

Document Title **Sustainability Risk Policy**

**2024** Approval Date

Adopted by The Board of Directors of Nordea Pension Foundation  
adopted this policy on 23<sup>rd</sup> January 2024.

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<b>Owner Responsible Person</b>	The Board of Directors of Nordea Pension Foundation is responsible for making sure that this policy is implemented and complied with and that the document is updated when needed (at least every third year).
<b>References to external rules</b>	This policy is derived from the following external rules: <ul style="list-style-type: none"> <li>Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)</li> </ul>

## 1 Background

The Foundation grants defined benefit supplementary pensions to its members. The Foundation is closed to new members. Foundation’s target is to secure decent return on assets covering the liability taking into account diversification and liquidity.

## 2 Purpose and scope

Nordea Pension Foundation (the “Foundation”) has adopted this Sustainability Risk Policy (the “Policy”) with the purpose of providing the principles and the overall rules for the management and control of sustainability risk in the Foundation.

## 3 Definitions

**Sustainability risk** is defined as an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the Foundation’s investments.

Investments in the Foundation’s portfolio is article 8 excluding one article 6 fund which will be established during 2024. However, the mandate as a whole is classified as article 8 in accordance with SFDR.

## 4 Sustainable investment principles

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

#### 4.1 **Sustainability risk integration**

Due to the nature and size of the Foundation as well as its purpose to secure pension commitments issued by Finnish entities within the Nordea Group, the Foundation has chosen not to manage its own assets.

The Foundation has engaged Nordea Investment Management AB, Finnish branch (NIM) to manage the Foundation's investments in accordance with a discretionary portfolio management agreement. The sustainability-risk-related issues are handled by NIM, which continuously makes decisions about the Foundation's investments within the framework of the agreement.

NIM regularly attends the Foundation's board meetings, where NIM presents the portfolio's development and reports on any relevant market events and market prospects, which can potentially affect the portfolio in both the short and long term. In addition, matters related to sustainability risks and the principal adverse impacts that affect sustainability factors in investment decisions and how they have been integrated in NIM's investment decision-making, are also reported on in the meetings as required. NIM is member of Net-Zero Asset Manager Alliance and Climate Action 100+.

Property-related sustainability risks are essentially dependent on environmental considerations. Foundation's has acquired 2021 green electricity certificate and has joined as member of the Green Building Council Finland Ltd.

#### **Investment decision-making process**

NIM shall integrate sustainability risks in the investment decision-making process when building and monitoring portfolios.

International ESG conventions and norms (Such as UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and The ILO conventions on labor standards) are considered in the asset manager's reporting, investment analysis, decision-making processes and governance.

The investments shall be in accordance with the asset manager's most recent Responsible Investment Policy. Policy is available at NIM web-pages: [ESG-RI-PL\\_eng\\_INT.pdf \(nordea.lu\)](#).

The Foundation's investments comply with the Responsible Investment Policy. That means that the Foundation does not invest in companies whose net sales are based on products or services related to, for example, chemical weapons or nuclear weapons. The Foundation also does not invest in companies that breach international norms and are not willing or able to change their activities to comply with the norms. The policy followed by the Foundation also excludes investments in coal, oil or oil sands. The tobacco sector is also excluded from the investment universe.

NIM engages in active ownership and dialogue and uses them as key tools to raise ESG issues and achieve improvements. NIM is also required to follow an active ownership policy, which includes participating in and voting at general meetings, acting on nomination committees and holding a dialogue with companies.

### **Paris-Aligned Fossil Fuel Policy (PAFF)**

The Foundation complies with the Paris-Aligned Fossil Fuel Policy in its investments. Based on the Policy, fossil companies are excluded from the investment universe if they do not have a credible strategy for alignment with the Paris Agreement. The Foundation does not invest in companies that derive more than 5 per cent of total revenues from oil or natural gas extraction or coal mining.

The Foundation also does not invest in companies that are involved in unconventional oil or natural gas production or electricity utilities with no plan to phase out the use of coal.

Certified green electricity has been acquired 2021 for real estates, through which the electricity consumption of real estates is going to be carbon-free.

### **Principal adverse impacts**

NIM shall consider principal adverse impacts (PAIs) of investment decisions on sustainability factors and publish and maintain on its website a statement on due diligence policies with respect to those impacts. PAIs of investment decisions on sustainability factors are primarily considered via the asset manager. On request, NIM shall provide to the Foundation the necessary information, so that the Foundation can issue a PAI statement, or by other means facilitate the issuance of the statement.

### **Reporting**

NIM reports SFDR report on sustainable financial activities once a year accordingly with EU standards including PAI (Principle adverse impact) notification. Foundation reports annually at the Financials Statements its activity report of responsible investments based on NIM's reports.

### **Reward policy**

Success in investment activities is not rewarded. The fees for investment activities

have been agreed on with the asset manager in a discretionary portfolio management agreement.

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