UArctic ry

Investment Policy

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1. Background Information and Starting Points of UArctic

1.1. Purpose and Definitions of UArctic, later on referred to as the Association, Investment Activities

UArctic is committed to managing its financial assets in alignment with its values: Circumpolar, Inclusive, Respectful, Collaborative, Open, and Influential. This Investment Policy outlines our approach to investing in a way that supports sustainable development, ethical standards, and the well-being of Arctic peoples and environments.

The objective of this Investment Policy is to define in a clear and transparent process, the objectives, operating methods and restricting conditions of the Association's investment activities for the purpose of their implementation.

This Investment Policy applies to the investment of the Association's long-term cash assets. Therefore, other holdings related to the Association's actual operations are not considered in this Investment Policy.

1.2. Investment

The investment activities of Association must be systematic and this Investment Policy has been drawn up to support these operations. Funds that are not immediately used or may not be used for the Association's operating economy must be invested in a careful manner and, in particular, in accordance with the principles defined in the Investment Policy.

1.3. Structure of Investment Assets

The investment assets of the Association consist mainly of assets and funds held in accounts.

2. Investment Objectives and Principles

2.1. Investment Overview

Factors describing the Association's investment activities include:

1. Perseverance,
2. Moderation
3. Risk diversification
4. Simplicity and
5. Responsible, sustainable and ethical investment

The principle of investing is to secure the real value of wealth and ensure stable and reasonable returns to support UArctic's mission. The Association is also ready to take some risks in its investments, and the risk must also be comprehensively diversified. All investment decisions must be aligned with UArctic's core values as defined in section 1.1.

The time horizon of the Association's investment activities is long. The Association does not seek short-term profits, and investment activities are not guided by predicting short-term market movements or maximizing returns with high risk. The Association's investment activities must be long-term ownership that secures the value of the assets, in which the investments are widely diversified from the perspective of risks.

The investment activities of the Association must be organized in such a way that asset management is not unreasonably burdensome and does not cause unjustifiably high costs. In addition to efficiency and a reasonable cost level, the Association's investment activities must be organized in a high-quality manner.

2.2. Long-term Investment Objective

The goal of the Association is, at minimum,to invest the assets in such a way that the real value of the capital is maintained even in inflationary conditions. In the long term, the aim is therefore to achieve a return on investments that exceed at least the prevailing inflation and the costs of asset management.

2.3. Asset Classes and Investment Instruments

2.3.1. Permitted Asset Classes and Investments

The Association can use the following asset classes and investment objects in its investment activities either independently or through an asset manager:

1. Stock
    a. Funds investing in exchange-traded shares, special investment funds and exchange-traded funds
    b. Exchange-traded shares
2. Interest
    a. Account and term deposits
    b. Money market deposits
    c. Government bonds
    d. Corporate bonds
    e. Funds and special investment funds investing in the aforementioned assets
3. Apartments & Real Estate (vrt 1.1.)
    a. Housing funds
    b. Real estate funds
4. Forest
    a. Forest funds
5. Other alternatives
    a. Funds investing in commodities
    b. Unlisted instruments and funds investing in them
    c. Hedgefunds

Direct derivative investments are allowed when they are made for hedging purposes, such as hedging an investment position. The technical implementation of derivative contracts used for hedging must be entrusted to an asset management professional in order to remove the responsibility for the risk associated with their implementation from the Association.

2.3.2. Sustainability Classification of Investments (SFDR)

The Association implements its investment activities in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR), utilizing investment products classified primarily under **Article 8 and Article 9.** The Association prioritizes investments classified under **Article 9**, which pursue sustainable investment as their main objective.

Deviation from this target allocation may be permitted on a **case-by-case basis for justified reasons**. These may include, but are not limited to, market conditions, limited product availability, risk management considerations, and liquidity requirements, provided that such deviations remain consistent with the overall objectives and principles of this Investment Policy. **Article 6 funds** may be used on an exceptional basis for risk management purposes.

2.3.3. Principles for the sale of Investment Objects

The Association's investments are not so-called strategic investments, which means that the investments can be sold or exchanged if they no longer meet the Association's criteria for a good investment. External experts can be used in defining the criteria and evaluating the investment targets.

2.4. External Asset Managers

2.4.1. Form and Target State of Financial Management

The Association can use external asset managers in its investment activities and operate under both the so-called consultative and full asset management models or directly through asset management funds. The financial management model is always decided on a case-by-case basis by the Board, based on advice from the Finance Policy Advisory Group. Asset managers are primarily selected from well-known, long-established asset managers and brokerage firms, or from other operators considered reliable. Asset managers are required to comply with the Association's Investment Policy and the principles of responsible investment in their investment activities (section 2.5).

2.4.2. Changing the Asset Manager

The success of any external asset managers is assessed and monitored by the UArctic Finance Team, led by the President, who decides on the selection or replacement of the treasurer. The change of asset manager should be assessed if, for example, one of the following criteria is met:

1) The return is clearly lower than the prevailing risk level that has generally been achieved over the long term (risk-adjusted return relative to the benchmark index)
2) The asset manager's actions are in conflict with the Investment Policy or the asset manager is acting against the asset management agreement or guidelines
3) Significant changes occur in the asset manager's business or personnel, which may affect the quality of the service, investment activities or the achievement of goals.
4) There will be a clear increase in the costs of asset managers, or the costs will be high in relation to the other asset management operators.

2.5. Principles for Responsible Investment

When selecting investment targets, the selection of targets that are contrary to the values of the Association must be avoided. The aim is that the Association's investments do not support activities that are in conflict with UArctic's values and the principles defined in the Investment Policy such as controversial arms industry and child labour.

The Association requires asset managers to comply with the UN Principles for Responsible Investment. The UN Principles for Responsible Investment oblige asset managers to take into account environmental, social and corporate governance factors in asset management.

UArctic's investments must adhere to the following principles:

Environmental Sustainability: Prioritize investments in renewable energy, clean technology, and sustainable practices. Avoid investments in fossil fuels, deforestation, and high-emission industries.

Social Responsibility: Invest in entities that respect human rights, promote social equity, and support community development. Avoid entities involved in human rights abuses, discrimination, or unethical practices.

Governance: Favor companies with strong governance, transparency, and respect for Indigenous rights. Exclude those involved in corruption or unethical conduct.

3. Risk Management

3.1 General Principles of Risk Management

Investment activities inherently involve risks, which must be managed in advance through sufficient diversification of assets, appropriate asset class and instrument selection, and regular reporting of investment activities to the Board. Regular reporting is used as a risk management tool. The Investment Policy and related risk management are reassessed by the Board annually.

3.2 Principles of Decentralization

Risks are diversified by allocating investment assets to different asset classes, sectors, geographic regions and different investment targets. The above is specifically aimed at securing the Association's profit base in different economic cycles.

Despite the requirement of decentralization, the Association's assets must be invested in objects whose management is not unreasonably laborious and does not cause significant costs. Experts can be used to help with management.

Further, the Association's overall risk is managed according to the following principles:

1. The market value of one investment object may not correspond to more than 20% of the Association's total investments. However, this requirement is not taken into account if the funds are allocated to a so-called asset management fund.
2. The investment funds used must be listed or registered in a European country or a country with equivalent investor protection, such as the United States.
3. To manage ethical and reputational risks, any investments in sectors or companies that could harm UArctic’s reputation or contradict its ethical standards must be avoided.
4. The Association’s Investment Policy and the composition of the investment portfolio are regularly reviewed for possible risk concentrations by the UArctic Finance Team, led by the President. Possible changes are approved by the Board, based on advice from the Finance Policy Advisory Group.

3.3 Securing Liquidity

At least one quarter of the Association's assets must be kept in liquid (liquidable in 1-3 months) investments so that the periodic nature of income financing does not cause problems for liquidity.

4. Allocation

4.1 Target Allocation

The allocation principles set the boundary conditions for the content of the assets managed by the Association's asset managers. This is to ensure sufficient and planned diversification across different asset classes in the prevailing market conditions.

The allocation limits define the target allocation of the neutral situation of the investment assets managed by the Association's asset managers and the margins for each asset class. This is intended to limit the share of one asset class in the total risk. In order to simplify the investment activities of the Association and to enable asset managers to have an investment view, the target, minimum and maximum weights of the asset classes have been defined by the following categories.

Allocation limits (MODERATE)	Minimum	Target weight	Maximum
Equity investments	0 %	50 %	70 %
Fixed income	0 %	35 %	100 %
Alternative investments	0 %	15 %	40 %

The goal of the Association is that the investments are diversified extensively enough to secure the investment portfolio in different economic cycles. On the other hand, investment allocation also aims to ensure a sufficient level of return to ensure that investment activities are at a sustainable level in the long term. The Association's long investment horizon also evens out the impact of changes in the value of investments on investment activities. The target weights are reviewed in connection with the updating of the investment policy to reflect the current market environment.

5. Monitoring and Reporting of Investment Activities

5.1 Principles of Reporting

The purpose of regular reporting to the Association is to maintain the customer's awareness of the performance of investment activities and the risks associated with it, as well as the performance and costs of asset managers.

5.2 Benchmark Indices to be used:

The return and risk level achieved in asset management (any external asset managers, the self-managed share and the asset management as a whole) are compared at least annually in relation to the relevant benchmark index and in relation to any other asset managers. The assessment of results and risks focuses on long-term observations in accordance with the Association's Investment Policy. The content of the benchmark index to be used is prepared for the entire asset management, individual asset managers or individual asset management solutions together with an external expert or asset manager, so that the benchmark index(es) used reflect the results achieved by the asset management entity and individual asset managers or asset management solutions in as fair a manner as possible.

5.3 Reporting Frequency of Asset Managers

External asset managers are required to submit a report on investment performance, risks and holdings at least every six months to UArctic Finance Team. The treasurer must be available daily, for example, at board meetings to inform about the current situation and future expectations of financial management. In addition, an impartial evaluator may issue his or her own report at regular intervals.

5.4 External Experts

If necessary, the Association has the opportunity to use external professionals in the monitoring and evaluation of investment activities whose task is to ensure the efficient organization of the Association's investment activities and to assess risks independently of the asset managers.

5.5 Investment Policy Update Frequency

The UArctic Finance Team reviews the content of the Investment Policy annually. The purpose of this is to ensure that the Investment Policy is up-to-date in relation to the prevailing market situation, to the assets of the Association, and to the purpose of the investment activities.

6. Responsibilities and Authorisations

The Association's investment activities are governed by a clear division of responsibilities and decision-making authority. The following subsections describe in more detail the specific roles and areas of responsibility related to investment management within the Association.

Board of UArctic:

The Board of UArctic holds the overall responsibility for approving the Investment Policy and any amendments to it. The Board may, by its own decision, delegate specific investment-related decision-making authority to other bodies or individuals within the Association.

The Board is additionally responsible for:

- Determining the basic allocation of the Association's investment portfolio
- Reassessing the Investment Policy and related risk management annually

UArctic Leadership (the President and the Secretary General)

UArctic leadership, for the purposes of this Policy defined as the President and the Secretary General, is responsible for:

- Overseeing the implementation of the Investment Policy
- Monitoring compliance
- Identifying potential risks related to investment activities

The President, elected by the Board, may:

- Receive investment advice from the selected service provider and carry out assignments, such as changes in investment targets, without the separate approval of the Board for amounts up to a 100,000.00 EUR. A prerequisite for placing orders is that they implement the Investment Policy and allocation distribution approved by the Board of UArctic.

UArctic Finance team

The UArctic Finance Team, led by the President, is responsible for:

- Reviewing the content of the Investment Policy and the composition of the investment portfolio annually. Any identified need for changes shall be submitted to the Finance Policy Advisory Group for consideration and subsequently forwarded to the Board for approval.
- Assessing and monitoring the performance of external asset managers.

Finance Policy Advisory Group:

The Finance Policy Advisory Group advises and provides recommendations to the UArctic Board or the President regarding:

- Preparation and implementation of Investment Policy changes
- Composition of the investment portfolio
- Adjustments to asset allocation due to market developments
- Reporting requirements and processes
- Risk assessment and risk-management practices

Approved by UArctic Board 16.4.2026.