Investment Guidelines
Nordea Bank Sveriges Pensionsstiftelse

Approved by the board 2025-11-19

Content

1 INTRODUCTION 2

2 INVESTMENT STRATEGY 3

3 ORGANISATION 5

4 RISK MANAGEMENT AND PORTFOLIO RISK RESTRICTIONS 7

5 PORTFOLIO MONITORING AND REPORTING 10

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1 Introduction

1.1 Purpose of the investments

The purpose of the Nordea Bank Sveriges Pensionsstiftelse (Foundation) is to provide a pledge for pension commitments issued by Nordea Bank Abp, filial i Sverige and by other Swedish companies and branches in the Nordea Groupstatutes. The Foundation is regulated by Swedish law *Lag (1967:531) om tryggande av pensionsutfästelse m.m (Tryggandelagen)* and supervised by the Swedish Financial Supervision Authority (Finansinspektionen) for financial matters.

1.2 Purpose of the Investment Guidelines

The purpose of the Investment Guidelines is to describe the general principles governing the investment portfolio of the Foundation. The Investment Guidelines establishes the rules and restrictions for these activities in regards to:

- investment objective and risk acceptance
- investment strategy
- organisational structure and responsibilities
- risk management and investment portfolio risk restrictions
- investment portfolio monitoring and reporting.

The Investment Guidelines shall be revised annually and approved by the Board, or when the Board decides to significantly change the investment strategy. The Investment Guidelines are complemented by an Investment Management Agreement (IMA), that in more detail regulates the asset manager's assignment.

1.3 Investment objective

The pension commitments are long-term. Hence, the investment horizon of the Foundation is long-term (over 10 years).

The investment objective of the Foundation is to achieve a match between the commitments and the assets and also to create opportunities to improve the funding ratio in the long term. The long term portfolio return target is set to be 1-2 percentage points above the financial costs of the commitments.

1.4 Risk acceptance

The Foundation recognizes that a certain degree of investment risk is necessary to meet the investment objective. The asset portfolio will seek to achieve the investment objectives and minimize the probability of the Foundation becoming seriously underfunded.

In order to reduce the investment risk, the principle of diversification of portfolio assets within and across different asset classes and markets shall be applied. More specifically, the diversification principle implies that the Foundation invests in various asset classes to achieve the investment objective.

A review of the different risks associated with the management of the Foundation's assets and the measures taken to monitor and mitigate these risks is provided in Section 4, Risk management and portfolio risk restrictions.

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1.5 Responsible investments

The Foundation considers environmental, social and governance (ESG) factors and requires that international conventions and norms are considered in the asset manager's investment analysis, decision-making processes and governance. The Foundation requires that the asset manager's most recent Responsible Investment Policy is publicly available at all times. The investments shall be in accordance with Nordea Asset Management Responsible Investment Policy. The Foundation's Sustainability Risk Policy describes in detail the Foundation's sustainability risk integration.

2 Investment Strategy

2.1 Underlying liabilities

The purpose of the investment portfolio is to secure the defined benefit obligations for the pensions promises that are covered by the statutes of the Foundation. The defined benefit obligations represent current employees' paid-up policies and pensioners under "Bankernas Tjänstepension 2" (BTP2). The obligations have an estimated duration of 18 years as per year-end 2021, as defined in accordance with Tryggandelagen. The corresponding duration estimate under IAS 19 accounting standards is 19 years.

2.2 Eligible investments asset classes and instruments

The foundation may invest in following asset classes:

- Equities: Including investments in Swedish equity, European Equity, North American equity and Emerging market equity. Investments in equities is done via UCITS-funds.
- Fixed income: Including investments in High Yield European corporate bonds, High Yield North American corporate bonds, SEK Nominal Government bonds, SEK Covered Bonds issued according to the Covered Bond Issuance Act, SEK Inflation-Linked Government Bonds and Cash. Investment in high yield bonds in only done via UCITS-funds. This asset class also includes fixed income investments used as collateral.
- Alternative assets: Including investments in Private Equity and Private Real Estate. Only AIF-funds and UCITS-funds as permissible.

The Foundation may invest in following instruments:

- cash deposits
- UCITS-funds
- AIF-funds
- direct fixed income investments
- derivatives in accordance with 4.10 Derivates
- Repos may be used (as a very small part of the total assets) as a cash management strategy for collateral purposes

The Foundation may invest in securities issued by Nordea Bank Abp in accordance with 4.5 Concentration risk.

2.3 Investment strategy and asset allocation limits.

The long term investment strategy is determined in order for the investment portfolio to meet the investment objective and the risk acceptance level.

The nature and duration of the pension liabilities and their expected development over time is considered in the investment strategy, in order to minimize the likelihood of the Foundation becoming underfunded in the future. Highly rated long-dated Swedish bonds display characteristics similar to

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those of the liabilities and therefore form a large part of the asset allocation. Interest rate swaps are used for liability matching purposes as a liquid and flexible strategy to reduce the relative interest rate risk against fluctuations in the market valuation of liabilities. Equity investments and high yield bonds are included in the strategy to enable an expected improvement of the future funding ratio. This is based on the Foundation´s expectations that the overall stock market provides a risk premium relative to the bond market. The impact from ESG factors on the overall assets' performance relative to the liabilities is considered insignificant in relation to other risk factors.

Since equities and high yield bonds have a significantly higher risk compared to high rated bonds, the maximal allocation is limited to reduce the total investment portfolio risk. For increased diversification, investments should be in spread over different sectors and regions.

The investment strategy and the asset allocation limits are set out below:

Asset Class	**Allocation range, %**		
	Min	**Neutral allocation, %**	**Max**
Equities	**11**	**15**	**19**
Fixed Income (incl. cash)	**65**	**73**	**87**
Alternative Investments	**2**	**12**	**16**

The total assets are managed in three mandates:

- The Balanced Mandate that includes the equity and fixed income asset classes and cash for investments.
- The Interest Rate Swap Overlay Mandate that includes the fixed income investments used for collateral and overlay asset classes.
- The Private Equity Portfolio Mandate.
- The Board can decide on more detailed limits for each asset class and mandate within these limits. These portfolio and mandate limits are set in the IMA. The overall portfolio strategy should be reviewed at least once a year.

2.4 Asset allocation

The minimum and maximum allocation ranges are designed so that the Foundation in the short term does not need to rebalance the portfolio in a fast changing market environment. They also create possibilities for Foundation to make tactical asset allocation deviations from the neutral asset allocation. If an asset allocation limit is breached, the portfolio weights shall be rebalanced to bring the portfolio allocation into compliance with the allocation range. Passive asset allocation limit breaches, i.e. excesses not caused by direct actions of the investment manager, are to be reported to the Board immediately but have to be remediated only upon Board discretion.

2.5 Implementation

The investment strategy shall be implemented through the use of one or more external asset managers, who oversees the daily management of the portfolio. The external asset managers shall report to the Board.

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3 Organisation

3.1 Board

The Foundation Board is responsible for establishing the Investment Guidelines and, furthermore, to ensure that the requirements of Tryggandelagen are fulfilled.

- Ensure and control that the investment portfolio is managed in accordance with the Investment Guidelines.
- When necessary, but at least once a year, review and amend the Investment Guidelines and strategic asset allocation, and all other governing documents to reflect among others: changes within the Foundation, changes affecting retirement benefits or changes in financial markets.
- Monitor and evaluate the investment portfolio performance against the investment objective. Monitor the overall investment portfolio risk and other investment restrictions.
- Make sure that adequate resources and procedures are available and established for implementing the investment portfolio management.
- Approve and dismiss external asset managers. Follow up and evaluate external asset managers' performance. Ensure that conditions and terms set out in the IMA are in accordance with the Investment Guidelines.

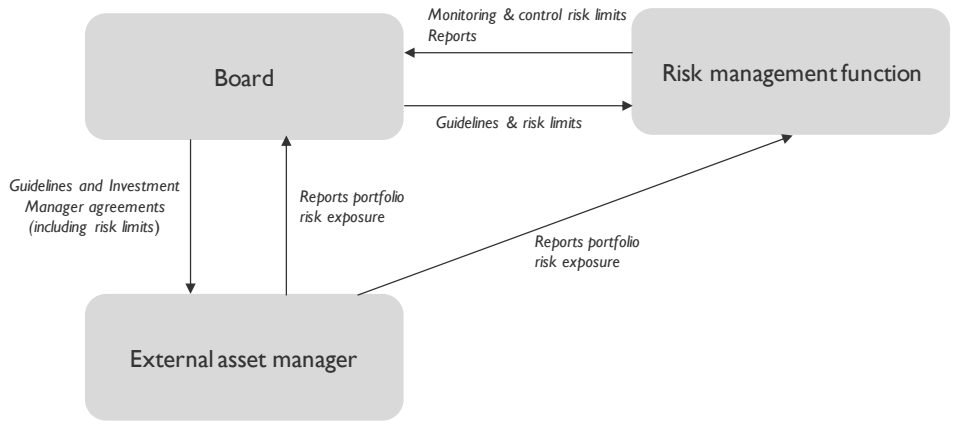
3.2 Asset managers

The external asset managers shall:

- handle the operative and daily investment portfolio asset management
- handle the tactical asset allocation within the allocation limits, and investments within each asset class
- propose any changes in the Investment Guidelines to the board
- make sure sufficient and timely portfolio reporting is delivered to the board including the portfolio exposure in relation to the risk limits set out in these guidelines

3.3 Risk management system

The Board is ultimately responsible for the risk exposure and the Risk Management framework within the Foundation. The Risk Management Function works independently and objectively but not be isolated from the activities driven by the asset management. The Risk Management Function is not involved operationally in the activities it monitors, since this may compromise the Function's objectivity.



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3.4 The Risk management function

The Risk Management Function is an independent function appointed by the Board. The Risk Management Function support the Board by setting principles and framework for Risk Management, facilitating risk assessments and performing independent follow-ups on identified risks. The Risk Management Function monitors and regularly reports to the Board the status and compliance towards Board's approved Risk appetite as well as monitors and reports changes in the risk profile. The Risk Management Function is also responsible for documenting and maintaining a register of operational risk incidents. The Risk Management Function shall:

- monitor and control that the investment restrictions and risk limits set out in the Investment Guidelines and IMA are complied with and reported to the board
- report any incidents that have occurred in the management of the assets to the board.

The Foundation's Risk Management Policy describes in detail the Foundations risk management process, organisation and risk reporting.

3.5 Governance documents

The Foundations existing governance documents are:

- Statutes
- Internal Governance Policy
- Capital Policy
- Risk Management Policy (with risk assessment template)
- Investment Guidelines (with consequence statement)
- Outsourcing Policy
- Sustainability Risk Policy
- Contingency plan
- Remuneration Policy
- Policy for the internal audit function

3.6 External investment consultant

- The Foundation could, if it chooses to, appoint one or more external investment consultants for advice on investment portfolio implementation, investment strategy, investment portfolio and risk monitoring and continuously evaluation of the external asset managers.

3.7 Audit

- The Foundation's investment portfolio management and accounts shall be audited by the auditors appointed by the Foundation.

3.8 Signing authority

- Two authorised signatories, as defined by the Foundation Board are required for any contractual agreement entered into by the Foundation or any authorisation to transfer funds.

4 Risk management and portfolio risk restrictions

4.1 Scenario based stress test

The portfolio risk level is monitored by the use of a scenario-based analysis. The analysis consists of various severe-but-plausible economic scenarios under which the current asset portfolio is stressed. The scenario generating the most-severe stress loss is defining the stress loss figure for the time period.

Nordea Group People/Broad Based Reward is responsible for performing the stress test on a quarterly basis and reporting the outcome to the Board.

4.2 Market risk

Market risk is the risk that the value of the assets relative to the liabilities will be affected negatively by a change in market prices of assets or liabilities. The market risk is limited by the asset allocation limits and by the duration limits set out in the following. The Foundation uses a scenario-based analysis to measure and monitor the market risks. The investment portfolio's market risk is reduced by diversifying the investments to several asset classes and investments in liability matching assets.

4.3 Interest rate risk

Interest rate risk is the risk that the value of the assets will show an unfavourable change in relation to the liabilities due to a change in the level of interest rates.

The future pension payments are discounted by an interest rate to arrive at the market value for the liabilities. The discount rate for Local GAAP liability is based on the average rate for long term Swedish government bonds, and the discount rate for the IAS liability is based on the market rate for long mortgage bonds. The present value of the liabilities is therefore sensitive to changes in the long-term interest rates.

The portfolio interest rate risk is limited by the duration limits for each bond asset class and for the total bond portfolio (including interest rate derivatives). By matching the duration of the bond portfolio with the duration of the liabilities the interest rate risk relative to the liabilities is reduced. The overall duration of the non-collateral fixed income portfolio shall not fall short of 4.5 and shall not exceed 10.5 years.

The foundation uses interest swap to manage the overall interest rate risk. The nominal value of the Interest Rate Swap Overlay Mandate shall not fall short of SEK 7.0bn and shall not exceed SEK 10.0bn and the modified duration shall be minimum 8.0 and maximum 12.0.

4.4 Credit risk

Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments, or changes in market value of assets relative to the liabilities because of changes in the credit spread. This risk applies to the bond asset classes and is highly relevant for the high yield bond asset classes and limited by the maximum allowed allocation to the asset classes. By investing in credits in different credit categories, regions and in a variety of issuers, the credit risk is diversified.

4.5 Concentration risk

Concentration risk is the risk of losses arising from exposure to a single issuer or company. Allocation to equities and high yield bonds are implemented by investments in diversified UCITS-funds which carry restrictions on exposure to a single issuer. The concentration risk for direct investments (in fixed income instrument only) is limited by the following:

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- exposure to the Swedish Government could be 100% of the nominal and the inflation-linked bond portfolio.
- exposure to Swedish covered bonds issued by a single issuer is limited to 25% of the total bond portfolio including collateral.
- exposure to companies for which the Foundation's assets act as a pledge is limited to 5% of total portfolio assets. Exposure to the overall Nordea Group is limited to 10% of total portfolio assets.
- exposure to other issuers are limited to 10% within each asset class.
- counterparty risk arising from derivates is limited in section 4.10, Derivatives.

4.6 Liquidity risk

Liquidity risk is the risk that the Foundation cannot fulfil its payment obligations at the due date without a significant increased cost when selling assets. Since the duration of the liabilities is over 10 years, the liquidity requirement for the Foundation's assets is relatively low. A majority of the investments are done in UCITS funds that, under normal market conditions, are traded on a daily basis. Any Private Equity investments are in AIF funds, which are not traded on a daily basis. Direct investments in bonds are done in highly rated bonds. The majority of the total assets must be traded on regulated markets. Assets which are not traded on regulated markets, OTF-platforms or MTF-platforms must be kept on cautious levels.

4.7 Currency risk

Currency risk is the risk that the value of the assets will show an unfavourable change in relation to the liabilities due to a change in exchange rates between the Swedish krona and foreign currencies. Currency risk can arrive from investments in the asset classes European equity, North American equity, Emerging Markets equity and High Yield bonds. Foreign currency exposure from investments in High Yield bonds should normally be fully hedged, and minimum 75% hedged to the Swedish Krona. Currency exposure from investments in European equity and North American equity should normally be 75% hedged and minimum 50% hedged to Swedish krona. Currency exposure from investments in Emerging Markets equity are not hedged. Currency exposure in equity investments is seen as part of the total investment portfolio risk diversification.

4.8 Counterparty risk

Counterparty risk is the risk associated with the other party to a financial contract not meeting its obligations. Transactions with the Foundation's assets shall be carried out with an institution that is supervised by a financial supervisory authority, and that has the relevant authorization for the transaction at hand. External asset managers shall be authorized for discretionary asset management by a financial supervisory authority.

All security transactions are to be done on a "delivery against cash" basis. This reduces the counterparty risk.

The foundations method for measuring counterparty exposure to single issuers, including governments, is described in section 4.5 Concentration risk.

4.9 Custody

The Foundation's assets shall be held by a financial institution, which have the Swedish Financial Supervision Authority's or a similar foreign authority permit to receive securities for custody.

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4.10 Derivatives

The Foundation may use derivatives if it contributes to the reduction of risk, or to improve the efficiency of the portfolio management. The Foundation may use FX-forwards for currency hedging purposes and interest rate swaps to reduce the relative interest rate risk against the liabilities. The interest rate swaps shall be implemented by the use of central counterparty clearing in order to manage and reduce counterparty risk.

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5 Portfolio monitoring and reporting

5.1 Investment portfolio reporting from external asset managers

External asset managers shall report on portfolio performance showing market values, asset allocation, performance and portfolio exposure to the risk limits. The external asset managers may also be asked to present their results to the Board in face to face meetings when deemed appropriate.

5.2 Monthly and Quarterly Reporting

The purpose of the reporting is to monitor the portfolio in relation to the investment objectives and risk limits. The report should also show the current asset allocation and the absolute and relative return of the external asset managers, the different asset classes and the total investment portfolio.

5.3 Benchmark

The total portfolio return shall be benchmarked against the return of a benchmark, derived from the returns of representative benchmark indices for each portfolio.

The benchmarks for the Balanced Mandate is set in the IMA. The Interest Rate Swap Overlay Mandate is not measured against any benchmark. The Private equity portfolio is measured against a peer-based benchmark. Investments within each asset class may be monitored against different benchmarks that better reflect their investment style and strategy.

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