

DRAFT

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Code of conduct in the premium pension sector – Appendix C

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Introduction

The Fund Selection Agency cooperates with the Swedish Pensions Agency as insurer in order to ensure a safe and secure premium pension.

The Fund Selection Agency manages the fund platform and ensures that fund managers and funds continuously comply with the terms of the fund agreement. As an insurer, the Swedish Pensions Agency is responsible for trading in funds, fund information and choice architecture.

The fund platform is not an open platform for the sale of funds, it is intended for the saver's fund selection for the investment of their premium pension in funds, specially procured for the purpose. This makes specific demands on the parties involved in the premium pension's fund platform.

The purpose of this appendix is to regulate in more detail the obligations of fund managers under the fund agreement. The appendix contains examples of what at least constitutes good practice within the premium pension system and is not an exhaustive list. The interpretation of the code of conduct may change over time as a result of the premium pension system's development and changes in the fund market.

1. General

The management of premium pension funds must be based on the fundamental objective that invested capital and the returns achieved should provide security for the pension saver in the future. This means that Fund Managers must take into account the long-term nature of the fund saving with this end in view. The Fund Manager and Related Parties shall safeguard the interests of pension savers with due care and diligence.

The Fund Manager's management of the funds on the premium pension's fund platform shall be based on the principles relevant to this assignment. These principles mean i.a. that the funds shall be cost-effective, sustainable, controllable and of high quality. The Fund Manager is obligated to continuously analyse and ensure that the fund meets these and other requirements in the Procurement Documents, including the fund agreement.

This appendix contains examples of the minimum requirements relating to the code of conduct and does not constitute an exhaustive list.

2. Responsibilities of the Fund Manager

2.1. Responsibility for Related Party and Interested Party

Within the framework of this fund agreement, the Fund Manager is responsible for all actions taken that are contrary to the code of conduct. If a Related Party takes action that is not in accordance with the code of conduct, the Fund Manager is responsible for this action as if the Fund Manager had taken the action.

This means, for example, that the Fund Manager is responsible for ensuring that Related Parties do not undermine confidence in the premium pension system or otherwise potentially harm the interests of pension savers while providing external investment management, financial advice, marketing, information, and sales related to investing in the funds on the Swedish Pensions Agency's fund platform.

The Fund Manager is responsible for ensuring that the involvement of an Interested Party in connection with fund operations does not undermine confidence in the premium pension system or otherwise harm the interests of pension savers.

2.2. Code of conduct relating to Investment Managers

External investment management of capital, either totally or in part, may only be conducted by an Investment Manager with authorisation to manage securities funds or conduct discretionary portfolio management with regard to financial instruments and who has managed capital for at least three (3) years. In exceptional cases, the Swedish Fund Selection Agency can allow that a legal person acting as an Investment Manager has managed capital for a shorter period than three (3) years, provided that the agency can nevertheless deem that the Investment Manager's administration and associated activities have been carried out for a minimum of three (3) years. One example of such an exemption is if the Investment Manager is a newly formed legal person to which an asset management business, which in turn has managed capital for at least three (3) years, has been transferred in its entirety.

3. Code of conduct relating to fund management

3.1. Inappropriate funds in the premium pension

In accordance with section 3.3 of the main document of the fund agreement, the fund shall at all times be considered suitable for the premium pension system by the Swedish Fund Selection Agency in order to participate in the fund platform. For example, it is inappropriate that funds in the premium pension:

- i. compare their development to a benchmark index that is not relevant based on the fund's investment philosophy and investment policy,
- ii. charge a variable remuneration on the fund's performance more than once on the same performance, and
- iii. have a special share class, intended for investments from the Swedish Pensions Agency, with a higher fee than an equivalent share class intended for investors outside the premium pension.
- iv. it may also be considered inappropriate for a fund to have a legal status which means that the Swedish Pensions Agency risks gaining a controlling influence through its holdings.

3.2. Market-based terms and conditions

All trading in securities and financial instruments, as well as other transactions relating to the fund operations, must take place on market-based terms and conditions and for the benefit of the pension saver.

3.3. Inappropriate investments in the premium pension

Inappropriate investments are contrary to the code of conduct in the premium pension sector.

Inappropriate investments in the premium pension are considered, among other things, to be the investment of funds:

- i. in financial instruments which make the investment unnecessarily complex, which reduce transparency or facilitate exposure to or investment in assets that would otherwise not be allowed in a fund that complies with the requirements of the UCITS Directive,
- ii. in financial instruments that do not allow daily redemption due to a lack of liquidity or difficulties in determining a daily market value, other than what is permitted within the framework for the UCITS Directive and can be considered in line with the stated investment policy and risk profile for each fund,
- iii. in financial instruments where the return opportunities do not correspond with the issuer risk involved in the investment,
- iv. in financial instruments that do not comply with the fund's communicated or described investment policy,
- v. in funds or financial instruments where there are business relationships between the Fund Manager (or Related Party to the Fund Manager) and the issuer of the security, that are not based on market-related principles or exclusively in the interests of the fund unit holders,
- vi. in the Fund Manager's own funds or funds within the same Group of Companies. If the fund is managed by an Investment Manager, the condition equally applies to investments in their own funds and in funds within the Investment Manager's Group of companies.

3.4. Hidden fees

Hidden fees within the premium pension may not be charged, for example:

- i. through trading with financial instruments with funds within the Management Group/Group of Companies as a counterparty (other than where the parties act completely independently of each other and can convincingly demonstrate that they maintain the principles of arm's length and best order execution) that burden the fund with costs

and fees that are not reported as a management fee, i.e. that constitute a hidden cost for the fund unit holders,

- ii. through the Fund Manager paying for research within the Group of companies or Related Parties beyond what can be considered reasonable and normal, based on market share, specific ability/competence or if it does not take place based on a transparent, objective, and ongoing evaluation of counterparties,
- iii. through a brokerage fee split or the distribution of revenue from securities lending creating profits that are not reported as management fees, i.e. that constitute a hidden cost for the fund unit holders,
- iv. by allowing a financial instrument to bear the costs of actual management fees, or
- v. by otherwise failing to report actual management fees to the Swedish Pensions Agency.

4. Improper business practices and unfair contract terms

A Fund Manager or Related Party may not make use of inappropriate business practices or contract terms which, taking into account for example price and other circumstances, can be considered unfair in relation to the pension saver.

4.1. Improper business practices

Improper business practices are contrary to the code of conduct in the premium pension sector.

Improper business practices can include, for example:

- i. claiming to be a pension saver, by means of electronic or other identity documents in relation to the Swedish Pensions Agency, or to cause the pension saver to use, for example, his/her e-identification in an incorrect way,
- ii. changing or adding information on a fund's change form after the pension saver has personally signed the form, or to proceed with a change of fund via a form that has not been personally signed by the pension saver,
- iii. making use of aggressive sales methods, for example, contacting a pension saver repeatedly so that he/she feels pressured to enter into an agreement,

It is furthermore not allowed:

- iv. to claim that the Fund Manager or Related Party has signed or is subject to a code of conduct or equivalent if this is not the case,
- v. to describe a product as “free”, “free-of-charge”, “without fee” or similar as a consequence or effect of choosing a certain fund on the fund platform,
- vi. that the Fund Manager or Related Party, in connection with information about or marketing of a fund on the fund platform, includes an invoice or similar payment document that gives the pension saver the impression that he/she has already ordered the marketed product when he/she has not,
- vii. to make repeated and unwanted contact, except to the extent that is justified in accordance with provisions or other regulations, to enforce a contractual obligation,
- viii. to claim that contact with the pension saver is made on behalf of the Swedish Fund Selection Agency, the Swedish Pensions Agency, or a party other than the actual client.

4.2. Unfair contract terms relating to products and services

When investing in funds on the fund platform, or in other services and products, a Fund Manager or Related Party must not impose contract terms which may be considered unfair in relation to pension savers such as, for example, price and other circumstances. An example of unfair contract terms could be a fixed period of more than one year for an agreement on services and products in the premium pension sector. As a starting point, it must be considered beneficial for a pension saver to be able to change Fund Manager or terminate an agreement with a Related Party without being bound by an unfair contract period. Contract terms with long fixed periods that benefit the Fund Manager at the expense of a pension saver mean that there is no reasonable balance between the parties. It should also be simple for a saver to terminate an agreement with a Fund Manager or Related Party.

Unfair contract terms relating to services or products that include funds on the fund platform are assessed to be contract terms whose objective or consequence is to:

- i. automatically extend a fixed term contract unless the pension saver expressly declares otherwise, or when the last day for the pension saver to declare that he/she does not wish to extend the agreement is unreasonably early,
- ii. irrevocably bind the pension saver to terms and conditions that he/she has not had any actual opportunity to examine before the agreement was entered into,

- iii. allow the Fund Manager or Related Party to unilaterally change the contract terms without any valid reason being stated in the agreement,
- iv. indicate that the price of an item shall be determined at the time of delivery or allow the Fund Manager or Related Party to raise the price without the pension saver in both cases having a corresponding right to withdraw from the agreement if the final price is higher than the price agreed when the agreement was entered into,
- v. obligate the pension saver to fulfil all of his/her undertakings even if the Fund Manager or Related Party does not fulfil their undertakings,
- vi. withdraw or restrict the pension saver's right to go to court or take other legal action, in particular by demanding of the pension saver that disputes are only taken to arbitration proceedings by, in contravention of the law, restricting the pension saver's access to evidence or by imposing a burden of proof on the pension saver which, in accordance with applicable law, should be the responsibility of another contracting party.

5. Code of conduct relating to marketing, financial advice, and sales

5.1. Inappropriate marketing

The premium pension is a part of the Swedish social security system. The Swedish Pensions Agency is an insurer for the premium pension and administers the fund accounts of pension savers. The Swedish Pensions Agency's assignment also includes providing information about the pension in the parts that the Swedish Pensions Agency administers. In this work, the Swedish Pensions Agency observes the rules of the Administrative Procedure Act (2017:900) for guidance to individuals. Information on the premium pension holdings of pension savers is confidential. According to the Swedish Fund Selection Agency, there is therefore no need to market premium pension funds in addition to the financial advice that should be provided under other regulations. Marketing that contravenes the purpose of the premium pension as well as the applicable regulations is inappropriate and damages confidence in the type of insurance that the premium pension provides.

5.2. Remunerations and sales, etc.

In accordance with the fund agreement's main document, section 3.14.2, no remuneration may be paid for the sale and subscription of fund units on the fund platform. Remuneration for sale and subscription also covers:

- i. remuneration for marketing to employees within their own organisation, Related Party or other third party, where remuneration is linked to the subscription of fund units on the premium pension's fund platform,
- ii. salary or commission to an employee linked to the subscription of fund units on the fund platform.

The Fund Manager is responsible for ensuring that its remuneration policy and incentive programmes reflect the long-term nature and purpose of the premium pension. Incentive programmes directly based on volume growth within the premium pension are not permitted, other than as an effect of the fund's management results. At the request of the Swedish Fund Selection Agency or the Swedish Pensions Agency, the Fund Manager shall provide an account of the structure and content of the remuneration policy and any incentive programmes.

The Fund Manager is not permitted to use other products or services as sales arguments for the choice of a particular premium pension fund. This includes products and services which when marketed are associated with the premium pension, for example, life insurance, survivor protection outside the premium pension, other savings products, or management services, such as discretionary portfolio management. In addition, the pension saver must not be offered discounts on financial services or products, such as mortgages, other loans, or insurance in connection with the marketing of a fund in the premium pension system. Offers of, for example, money, lotteries, gifts or other benefits, products or services must not be made in connection with the marketing of a fund in the premium pension system.

If a Fund Manager, or a Related Party, offers financial advice or proposals in which the premium pension is included, information must be collected from the pension saver on his/her knowledge about his/her financial situation and savings objectives as well as experience of investments. The information shall form the basis for the Fund Manager or Related Party to be able to provide suitable financial advice or propose a suitable investment strategy. In this context, consideration must also be given to the saver's risk tolerance and capacity to sustain losses in order to achieve sound and relevant risk management based on retirement objectives.

In cases where financial advice includes a proposal for a measure that consists of a combination of solutions, services, and products, where the premium

pension forms a part, the Fund Manager or Related Party must conduct an appropriateness assessment in order to determine whether the offer as a whole is suitable based on the saver's risk profile and objectives. Solutions other than those that may be considered suitable for the individual pension saver must not be recommended. The Fund Manager and other Related Parties must also advise the pension saver against taking measures that may not be considered appropriate taking into account the pension saver's needs, financial circumstances, or other circumstances.

5.3. Misleading marketing

Misleading marketing is contrary to the code of conduct in the premium pension sector.

Misleading marketing is, for example, claiming that:

- i. the fund guarantees a certain return or claiming, falsely, that other funds other than the party's own, involve a higher fee for the pension saver,
- ii. the fund is fully protected against decline or to imply falsely that, in any event, the party's own fund will decline less than comparable funds offered by competitors,
- iii. the pension saver's current funds will face an unavoidable and significant loss in value or give the impression that the risk level in the current choice of funds is higher than it is,
- iv. the Fund Manager or Related Party has a cooperation relevant to the matter in question with the Swedish Fund Selection Agency or the Swedish Pensions Agency or another party if this is not the case, or to
- v. give the impression that the purpose of the action is only to inform about the premium pension system when the purpose is to influence the pension saver's choice of funds within the premium pension system.

5.4. Documentation

The Fund Manager and Related Parties shall, at an overall level, document all relevant information about strategies, processes, and execution, etc., with regard to financial advice, marketing, information, and sales related to investing in funds on the fund platform and for other products and services in the premium pension sector. Amongst other things, the documentation must include examples of marketing and information material used in the communication with customers.



At the request of the Swedish Fund Selection Agency or the Swedish Pensions Agency, the Fund Manager shall provide such information as specified in the first section as well as any relevant agreements between the Fund Manager and Related Party.