

Liite 9.1 Investment policy principles 2024

Nordea Pension Foundation is closed to new members. The *Pension Foundation's* technical provisions are completely covered.

According to the *Pension Foundation's* investment strategy, the short-term investment target is to ensure sufficient liquidity so that the pension expenditure and other costs can be covered without unprofitable realisations. The *Pension Foundation's* benefits are based on defined benefits, which means that the benefits must be paid in all situations and the sponsoring employers must finance their benefits regardless of investment operations. The *Pension Foundation* must have at least as much in assets as it has technical provisions.

The long-term investment target is to gain a gross yield exceeding the technical rate of interest.

The *Pension Foundation* only invests its assets in investees that are eligible as technical provision cover.

The *Pension Foundation's* goal is to diversify the assets across various asset classes at market value as indicated in the following table.

Asset class	Target allocation	Variation range
Equities	16%	10%-22%
Bonds	66%	50%-82%
Real Estate	17%	0%–25%
Cash	1%	0%-23%

All investments made in government bonds, corporate bonds, equities or real estate (lessees) are assessed based on their creditworthiness. The assessment of the quality of loans is based on an analysis of credit risk fundamentals. Attention is paid to the issuer's cash flow, liquidity and solvency and any collateral and/or (senior) guarantees. The rating given to the issuer and the loan in question by a credit rating agency is part of the analysis but does not alone resolve the end result of the assessment.

Especially investments made in corporate bonds, such as risky corporate bonds, have been outsourced to specialised asset managers who have their own internal advanced loan classification models and that make their own analyses based on fundamentals.

Equity investments are made in investment funds to ensure sufficient diversification.

The *Pension Foundation's* investments are made in compliance with Nordea Asset Management's sustainable investment (ESG) principles. This means, among other things, that sustainability factors are taken into account in investment decisions. This also ensures the sustainability of investments in the long run.

The *Pension Foundation's* key methods for measuring and managing risks are connected to careful planning and governance of operations, sufficient diversification of assets and monitoring. Governance and monitoring are based on, for example, the risk appetite policy, regular immediate stress testing (and reverse stress tests) and longer-term scenario monitoring.

Investment assets are monitored on a monthly basis and risks are prepared for by comparing investment returns to the investment plan's return targets in the short and long term, and

benchmark indices have been set for different asset classes, to which the asset classes' returns are compared. In addition, the pension company's solvency is monitored on a quarterly basis. An external asset manager, Nordea Asset Management (NAM) is used in investment operations on a discretionary basis and the governance of real estate has been outsourced to Newsec Oy. The *Pension Foundation* has given the authorisations and provides the asset management and/or CEO and Board of Directors with authorisations when needed.

The *Pension Foundation* takes sustainability risks into account in accordance with the principles for responsible investment. The principles for responsible investment are followed in all asset classes, incl. fixed income investments and equities, with their special characteristics in mind.

The objective of asset management is to ensure a stable and positive long-term development of the *Pension Foundation's* assets in a responsible manner. A further objective is to mitigate long-term sustainability risks and create value by finding sustainable and attractive investments.

The *Pension Foundation* strives to contribute to the transition towards a sustainable future through investments in sustainable solutions and activities that are creating positive, measurable and sustainable impacts on society while simultaneously delivering attractive returns.

According to the *Pension Foundation's* view, incorporating sustainability risks in the investment decision-making process can enhance the risk-adjusted returns of the investments.

More on sustainability risks on the *Pension Foundation's* website

<https://www.nordea.com/en/investors/nordean-elakesaatio-nordeas-finnish-pension-foundation>