NOKIA

Annual Report 2021
for the Pensionskasse der Alcatel-Lucent Schweiz AG

Dear employees, Dear pensioners,

With this letter we wish to inform you about the most important figures and events for the Pensionskasse der Alcatel-Lucent Schweiz AG in 2021. You can find your personal information in the individual benefit statement or pension certificate that was sent to you at the beginning of 2022.

Business year 2021

In 2021, the Pensionskasse der Alcatel-Lucent Schweiz AG was able to achieve a good investment performance of 0.97% compared to its own benchmark. Compared to other pension funds, which achieved an average of around 7%, this seems very unsatisfactory. However, this is the result of the conservative investment strategy geared towards the high proportion of pensioners. Only high-risk investment categories contributed to the positive investment result: real estate with 5.45% and equities with 23.4% (Switzerland) and 26.1% (abroad). Losses resulted from bonds with -2.3% (CHF) and -3.9% (foreign currencies, currency hedged).

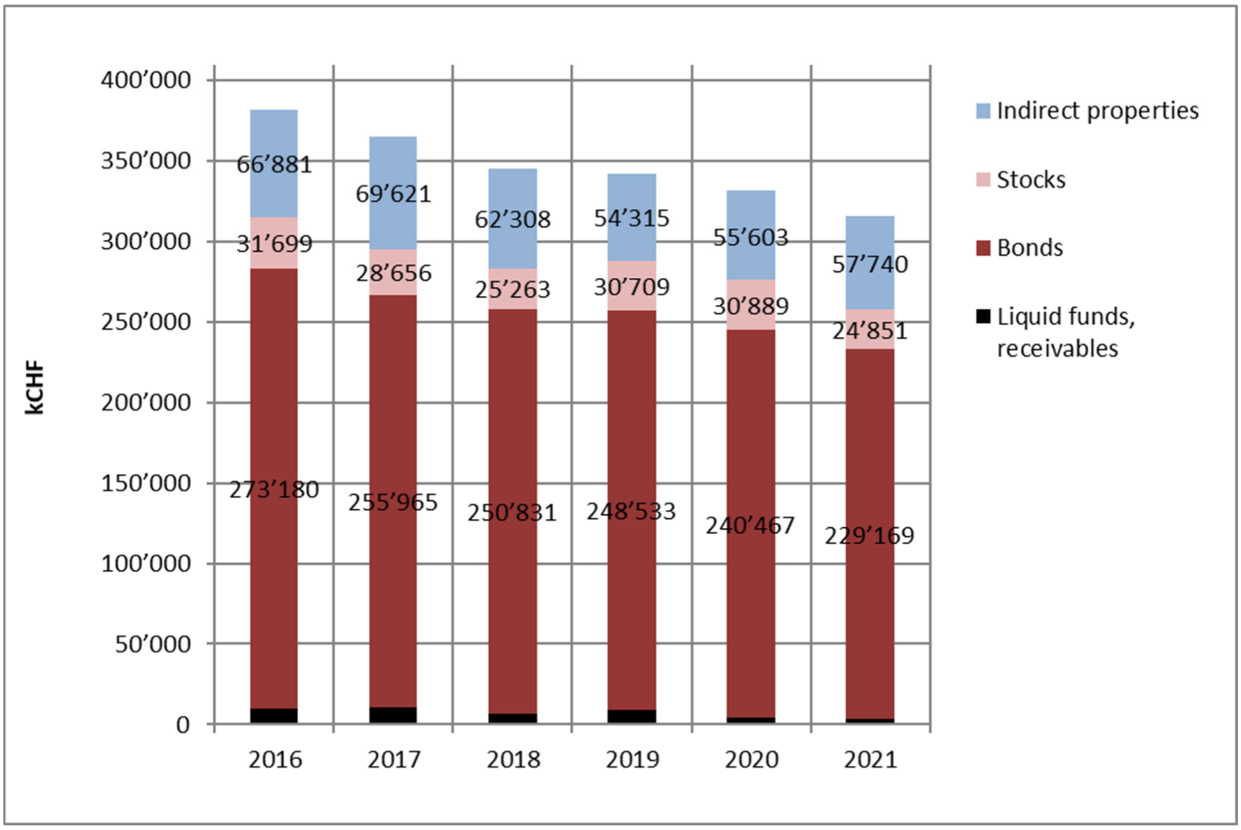
In view of the very low interest rates and in expectation of an increase in interest rates, many pension funds have reduced their bond portion, but not the Pensionskasse der Alcatel-Lucent Schweiz AG. In 2021, interest rates have actually risen for the first time in many years. This led to lower bond values in 2021 and a corresponding burden on the result. However, the pension fund values its pension obligations using current market interest rates. The pension obligations also decreased due to the higher interest rates and compensated for the negative effect of the bonds on the result. Active members were and remain largely protected from the effects of rising interest rates and other investment risks on the pensioners' assets

The year 2021 witnessed nearly only rising share prices. The resurgence of inflation, rising interest rates and an increasingly gloomy geopolitical situation could not dampen optimism on the stock markets. However, in June 2022, when this annual report was written, it must be stated that all the share gains of 2021 have vanished into thin air.

However, the compulsion to invest conservatively in a negative interest rate environment leaves room for optimising the investment of assets for the benefit of the insured. The following levers have been used for many years to ensure that as much return as possible remains for the benefits paid to the members:

- Cost-effective implementation of the investment activity. The total investment costs (including management costs for the indirect real estate investments) represent only 0.12% of the asset investments;
- Selection of qualitatively convincing investment products;
- Avoidance of risks from which no additional income can be expected; the pension fund hedges almost all foreign currency risks.

At the end of 2020, 73% (previous year 73%) of the assets were invested in bonds. Domestic and foreign equities accounted for 8% (9%), cash and receivables were 1% (1%) and 18% (17%) was invested in indirect real estate investments.



Value fluctuation reserves

Value fluctuation reserves are formed to hedge against investment risks. The target value of the fluctuation reserves is 8.4% of the pension scheme capital, including technical reserves. As in the previous year, on December 31, 2021, a value fluctuation reserve was formed within the scope of this target value. As of December 31, 2021, the value fluctuation reserve was CHF 21,278,000 (prior year CHF 23,990,000).

Highlights of the activities of the Foundation Board in 2021

The year 2021 was marked by two important projects:

As part of an asset liability management study (ALM study), the **investment strategy and the implementation of the investments** were reviewed in depth. An important driver of this review, which had not been carried out for a long time, was the fact that the Pensionskasse der Alcatel-Lucent Schweiz AG recorded departures of active insured persons almost exclusively. The investment strategy is already geared to the very high proportion of pensioners, so the effects of the review are not drastic. The Foundation Board has decided to further reduce the investment risks. In the longer term, the proportion of bonds (incl. liquidity) is to be increased from 77% today to 81%; that of equities is to be reduced from 8% to 4%. Swiss real estate shall continue to be weighted at 15%. This adjustment is also accompanied by a simplification of the investment implementation. The investment in bonds will be limited to high-quality CHF bonds, the addition of foreign government bonds and the relatively high strategic liquidity portion will be dropped. The investment in equities will continue to focus on securities from all developed countries, and the special, minor allocation to Swiss equities will be discontinued.
The Foundation Board has decided to make the **transition** from the previous to the new investment strategy without a costly one-off restructuring. The transition will only take place through the sale of the discontinued investment components as part of the liquidity procurement for the pension payments. Accordingly, the risk reduction will take place gradually over the next few years.
The investments held were also examined for **sustainability** aspects. For the bonds – primarily Swiss government bonds and covered bond investments – the question of sustainability hardly arises. Investments in Swiss real estate will be concentrated on the Pensimo investment foundation as of 2022. This investment foundation pursues specific sustainability goals, and the Foundation Board discusses these with the management of Pensimo. In the case of equity investments, controversial investments (as defined by the SVVK, an association of large Swiss pension funds for responsible investments) have been excluded for a long time. The Foundation Board is keeping its options open as to whether an even more sustainable profile of equity

investments is possible without major cost burdens and without greatly restricting the currently very broad diversification.

In 2020, the Foundation Board worked on the new version of the regulations. This revision also formed the basis for the review of the pension plan in connection with the currently paused but still necessary further reduction of the conversion rate. The currently applied conversion rate of 5.25% at the regular retirement age still leads to a cross-financing of the new pensions and thus to a burden for all other members in the pension fund.
The work in connection with an adjustment of the pension plan was resumed in 2021 not only to eliminate this unfairness, but also from the perspective of the ALM study. For the years 2021 and 2022, the conversion rate was left unchanged.
At the beginning of 2022, the active members were informed of the entry into force of a **renewed pension plan on 1 January 2022**. In view of the good financial situation, the still favourable reinsurance and in anticipation of a falling conversion rate with lower retirement losses, the Foundation Board was able to reduce the risk contribution from 3.5% of the insured salary to 2.5%. In the Nokia pension plan, the relief was used to align the definition of the eligible salary and the distribution of the contribution shares between the employee and the employer with that of the employees insured in the pro-fund. This means that higher salary shares are insured with a simultaneous increase in the employer's contribution share. In the Mobimo FM Service AG pension plan, the released contribution shares were used to increase the savings contributions.

The work for the further reduction of the conversion rate and the necessary sensible compensation measures was not completed until 2022. **The pension fund regulations and the pension plans will therefore be amended again on 1 January 2023.** Please refer to the special section in this annual report.

For well-known reasons, the number of insured members in the Pensionskasse der Alcatel-Lucent Schweiz AG will consist nearly exclusively of retirements and in the long term the pension fund will only have pensioners. The Pensionskasse der Alcatel-Lucent Schweiz AG is basically well positioned for such a scenario, as the situation of a constantly decreasing number of insured persons has also prevailed in recent years. Nevertheless, the Foundation Board must think about the longer-term future. There is no time pressure and no decisions have to be made at the moment. The Foundation Board continued to monitor the situation.

Active members and pensioners

	31.12.2021	31.12.2020	+ / -
Active members	**81**	**86**	**- 5**
Pensioners	332	361	- 29
Survivor pensioners	189	199	- 10
Disability pensioners	8	8	0
Children pensioners	8	11	- 3
Total pensioners	**537**	**579**	**- 42**

Development of the pension fund capital

The pension fund capital of the active members and pensioners amounted to CHF 236.50 million at the end of 2021 (prior year: CHF 271.0 million) The savings capital of active members amounting to CHF 31.4 million (prior year: CHF 31.1 million) serves to insure all active members. The savings capital of individual members is provided to them upon departure from the company as a vested terminal benefit.

Actuarial assessment as per December 31, 2021

Coverage ratio refers to the ratio between the existing net assets and the necessary pension capital. The necessary pension capital includes the capital necessary to meet and ensure the pension purpose, meaning the savings capital of the active members, pensioners and the technical reserves. We calculate the coverage ratio according to Art. 44 BVV2 as follows:

$$\frac{\text{Net assets}}{\text{Necessary pension capital}} = \frac{\text{CHF 309.2 million}}{\text{CHF 253.3 million}} = \textbf{122.1\%} \text{ (prior year 113.6\%)}$$

Balance sheet and income statement

Assets	**31.12.2021**
Cash and money market investments	1'090'198
Receivables	1'157'698
Bonds	229'169'125
Stocks	24'850'596
Properties (indirect)	57'739'529
Accrued income	1'564'726
Total assets	**315'571'872**

Liabilities	**31.12.2021**
Liabilities	1'060'149
Accrued expenses	327'818
Employer contribution reserves	4'844'723
Non-technical reserves	121'498
Liabilities	**6'354'188**
Value fluctuation reserves	**21'278'000**
Pension capital active members	31'388'087
Retirement capital pensioners	205'297'000
Technical reserves	16'613'000
Pension capital and technical reserves	**253'298'087**
Free funds	**34'641'597**
Total liabilities	**315'571'872**

Income statement	**1.1.-31.12.2021**
Ordinary payments and contributions	1'535'267
Entry benefits	61'101
Inflow from contributions and entry benefits	**1'596'368**
Regulatory benefits	-19'403'312
Vested benefits	-997'155
Outflow for benefits and advance withdrawals	**-20'400'467**
Change to pension capital	34'283'255
Change to reserves	-1'991'000
Change to employer contribution reserves	1'033'649
Liquidation/Formation of pension capital	**33'325'904**
Insurance benefits	**45'863**
Insurance expenses	**-115'221**
Net-result from the insurance portion	**14'452'447**
Net result from investment assets	**3'037'615**
Other income	**1'742**
Administration expenses	**-268'374**
Income surplus before the formation of value fluctuation reserves	**17'223'430**
Change of value fluctuation reserves	**1'564'000**
Income/Expense surplus	**18'787'430**

Interest rate applied to the retirement assets and pension adjustments

In 2021, the entire retirement assets of active members were subject to an interest rate of 6.0% (previous year: 3.0%). For 2022, the interest rate for changes during the year was provisionally set at 1.0%. At the end of the year, the Foundation Board will decide on a possible additional interest rate in favour of the remaining insured persons based on the financial situation. Over the last few years, the Pensionskasse der Alcatel-Lucent Schweiz AG has been able to pay interest on the pension capital at a rate well above the minimum BVG interest rate, despite a period of restructuring measures in the years 2012 - 2014.

The Foundation Board examines annually whether and to what extent the current pensions are to be adjusted to the price development. Due to the almost complete absence of inflation, the Foundation Board decided at the meeting on 9 December 2021 not to make any pension adjustments. However, in view of the good financial situation, the sum of 1% of the pensioners' pension capital was placed in a provision for future benefit improvements for the benefit of pensioners.

Election of employee representatives for the term of office 2022 – 2024

The term of office for the employee representatives on the Foundation Board ended on 31 December 2021. No candidates came forward for the office within the deadline. The employee representatives Christian Wenger, Mark Bischofberger and Stefan Weidmann were therefore re-elected by silent ballot for the term of office 2022 - 2024.

New regulations applicable from 1 January 2023

The Foundation Board approved the provisional version of the regulations at its meeting on 30 June 2022. The new regulations including pension plans will be published on www.pk-alcatel-lucent.ch after editorial completion.

The new regulations provide for a scheduled reduction of the conversion rate at the regular retirement age in two steps as of 1 January 2023 and 1 January 2024 from currently 5.25% to 4.50%. The previous conversion rates will apply for retirements on 31 December 2022/1 January 2023. For retirements thereafter and up to 31 December 2023/1 January 2024, the UWS 2023 table below shall apply. For all later retirements, the UWS ab 2024 table applies.

Alter	UWS 2023	
	Männer	Frauen
58	4.02%	4.14%
59	4.14%	4.26%
60	4.26%	4.38%
61	4.38%	4.50%
62	4.50%	4.62%
63	4.62%	4.74%
64	4.74%	**4.86%**
65	**4.86%**	5.01%
66	5.01%	5.16%
67	5.16%	5.31%
68	5.31%	5.46%
69	5.46%	5.61%
70	5.61%	5.76%

Alter	UWS ab 2024	
	Männer	Frauen
58	3.66%	3.78%
59	3.78%	3.90%
60	3.90%	4.02%
61	4.02%	4.14%
62	4.14%	4.36%
63	4.26%	4.48%
64	4.38%	**4.50%**
65	**4.50%**	4.65%
66	4.65%	4.80%
67	4.80%	4.95%
68	4.95%	5.10%
69	5.10%	5.25%
70	5.25%	5.40%

As in previous reduction steps, the effects of the decreasing conversion rate on the existing retirement assets will be fully compensated. On 1 January 2023 and 1 January 2024, active and disabled members will receive an interest surcharge of 8 percentage points on the interest rate of the previous year. This means that the pension on the retirement assets **already saved** will remain unchanged despite the lower conversion rate.

If conversion rates fall, an increase in savings contributions is also necessary to maintain the benefit target. This is the only way to compensate for the pension losses on the part of the pension **savings still to be saved in the future**. This compensation will be offset by an additional measure starting on 1 January 2023:
The savings contributions that are deducted from your salary and those that the employer pays for you are credited to your retirement assets. From 1 January 2023, the Pensionskasse der Alcatel-Lucent Schweiz AG will add a further 5% of your insured salary to your retirement assets each year without charging contributions. Since these funds must be provided from the pension fund's reserves, the pension fund must reserve the right to suspend the non-contributory retirement credits in the event of an unfavourable financial situation. However, thanks to the provisions set aside for this purpose and the risk reduction in the investment strategy, the Foundation Board assumes a high level of long-term security for these non-contributory retirement credits.

Active members bore a significant part of the restructuring burden in the years 2012 to 2014. Even beyond this period, they had to contribute to the improvement of financial stability with reductions in the conversion rate that were not fully compensated. Thanks to good interest rates and the now realised full compensation, the claims of active members have been restored. Accordingly, the contribution that the pensioners made to the restructuring will now also be eliminated. This consisted of reducing the spouse's pension of deceased pensioners from 60% to 55% of the old-age pension. For new spouse's pensions from 1 January 2023, the 60% of the old-age pension will again apply. However, pensions already in payment will not be adjusted.

Foundation Board, management and controlling body

Foundation Board (status January 1, 2022)

Employer representatives:
Patrick Langelaan, Deputy Chairman
Matti Piippo
Nadja Rüegg

Employee representatives:
Christian Wenger, Chairman
Mark Bischofberger
Stefan Weidmann

Pensioner’s representative:
Walter Schmid

Management
Allvisa-Services AG, Zurich, Adrian Schmid

Pension found administration
Allvisa-Services AG, Zurich, Diego Ciccone

Investment controller
PPCmetrics AG, Zurich

Auditors
Ernst & Young, Zurich

Expert for pension schemes
PPCmetrics AG, Zurich, Marco Jost

Supervisory authority
BVG- und Stiftungsaufsicht des Kantons Zürich, Zurich

For further information, please contact your representative on the Foundation Board or Allvisa-Services AG (info.alu@allvisa-services.ch). You can find the detailed 2021 Annual Report, the currently applicable pension plan regulations and other information about your pension fund at: www.pk-alcatel-lucent.ch.

Zurich, July 2022

Christian Wenger
Chairman

Adrian Schmid
Chief Executive Officer