.008	USD	278,039
Palo Alto Networks Inc USD 0.0001	USD	205,043
Lululemon Athletica Inc USD 0.005	USD	191,398
Givaudan Sa CHF 10.0	CHF	170,683
Intuitive Surgical Inc USD 0.001	USD	160,064
CrowdStrike Hldgs Inc USD 0.0005	USD	125,216
Insulet Co Com Stk USD 0.001	USD	120,770
Charter Communications In USD 0.001 0.001	USD	117,436
Markel Corp Npv	USD	114,570
Jpmorgan Chase + Co USD 1.0	USD	113,133
Total outstanding nominal gross volume		1,596,352

All collateral provided relates to open term. All collateral is held in a separate account with the fund's custodian bank, Bank of New York Mellon.

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Stockholm, 9 February 2023

Per Frennberg
Board Chair

Emma Ihre
Vice Chair

Susanne Ekblom

Tonika Hirdman

Henrik Saxborn

Mikaela Valtersson

Magnus Vesterlund

Roine Vestman

Anders Wihlborn

Richard Gröttheim
Chief Executive Officer

Our audit report was submitted on 10 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant
Appointed by the Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Government

Auditor's report

For AP7 Equity Fund, corporate registration number 515602-3862

The audit report regards the full statutory annual report for AP7 Equity Fund and is a copy of the audit report submitted on 10/02/2023.

Report on the annual report

Statement

As auditors in the Seventh AP Fund, organisation number 802406-2302, we have carried out an audit of the AP7 Equity Fund Annual Report for 2022, with the exception of the sustainability information on pages 3–4 (the "Sustainability Information").

In our opinion, the annual report has been prepared in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds and provides a true and fair view in all material respects of the AP7 Equity Fund's financial position as of 31 December 2022 and of its financial results for the year in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds. Our statements do not include the sustainability information on pages 3–4.

Basis for Statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO of the Seventh AP Fund are responsible for the preparation of the annual report and that it provides a true and fair view in accordance with the National Pension Insurance Funds Act and the Swedish Financial Supervisory Authority's regulations on securities funds. The Seventh AP Fund is also responsible for the internal control it deems necessary to prepare an annual report that does not contain any material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance as to whether the annual report as a whole does not contain any material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of certainty but is no guarantee that an audit conducted in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements can occur due to fraud or mistakes and are considered material if, individually or together, they can reasonably be expected to influence the financial decisions that users make based on the annual report.

As part of an audit under ISA, we use professional judgment and have a professionally sceptical approach throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the annual report, whether due to fraud or error, design and perform audit procedures, among other things, based on these risks, and obtain audit evidence that is sufficient and appropriate to form a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to mistakes, as fraud may include collusion, forgery, deliberate omissions, misinformation or breach of internal control.
- We obtain an understanding of the part of the Seventh AP Fund's internal control that is relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of the accounting principles used and the reasonableness of the Seventh AP Fund's estimates in the accounting and related disclosures.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report reflects the underlying transactions and events in a way that provides a true and fair view.

We must inform the Seventh AP Fund of, among other things, the planned scope and focus of the audit and its timing. We must also disclose significant observations during the audit, including any significant deficiencies in internal control that we have identified.

The auditor's opinion regarding the statutory sustainability information

The Seventh AP Fund is responsible for the sustainability information on pages 3–4 and that it is prepared in accordance with the Securities Funds Act.

Our review of the sustainability information for the fund has been conducted with guidance, where applicable, of FAR Recommendation RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our review of the sustainability information has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with sufficient grounds for our statement.

Sustainability information has been provided in the annual report.

Stockholm 10 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant
Appointed by the Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Government

Fixed Income Fund Annual Report 2022

Corporate registration number 515602-3870

DIRECTOR'S REPORT

All amounts in SEK thousands

Investment strategy

The AP7 Fixed Income Fund is an important component for creating a life-cycle profile in the pre-selection option AP7 S afa and thus a building block in the national pension system's premium pension savings. The fund is also included in the Government's fund portfolios. See further information about these portfolios in the Annual Report for the Seventh AP Fund.

The objective of AP7 Fixed Income Fund is that the return must at least correspond to the return for the benchmark index (see explanations for the key performance indicators below). The strategy is to invest the fund's assets in Swedish interest-related financial instruments with low credit risk, so that the average fixed-rate period is normally three years. The AP7 Fixed Income Fund is deemed to have a low level of risk.

Investments

The AP7 Fixed Income Fund is actively managed against Handelsbanken's interest rate index HMT74 and may deviate from the benchmark index by investing in green bonds that meet AP7's criteria for sustainability and profitability. This shall primarily be done through participation in new issues of green bonds issued in Swedish kronor. The investments in the fund consist mainly of Swedish government and Swedish covered bonds. The objective of the fund is to match the return of the fund's reference portfolio

Derivative instruments

Derivative instruments may, according to the fund rules, be used as part of the investment focus. In 2022, derivative instruments were not used.

Responsible investments

AP7 as an asset manager has actively conducted advocacy work since the fund's inception in 2000. The starting point for the work on responsible investments is the values that are expressed in international conventions that Sweden has signed regarding human rights, labour law, the environment and corruption.

Since 2014, AP7 has supplemented its advocacy methods with ongoing thematic in-depth work that complements the norm-based core model in order to deepen and connect AP7's areas of concern. Within the framework of the theme work and based on AP7's role, mission and

investment philosophy, AP7 has identified three roles within which AP7 can make the most of sustainable development – as active owner, as enabler and as knowledge builder.

Responsible investments in the AP7 Fixed Income Fund

The single largest risk in the management of the fund is market risk, which means that rising interest rates risk adversely affecting the fund's return.

Performance development

In 2022, the total return for AP7 Fixed Income Fund was –5.9 percent, which is 0.1 percent lower compared to the return on the benchmark index. The sharp rise in interest rates led to exceptional declines in the valuation of bonds. The Fixed Income Fund has a relatively short period of time on its fixed income securities, known as duration, of approximately three years.

In 2022, SEK 13.8 billion was added to the fund. The outflow of capital through redemption of shares amounted to SEK –5.1 billion.

The fund's ten largest holdings as a percentage of the fund capital at the end of 2022

Nordea Hypotek 5535	4.87
Nordea Mortgage 5534	4.78
SHBASS 1 03/01/27 #1592	4.64
Stadshypotek 1588	4.23
Stadshypotek 1589	4.20
SHBASS 0 1/2 06/01/26 #1591	4.04
Stadshypotek 1590	4.03
Swedbank Hypotek 194	3.97
Svenska staten 1058	3.76
Skandinaviska Enskilda Banken 579	3.33
Total of ten largest holdings	41.85

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KEY PERFORMANCE INDICATORS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund assets (MSEK)	91,231	87,848	67,185	57,483	41,203	34,550	28,120	22,083	17,532	12,689
Number of shares (thousands)	864,230	783,001	594,626	513,802	367,568	307,885	250,280	197,823	158,315	117,791
Share price (SEK)	105,56	112,19	112,99	111,88	112,10	112,21	112,36	111,63	110,74	107,73
Return										
Total NAV rate calculated (%)	-5.9	-0.7	1.0	-0.2	-0.1	-0.1	0.6	0.8	2.8	1.8
Benchmark index:	-5.8	-0.6	1.1	-0.2	-0.1	-0.1	0.7	0.9	2.9	1.9
Average return										
2 years (%)	-3.3	0.1	0.4	-0.1	-0.1	0.3	0.7	1.8	2.3	2.3
5 years (%)	-1.2	0.0	0.2	0.2	0.8	1.2	1.8	2.3	-	-
Since fund start (%)	0.4	1.0	1.2	1.2	1.3	1.5	1.8	2.0	2.2	2.1
Risk measures ^{1,2)}										
Total risk fund (%)	2.4	0.8	0.8	0.7	0.4	0.4	0.5	0.7	0.8	0.9
Total risk benchmark index (%)	2.4	0.8	0.8	0.7	0.3	0.4	0.5	0.6	0.8	0.9
Active risk (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Relative VaR MC 99% average year (%)	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Relative VaR MC 99% max during the year (%)	1.1	1.0	1.0	1.7	1.1	1.0	-	-	-	-
Relative VaR MC 99% min during the year (%)	1.0	0.9	1.0	0.9	1.0	1.0	-	-	-	-
Relative VaR MC 99% per balance sheet date (%)	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Turnover rate (%)	60.6	50.0	50.9	109.8	78.7	90.8	113.0	86.4	101.0	88.1
Duration, year	2.9	2.9	2.8	2.8	1.9	2.0	1.9	1.9	1.9	1.8
Modified duration (%)	2.8	2.9	2.8	2.8	1.9	2.0	2.0	1.9	1.9	1.8
Fees										
Management fee (%)	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.08
Annual fee (%)	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05	0.08
Deposit/Withdrawal fee	None	None	None	None	None	None	None	None	None	None
Transaction costs										
Total (SEK thousand)	44	62	51	62	33	34	54	24	10	9
Share of turnover (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
One-time deposit SEK 10,000 (SEK)	3.8	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.1	8.1

Management fee

The AP7 Fixed Income Fund pays a management fee to the Seventh AP Fund on the last day of each month. The fee is calculated daily at 1/365th of the value of the fund and covers costs for, among other things, management, administration, accounting, auditing, custody of securities, information and supervision. In 2022, the fee amounted to 0.04% per annum of the fund's assets. Transaction costs such as fees to custodian banks for securities transactions are charged directly to the AP7 Fixed Income Fund and are not included in the management fee.

¹⁾ Risk measures are based on two years of historical monthly returns and are calculated in accordance with the guidelines of the Swedish Investment Fund Association.

For more information, see www.fondbolagen.se.

²⁾ See Explanation of key performance indicators

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Explanations of key performance indicators

Active risk:

A measure of how much a fund's share value varied compared to its benchmark index. A high active risk means that the fund's investments deviated significantly from the benchmark index during the period. The return on a portfolio with high active risk can be significantly greater or less than the return on indices. The measure is based on the development of fund shares and indices over the past two years.

Annual fee (%)

Refers to all costs incurred by the fund, excluding transaction costs, which have been charged to the fund in the past 12 months, expressed as a percentage of the fund's assets. The annual fee is calculated according to "CESR's guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document".

Benchmark index:

Handelsbanken's interest rate index HMT 74, which consists of Swedish Government bonds and secured bonds with an average duration of three years.

Cost of one-time deposit, SEK 10,000:

Management costs according to the income statement in SEK attributable during the year to a shareholding amounting to SEK 10,000 at the beginning of the year and retained in the fund throughout the year.

Duration:

Specifies the average maturity of the fund's fixed income securities. A higher duration provides greater sensitivity to changes in interest rates.

Modified duration:

Specifies the percentage change in price if the market rate goes up by one percentage point.

Relative Value-at-Risk:

The fund uses a relative Value-at-Risk model to calculate aggregate exposure. The Monte Carlo model is used with a confidence level of 99 percent with a time horizon of five days. The Value-at-Risk measurement aims to show how much the fund can be expected to lose in relation to benchmarks over a certain period of time and with certain degree of certainty, under normal market conditions. When calculating total exposure, the fund's Value-at-Risk is compared against Value-at-Risk for the fund's benchmark index, which consists of Handelsbanken's interest rate index HMT74.

Return and risk calculations:

The AP7 Fixed Income Fund return and risk are calculated on the fund's Net Asset Value (NAV) rate, which is used in the purchase and redemption of shares. This method means that the return is reported after deduction of the management fee that the AP7 Fixed Income Fund pays to the Seventh AP Fund. The NAV price assessment uses the prices of the fund's assets that relate to the latest payment rate.

Total risk (standard deviation):

A measure of how much the share value has varied over a given period. Large variations in share value will lead to a higher risk but also a chance for better value growth. The measure is based on the development of fund shares and indices over the past two years.

Transaction cost:

Transaction fees to custodian bank.

Turnover rate:

Measures how many times securities have been purchased or sold in relation to the fund assets. Calculated by dividing the minimum value of the total purchased or total sold securities over the period by the average fund assets and stated as a percentage.

¹ www.esma.europa.eu/system/files/10_674.pdf.

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BALANCE SHEET

Note	31/12/2022		31/12/2021		
		Percentage		Percentage	
Assets					
1	Transferable securities	91,229,635	100.0	87,849,725	100.0
	Total financial instruments with positive market value	91,229,635	100.0	87,849,725	100.0
	Bank balances and other cash and cash equivalents	399	0.0	2,036	0.0
	Prepaid expenses and accrued income	0	0.0	0	0.0
	Other assets	7,678	0.0	10,356	0.0
	Total assets	91,237,712	100.0	87,862,117	100.0
Liabilities					
	Accrued expenses and deferred income	3,000	0.0	2,818	0.0
	Other liabilities	3,392	0.0	11,761	0.0
	Total liabilities	6,392	0.0	14,579	0.0
2	Fund assets	91,231,320	100.0	87,847,538	100.0
	Memorandum items		None		None

There is a list of holdings of all financial instruments as a separate appendix.

INCOME STATEMENT

Note	2022	2021	
Revenue and change in value			
3	Change in value of transferable securities	-6,235,915	-1,344,697
4	Interest income	962,967	858,148
5	Other financial income	0	2
	Total revenue and change in value	-5,272,948	-486,547
Costs			
6	Management costs	-33,495	-26,895
7	Other financial costs	-1	-8
8	Other costs	-44	-62
4	Total costs	-33,540	-26,965
	Profit for the period	-5,306,488	-513,512

Accounting Principles

The annual report for the fund has been prepared in accordance with the National Pension Insurance Funds Act (2000:192) and the Swedish Financial Supervisory Authority's regulations on mutual funds (2013:9).

All financial instruments are measured at fair value on the last day of trading during the accounting period. This means that interest-related securities are valued at the latest payment price.

When calculating capital gains and losses, the average cost basis method is used.

Tax

The AP7 Fixed Income Fund is not taxable in Sweden.

All amounts in SEK thousands

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Note 1 Transferable securities

	31/12/2022		31/12/2021	
		%		%
Transferable securities	91,229,635	100.0	87,849,725	100.0
Total transferable securities	91,229,635	100.0	87,849,725	100.0

Note 2 Change in fund assets

	01/01/2022–31/12/2022	01/01/2021–31/12/2021
Fund assets at the beginning of the period	87,847,538	67,184,841
Share issue	13,771,571	25,518,046
Share redemption	-5,081,301	-4,341,837
Profit for the period according to the income statement	-5,306,488	-513,512
Fund assets at the end of the period	91,231,320	87,847,538

Note 3 Specification of change in value of transferable securities

	2022	2021
Realised price result	-2,467,551	-699,168
Unrealised price result	-3,768,364	-645,529
Total	-6,235,915	-1,344,697

Note 4 Specification of interest income

	2022	2021
Bonds	961,426	858,428
Short-term interest investments	1,541	-282
Interest bank account	0	2
Total	962,967	858,148

Note 5 Specification of other financial income

	2022	2021
Other financial income	0	2
Total	0	2

Note 7 Specification of other financial costs

	2022	2021
Interest expense	-1	-8
Total	-1	-8

Note 8 Specification of other costs

	2022	2021
Transaction fees to BNY Mellon	-44	-62
Total	-44	-62

Note 6 Specification of management cost

Remuneration to the Seventh AP Fund for management has been paid at 0.04% per year on the managed assets. This leads to a management cost of SEK 33,495 thousand (SEK 26,895 thousand) for the full year 2022. The fee includes remuneration to depositaries for custody and remuneration to the Financial Supervisory Authority for supervision.

In 2022, 42 people received fixed remuneration from the Seventh AP Fund. No variable remuneration has been paid. The total paid out to specially regulated staff is:

- SEK 23,122 (21,554) thousand to the executive management (seven people)
- SEK 18,839 (18,177) thousand to those involved in risk-based management activities (ten people)

Remuneration includes paid salary, other benefits and pension costs. PWC as external auditors are commissioned by the government to, among other things, review remuneration to senior executives and ensure that the review did not lead to any deviations in relation to the Seventh AP Fund's remuneration policy. To see details, see note 1 in the Seventh AP Fund's annual report. Further information on the Seventh AP Fund's remuneration system can be found in the Compensation Guidelines, available at www.ap7.se.

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Stockholm, 9 February 2023

Per Frennberg
Board Chair

Emma Ihre
Vice Chair

Susanne Ekblom

Tonika Hirdman

Henrik Saxborn

Mikaela Valtersson

Magnus Vesterlund

Roine Vestman

Anders Wihlbom

Richard Gröttheim
Chief Executive Officer

Our audit report was submitted on 10 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant
Appointed by the Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Government

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Auditor's report

For the AP7 Fixed Income Fund, corporate registration number 515602-3870

The audit report regards the full statutory annual report for the AP7 Fixed Income Fund and is a copy of the audit report submitted on 10/02/2023.

Report on the annual report

Statement

As auditors in the Seventh AP Fund, organisation number 802406-2302, we have carried out an audit of the AP7 Fixed Income Fund Annual Report for 2022, with the exception of the sustainability information on page 2 (the "Sustainability Information").

In our opinion, the annual report has been prepared in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds and provides a true and fair view in all material respects of the AP7 Fixed Income Fund's financial position as of 31 December 2022 and of its financial results for the year in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds. Our statements do not include the sustainability information on page 2.

Basis for Statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

Responsibilities of the Seventh AP Fund

The Seventh AP Fund is responsible for the preparation of the annual report and that it provides a true and fair view in accordance with the National Pension Insurance Funds Act and the Swedish Financial Supervisory Authority's regulations on securities funds. The Seventh AP Fund is also responsible for the internal control it deems necessary to prepare

an annual report that does not contain any material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance as to whether the annual report as a whole does not contain any material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of certainty but is no guarantee that an audit conducted in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements can occur due to fraud or mistakes and are considered material if, individually or together, they can reasonably be expected to influence the financial decisions that users make based on the annual report.

As part of an audit under ISA, we use professional judgment and have a professionally sceptical approach throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the annual report, whether due to fraud or error, design and perform audit procedures, among other things, based on these risks, and obtain audit evidence that is sufficient and appropriate to form a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to mistakes, as fraud may include collusion, forgery, deliberate omissions, misinformation or breach of internal control.
- We obtain an understanding of the part of the Seventh AP Fund's internal control that is relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of the accounting principles used and the reasonableness of the Seventh AP Fund's estimates in the accounting and related disclosures.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report reflects the underlying transactions and events in a way that provides a true and fair view.

We must inform the Seventh AP Fund of, among other things, the planned scope and focus of the audit and its timing. We must also disclose significant observations during the audit, including any significant deficiencies in internal control that we have identified.

The auditor's opinion regarding the statutory sustainability information

The Seventh AP Fund is responsible for the sustainability information on page 2 and for its preparation in accordance with the Swedish Securities Funds Act.

Our review of the sustainability information for the fund has been conducted with guidance, where applicable, of FAR Recommendation RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our review of the sustainability information has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with sufficient grounds for our statement.

Sustainability information has been provided in the annual report.

Stockholm 10 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant
Appointed by the Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Government

Definitions & Explanations

Active ownership By owning shares, an investor gains influence in the company. AP7 uses this influence to actively conduct advocacy work towards the companies. We use four methods, often in tandem: voting and shareholder motions at general meetings, influence dialogues, public blacklisting and legal processes.

Blacklisting Tools for corporate governance aimed at exerting pressure on companies with unacceptable behaviour. AP7 does not invest in companies that violate international environmental, human rights, labour and anti-corruption norms. Since 2016, the Paris Agreement to the UN Climate Convention has also been included in AP7's blacklisting process.

Carbon footprint is a calculation of the greenhouse gas emissions caused by a company, organisation or product, such as an investment portfolio. AP7 measures the carbon footprint as an estimate of the size of the direct emissions from the underlying companies in AP7's equity fund.

Climate risks Risks to the financial system as a result of climate change.

ESG Abbreviation for Environmental, Social and Governance is another expression of what is often called sustainability. For AP7, we take into account aspects such as the environment, human rights and corporate governance in our investments.

External management means that the investments are made by specially hired external asset managers in accordance with AP7's guidelines and criteria.

General Meeting The General Meeting or the Annual General Meeting is a limited company's highest decision-making body that appoints the Board of Directors and decides on strategic issues.

Global Compact An initiative on sustainability, based on ten principles of human rights, labour law, the environment and anti-corruption. The principles guide companies that, by signing the Global Compact, commit to these.

Global Reporting Initiative (GRI) International initiative that developed guidelines for organisations' sustainability reporting.

Green bond is a bond in which capital is earmarked for various types of environmental projects.

Impact Fund Fund that makes investments that contribute to solutions to sustainability challenges.

Internal management means that investment decisions are made and implemented by own employee managers.

International Energy Agency (IEA) The International Energy Agency an independent body of the OECD with the main goal of reducing the dependence on oil in society.

Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) UN research panel and intergovernmental platform for biodiversity and ecosystem services.

The Intergovernmental Panel on Climate Change (IPCC) The UN climate panel is an intergovernmental body to summarise and assess the science related to global warming.

Motion/shareholder proposal A written proposal for action that the shareholder wants the company take. Most of the proposals at the general meetings are made by the companies' own boards, but investors can also submit their own motions for a vote.

Norms screening A method that continuously monitors companies' compliance with international conventions in the areas of environment, human rights, labour law and anti-corruption. When companies violate international conventions, this is brought to the attention and the event is analysed for further action.

Physical climate risks The negative consequences for the global economy that climate change entails in the form of, for example, increased sea levels, increased average rainfall and increased elements of extreme weather.

Pre-selection option AP7 Såfa is the state pre-selection option in the premium pension system. Anyone who does not make an active choice for their premium pension will automatically have their pension money placed in the fund.

Proxy voting means that a shareholder votes for their holding in a company remotely or via a proxy, when the owner cannot be present at the general meeting. AP7 has holdings in over 3,000 companies worldwide and uses proxy voting at the meetings.

Scope 1, 2 and 3 When accounting for greenhouse gas emissions according to the Greenhouse Gas Protocol (GHG), these are categorised into three levels (scope). Scope 1 is direct emissions from sources owned or controlled by the Company. Scope 2 is indirect emissions from energy purchased, such as electricity. Scope 3 is other indirect emissions that occur in the upstream value chain (for example, purchased goods and services such as business travel, transport and waste management) or downstream (for example, emissions that occur when using company products).

Transition risks Consequences of climate change resulting from changing consumption patterns, the emergence of new products and solutions, and stricter laws and regulations to reduce carbon emissions.

Universal Owners Owners who invest long-term throughout the global market and for which systemic issues such as climate change are particularly urgent. As a universal owner, AP7 primarily wants to influence norms and standards that contribute to a more sustainable market. Based on these norms, we engage with the individual companies we own.

→ **Read more about the terms related to membership and voluntary agreements with which AP7 is associated and has signed on page 39.**

Where can I find more information about AP7's responsible investment work?

The AP7 website, www.ap7.se, includes a blog about our sustainability work and information about our thematic work over the years, as well as previous sustainability reports and annual reports.

On Swesif's website, you can download sustainability profiles for AP7's fixed income fund and equity fund, www.hållbarhetsprofilen.se

AP7 reports annually to UN PRI.

The AP7 PRI Transparency Report can be downloaded here: www.unpri.org/signatory-directory/ap7/866.article



104 BLACKLISTED COMPANIES

AP7 invests in companies that demonstrate acceptable compliance with the requirements of international conventions to which Sweden is a signatory and which are expressed in the UN Global Compact's Ten Principles for Corporate Responsibility in the areas of human rights, labour, the environment and anti-corruption. AP7 blacklists companies involved in the development and production of nuclear weapons. As of the December 2016 review, the Paris Agreement to the United Nations Framework Convention on Climate Change is one of the norms from which we base our analysis. The companies listed below have been blacklisted as of December 1, 2022.

AP7
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101 21 Stockholm
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www.ap7.se

Adani Enterprises Limited is in breach of the Paris Agreement through large-scale coal operations. **AECOM** Involvement in nuclear weapons. **Airbus SE** Involvement in nuclear weapons. **Aluminium Corporation of China Limited** is in breach of the Paris Agreement through large-scale coal operations. **Aurora Cannabis Inc.** Involvement in cannabis. **AviChina Industry & Technology Co., Ltd.** Human rights violations through the sale of weapons to Burma. **Babcock International Group Plc** Involvement in nuclear weapons. **BAE Systems Plc** Involvement in nuclear weapons. **Barrick Gold Corporation** Violations of environmental norms associated with mining operations in Chile and Argentina. **Bharat Heavy Electricals Limited** Violations of environmental norms through construction of coal power plants in Bangladesh in connection with a World Heritage-listed national park. **BHP Group Limited** Violations of environmental norms and human rights in connection with a dam accident in Brazil. **Booz Allen Hamilton Holding Corporation** Involvement in nuclear weapons. **Brookfield Asset Management Inc.** Involvement in nuclear weapons. **BWX Technologies, Inc.** Involvement in nuclear weapons. **Canadian Natural Resources Limited** is in breach of the Paris Agreement through involvement in oil sands. **Canopy Growth Corporation** Involvement in cannabis. **Genovus Energy Inc.** Is in breach of the Paris Agreement through involvement in oil sands. **Centrais Eletricas Brasileiras SA Human Rights** Human rights violations in connection with a dam construction project in Brazil. **China Coal Energy Company Limited** is in breach of the Paris Agreement through large-scale coal operations. **China Hongqiao Group Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **China Power International Development Limited** is in breach of the Paris Agreement through large-scale coal operations. **China Resources Power Holdings Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **China Shenhua Energy Company Limited** is in breach of the Paris Agreement through large-scale coal operations. **China Shipbuilding Industry Co., Ltd.** Involvement in nuclear weapons. **Coal India Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Companhia Energetica de Minas Gerais SA** Human rights violation in connection with dam construction projects in Brazil. **ConocoPhillips** Is in breach of the Paris Agreement through involvement in oil sands. **Cronos Group Inc.** Involvement in cannabis. **Deutsche Telekom AG** Violations of workers' rights in the US. **Eaton Corporation plc** Involvement in nuclear weapons. **Elbit Systems Ltd.** The production of cluster weapons and the sale of war materials used in human rights violations in Israel. **Elsewedy Electric Co.** Violations of environmental norms in Tanzania through the construction of hydroelectric power plants in a World Heritage-listed national park. **Enbridge Inc.** Human rights violations related to oil pipeline construction in the US. **Evergy, Inc.** Is in breach of the Paris Agreement by opposing climate legislation in the US. **Exxaro Resources Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Exxon Mobil Corporation** Is in breach of the Paris Agreement by opposing climate legislation in the US. **Fluor Corporation** involvement in nuclear weapons. **Fortive Corporation** involvement in nuclear weapons. **Gazprom PJSC** Is in breach of the Paris Agreement by extracting Arctic oil in Russia. **GD Power Development Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **General Dynamics Corporation** Involvement in nuclear weapons. **Guanghui Energy Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Hanwha Corp.** Involvement in cluster weapons and anti-personnel mines. **Hitachi Zosen Corp.** Involvement in nuclear weapons. **Honeywell International Inc.** Involvement in nuclear weapons. **Huadian Power International Corp. Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Huaneng Power International, Inc.** Is in breach of the Paris Agreement through large-scale coal operations. **Huntington Ingalls Industries, Inc.** Involvement in nuclear weapons. **Imperial Oil Limited** Is in breach of the Paris Agreement through involvement in oil sands. **Incitec Pivot Limited** Human rights violations by importing phosphate from occupied Western Sahara. **Inner Mongolia Yitai Coal Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Jacobs Solutions, Inc.** Involvement in nuclear weapons. **JBS SA** Violations of workers' rights in the United States and Brazil. **Korea Electric Power Corp.** Is in breach of the Paris Agreement through large-scale coal operations and human rights violations in connection with a dam accident in Laos. **Korea Shipbuilding & Offshore Engineering Co., Ltd.** Violations of workers' rights in South Korea. **L3Harris Technologies, Inc.** Involvement in nuclear weapons. **Larsen & Toubro Ltd.** Involvement in nuclear weapons. **Leidos Holdings, Inc.** Involvement in nuclear weapons. **Leonardo SpA** Involvement in nuclear weapons. **Lockheed Martin Corporation** Involvement in nuclear weapons, cluster weapons and land mines. **Marathon Petroleum Corporation** Human rights violations in connection related to oil pipeline construction in the United States. **Metro Pacific Investments Corporation** Is in breach of the Paris Agreement through large-scale coal operations. **Northrop Grumman Corporation** involvement in nuclear weapons. **NTPC Limited** Violations of environmental norms through the construction of coal power plants in Bangladesh in connection with a World Heritage-listed national park. **Nutrien Ltd.** Human rights violations by importing phosphate from occupied Western Sahara. **Oil Co. LUKOIL PJSC** Violations of environmental norms in connection with oil extraction in Russia. **Peabody Energy Corporation** is in breach of the Paris Agreement by opposing climate legislation in the US. **Phillips 66** Human rights violations related to oil pipeline construction in the US. **POSCO Holdings Inc.** Violations of workers' rights in Turkey. **POSCO INTERNATIONAL Corp.** Violations of workers' rights in Turkey. **Power Construction Corporation of China, Ltd.** Violations of environmental norms in Tanzania through the construction of hydroelectric power plants in a World Heritage-listed national park. **PT Adaro Energy Indonesia Tbk** Is in breach of the Paris Agreement through large-scale coal operations. **PT Indofood Sukses Makmur Tbk** Violations of workers' rights in Indonesia. **PT United Tractors Tbk** Is in breach of the Paris Agreement through large-scale coal operations. **Ratch Group Public Co. Ltd.** Human rights violations related to a dam accident in Laos. **Raytheon Technologies Corp.** Involvement in nuclear weapons and human rights violations related to arms sales linked to war crimes in Yemen. **Repsol SA Human rights** human rights violations related a gas extraction project in Peru. **Rolls-Royce Holdings plc** Involvement in nuclear weapons. **Rosneft Oil Co.** Violations of environmental norms in connection with oil extraction in Russia. **Safran SA** involvement in nuclear weapons. **SDIC Power Holdings Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Sercos Group plc** Involvement in nuclear weapons and human rights violations in connection with the operation of refugee shelters in Australia. **SGL Carbon SE** Involvement in nuclear weapons. **Shaanxi Coal Industry Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Shanxi Lu'An Environmental Energy Development Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Shell Plc** Violations of environmental norms and human rights in connection with oil extraction in Nigeria. **Shenergy Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Shenzhen Energy Group Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **SK Inc.** Human rights violations in connection with a gas extraction project in Peru and human rights violations in connection with a dam accident in Laos. **SK Innovation Co., Ltd.** Human rights violations in connection with a gas extraction project in Peru. **Suncor Energy Inc.** Is in breach of the Paris Agreement through involvement in oil sands. **TBEA Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations. **Tenaga Nasional Bhd.** Is in breach of the Paris Agreement through large-scale coal operations. **Textron Inc.** Involvement in cluster weapons. **Thales SA** involvement in nuclear weapons. **The AES Corporation** Human rights violations and environmental norms in connection with a dam construction project in Panama. **The Boeing Company's** Involvement in nuclear weapons. **The Tata Power Company Limited** Involvement in nuclear weapons. **T-Mobile US, Inc.** Violations of workers' rights in the US. **Vale SA** Human rights violations in connection with dam construction projects in Brazil as well as violations of environmental norms and human rights following a dam accident in Brazil. **Walmart Inc.** Violations of workers' rights in the US. **Wartsila Oyj Plc** Involvement in nuclear weapons. **Washington H. Soul Pattinson and Company Limited** Is in breach of the Paris Agreement through large-scale coal operations. **Yankuang Energy Group Co., Ltd.** Is in breach of the Paris Agreement through large-scale coal operations.