



Document Title **Life & Pensions Responsible Investment Policy**

Approval Date **1 March 2021**

Adopted by **The Board of Directors of Nordea Life Holding AB (NLH Board)**

Information class **Open**

Group Directive Responsible Function ("GDRF") and contact	L&P Investments & Sustainability is the Responsible Function for this Policy. Contact: Peter Sandahl, L&P Head of Sustainability
Group Directive Content Experts ("GDCE")	The Head of Sustainability in L&P is the Content Expert for this Policy.
Applicable	This Policy applies to Nordea Life Holding AB (NLH AB) and, subject to local regulation, to all its subsidiaries. Where required for implementation the guidelines are to be resolved by the Board of Directors in the subsidiary concerned. All employees of L&P involved in any of the processes described in this policy, including non-permanent staff working on behalf of L&P, are subject to this policy.
References to external rules	
References to L&P internal rules	<ul style="list-style-type: none">• L&P Climate Change Policy• L&P Engagement Policy

The information above related to the Contact, the Content Experts, and the references to the external and internal rules is not part of the Board's decision and may be amended without involvement of the Board.

1 Policy scope and applicability

This policy applies to all own managed assets in Nordea Life Holding AB and all its subsidiaries (hereafter collectively "L&P"). Own managed assets are assets where L&P makes the investment decisions and exercising asset allocation in fiduciary duty. Assets on the balance sheet where L&P does not make the investment decisions are not covered by this policy.

All asset managers managing assets on behalf of L&P, shall have policies and processes in place to meet the criteria and requirements outlined in this policy.

Exceptions to comply with this policy could be made as a last resort in certain cases, e.g. if applying this policy would have significant negative impacts and where such actions would be deemed as not acting in the customers best interest.

All exceptions shall be decided upon by the relevant local L&P entity. The relevant local L&P entity shall however first consult the L&P Sustainability Committee (L&P SC) regarding the proposed exception. The advice from the L&P SC shall be a part of the decision on whether or not to grant an exception. This decision shall be well documented by the local L&P entity.

In certain circumstances, where applying this policy would interfere with local regulations or other mandatory requirements, such requirements will overrule this policy.

This policy applies from date of its issuance and will be implemented over the next twelve (12) months.

2 Roles and Responsibilities

L&P has established a robust governance structure for managing environmental, social and governance (ESG) matters. This section outlines the roles and responsibilities for the respective governance function in relation to this policy.

2.1 The Board of Directors of Nordea Life Holding (NLH Board)

The NLH Board approves the L&P Responsible Investment Policy (RI-Policy) and the overarching ESG and sustainability related targets and strategies. It oversees L&P's responsible investment developments and receives regular reporting on ESG and climate related risk exposures and other key metrics.

2.2 The Board of Directors (BoD) of each local entity

The BoD of each local entity approves the RI-Policy. The BoD oversees the responsible investment developments in the respective entity and receives regular reporting on ESG and climate related risk exposures and other key metrics.

2.3 L&P Sustainability Committee (L&P SC)

Chaired by the CEO of NLH AB, the L&P SC is responsible for updating and recommending the RI-Policy and the overarching ESG and sustainability related targets and strategies to the NLH BoD for decision. It oversees and follows-up on the implementation and compliance with the RI-Policy and related procedures. The L&P SC shall also give guidance and recommendations on exception decisions that needs to be considered by local L&P entities.

2.4 L&P Responsible Investment team (L&P RI-team)

The L&P RI-team is responsible for managing the day-to-day activities related to ESG and responsible investments, including executing on the active ownership strategy, as described in section 5 in this document, and coordinating ESG training. It supports the development, implementation and monitoring of ESG and sustainability related policies, procedures, targets and strategies.

2.5 L&P investment committees

The Nordic Investment Committee (L&P NICO) and the Chief Investment Officers in the local L&P entities are responsible for ensuring that the RI-Policy and related procedures are

implemented across the investment organisation and that new and existing investments are compliant with these.

2.6 The Life Executive Management Group (LEMG)

The LEMG receives regular reporting on ESG and climate related risk exposures and other key metrics.

3 Our principles and approach

Being a responsible investor is a central part of our investment philosophy. Our objective is to maximise long-term returns in a responsible manner and offer compelling products with an enhanced focus on sustainability. We believe that integrating ESG aspects in our investment analysis and decision-making improves our ability to meet this objective.

Our ambition is to be perceived as being in the forefront of sustainable investing in our industry and in the markets where we operate and being recognised for our thought leadership in the field. We set quantitative targets which require us to continuously improve our sustainability practices and inspires the industry to elevate their ambitions.

We have made important commitments related to sustainability that we implement in our investment processes and active ownership practices. We are a co-founder of the *UN-convened Net-Zero Asset Owner Alliance (AOA)* and have committed to transition our investment portfolios, across all asset classes, to net-zero emissions by 2050, at the latest. We are a signatory to the *UN Principles for Responsible Investments (UN PRI)* and are thus committed to integrate ESG issues in our investment decision processes and active ownership practices.

Our responsible investment approach rests on four principles which enable us to incorporate a broader aspect of sustainability into our investment decisions. These principles support us in reducing ESG and climate related risks, increasing return prospects and managing ethical considerations.

1. We exclude the worst

We have established a set of minimum requirements for what we demand from both asset managers and companies in terms of ESG performance, as described under section 4.1. We don't invest with managers or in companies that don't meet these standards.

2. We prefer the best

We strive to invest in companies, and use asset managers, that are at the forefront when it comes to integrating ESG issues in their operations and transitioning their business models to meet the requirements of a sustainable future. When selecting asset managers we focus on their ability to integrate ESG in their processes, and when selecting specific investment products we evaluate the specific ESG approach.

3. We make a difference

To enable the transition towards a sustainable future we engage in important global issues with the companies and asset managers to which we allocate money. Being an active owner is an important tool to contribute to positive change in the real economy, and is an essential part of our investment strategy.

We also strive to contribute to the transition by increasing our investments into solutions and activities that are creating positive, measurable and sustainable impacts on society while simultaneously delivering attractive returns.

4. We are transparent

We communicate in an open and transparent way with regards to our responsible investment practices and targets. We strive to make it easy for customers and other stakeholders to understand how we integrate sustainability in our products and offerings and how these impact our environment and society.

4 ESG integration

4.1 Our minimum safeguards

Our selected managers shall have policies and processes ensuring that L&P avoids investing in companies that doesn't meet L&P's minimum safeguards. Our underlying holdings are screened regularly by managers managing assets on our behalf. The L&P RI-team conducts own screenings on a regular basis and present, on a quarterly basis, an update to the L&P SC. Breaches to the minimum safeguards are escalated, with recommended actions, by the L&P RI-team to the L&P SC for information and discussion and to the local L&P entity organisation for decision.

4.1.1 *Social and governance standards*

- All our own managed assets shall be covered by responsible investment policies based on international conventions and norms¹ covering human rights, labour rights, environment and anti-corruption
- We do not invest in sovereign bonds issued by governments subject to broad sanctions or are systematically failing to respect human and labour rights
- We do not invest in investment products with basic food commodities, such as wheat, coffee or sugar, as the underlying assets

4.1.2 *Sectorial restrictions and exclusions*

- We do not invest in, or finance, companies involved in the production or development of illegal² weapons or companies involved in the production, development or maintenance (with a military revenue threshold of 5%) of nuclear weapons
- We do not invest in, or finance companies that derive more than 5% of their revenue from production and distribution of tobacco products

4.1.3 *Climate related exclusions and restrictions*

- We do not invest in, or finance, companies with large and sustained exposure to coal mining, with a 10% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal).
- We do not invest in, or finance, companies involved in unconventional fossil fuel extraction (arctic drilling, oil sands, shale oil, shale gas).
- Companies in the conventional oil and gas, coal mining and power generation sectors shall have a credible transition plan aligned with at most a 2°C trajectory in order for us to invest. These plans should as a minimum include long- and short-term emission reduction targets (incl. scope 3 where relevant).

¹ Such as UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and The ILO conventions on labour standards.

² Cluster munitions, anti-personal mines, biological weapons, chemical weapons, non-detectable fragments, incendiary and blinding weapons, depleted uranium munitions

4.2 Positions and expectations

In addition to our commitments and minimum safeguards, we have defined certain areas where we set clear expectations on ESG management towards our investee companies and asset managers. These expectations may not be subject to regular screenings, but is a part of our active ownership practices, due diligence process and manager selection procedure.

The L&P Climate Change Policy outlines our positions and expectations with specific relevance to climate change. We also follow and adhere to the expectations on investee companies set out in Nordea Group's Position Statements and Sector Guidelines which are available on www.nordea.com.

We expect companies;

- to obey internationally recognised human rights principles, and to prevent and manage its impact on human rights issues such as modern slavery and child labour, occupational safety and health, the rights of indigenous people and displacement of local communities, freedom of association and collective bargaining and international humanitarian law
- with business operations in conflict-affected and high risk areas to conduct due diligence as defined by the UN Guiding Principles on Business Human Rights, become more transparent and report on their political risk and impact analysis
- to take a proactive approach towards corruption, implement adequate anti-corruption measures and improve transparency. This as corruption induces great business-related costs and market inefficiency and hinders economic, political and social development
- to make sufficient efforts in palm oil value chain towards ensuring traceability, creating relevant policies and maximizing the use of Certified Sustainable Palm Oil
- with operations in areas with high exposure to water risk to ensure that they address and manage such risks adequately
- to prevent biodiversity loss, and aim to be nature-positive

4.3 Due diligence process

We incorporate ESG analysis into the investment decision process by selecting asset managers and investment products that have integrated ESG and sustainability into their strategy and business model.

We assess managers with focus on the following criteria:

- Own ESG research
- Existing policies, targets and commitments related to ESG and sustainability
- Dedicated ESG resources
- ESG integration approach
- ESG reporting capabilities
- Voting and engagement practices

All managers shall be rated, based on these criteria, according to an internal rating scale. We only select asset managers who meet the required rating for that specific asset class. Rating scales and the related minimum thresholds are outlined in our procedure for manager selection.

To supplement the manager assessment we also conduct an assessment of the investment product. This assessment is based on the same areas as for the manager assessment but focus on the ESG integration

and strategy on product level. Investment products and segregated mandates must meet L&P's minimum safeguards as outlined in section 4.1.

When investing directly into equities or fixed income instruments the same philosophy applies with focus on companies and issuers with a high ESG performance and avoiding those with the lowest rating. Low ESG ratings might lead to further evaluation and engagement before a potential divestment is made.

For our real estate portfolios we apply separate ESG processes in each local L&P entity to assess environmental standards. These are monitored and assessed on a regular basis. All portfolios have strategies and targets related to energy performance and carbon emissions aligned with our net-zero commitment.

All ESG assessments are documented and included in the decision material to the local L&P entity body deciding on the investment.

4.4 Monitoring and follow up

We have regular meetings with our selected managers, to discuss and follow up on integration of ESG in their investment decisions. An assessment of all selected managers with regards to ESG and sustainability is performed at least annually by the L&P-RI team and presented, with recommended actions, to the L&P SC for information and discussion and to the local L&P entity organisation for decision.

If a manager's ESG-standard is deemed as not satisfactory, or has deteriorated significantly, L&P shall initiate engagement actions with the explicit objective to improve the ESG-standards. The extent and level of action to be undertaken is decided by the local L&P entities upon advice from the L&P SC and could, as a final step lead to divestment.

All portfolios are monitored on a regular basis by the L&P RI-team. ESG reports are delivered on a quarterly basis to the L&P SC, the NLH Board, the BoD of the local L&P entities, the LEMG and across the investment organisation. These reports include, but are not limited to, ESG performance, climate risk exposures, status on targets and engagement efforts.

5 Active ownership

Active ownership is an important tool to drive change in the real economy and to manage and mitigate ESG risks in our investment portfolios. We are committed to be active owners and incorporate ESG issues in our policies and practices.

We define our role as an active owner to include both exercising our shareholder rights as well as driving active engagement with companies, asset managers and other relevant stakeholders.

The L&P SC suggests the active ownership strategy, including thematic focus areas, and monitor its development on a regular basis. The L&P RI-team is responsible for planning, coordinating and following-up on L&P's engagement and voting activities. The L&P SC shall advice, in cooperation with the L&P RI-team, on relevant actions to the local L&P entity organisation for decision.

Our objective is to engage proactively and maximise our engagement impact taking into account our internal capabilities, constraints and portfolio structures. In order to achieve this, we have developed a clear prioritisation and execution structure.

5.1 Prioritisation

We prioritise our active ownership efforts according to the following principles;

1. Our thematic focus areas (e.g. climate change)
2. Our largest holdings
3. Sectors and companies where we deem the ESG-risk to be high or elevated

This means that we take a risk-based approach which aligns with the overall thematic prioritisation in our responsible investment strategy. Our reactive engagement is based on specific ESG-related issues that are identified. These are always assessed and prioritised according to their severity. Our voting practices follow the principles outlined in the L&P Engagement Policy and is performed in favour of ESG and climate related issues and disclosure.

5.2 Engagement

We execute our engagement efforts and strategy in three different ways;

- engagements in own capacity towards companies and asset managers
- engagements together with the Nordea Group internal asset manager
- collective engagements with other investors

Engagement with companies is mainly executed together with the Nordea Group internal asset manager and together with investor coalitions. Engagement with managers are primarily executed in own capacity or together with other asset owners in the UN Net-Zero Asset Owner Alliance.

6 External reporting

We shall be open and transparent towards customers, authorities and other external stakeholders with regards to how we work with and incorporate ESG and sustainability factors in our investment decisions, how these impact our portfolios and how our portfolios impact our society and environment.

We report and disclose on ESG and sustainability in accordance with current regulatory requirements and according to the commitments we have made.

At least annually we shall disclose climate related information in line with the recommendations from the Task Force on Climate Related Financial Disclosures (TCFD) and Partnership for Carbon Accounting Financials (PCAF). On an annual basis, we shall also disclose a progress report in relation to the net-zero targets we have committed to through the UN Net-Zero Asset Owner Alliance.

Our annual reporting shall be incorporated in a stand-alone report, in our annual financial filings or as part of the Nordea Group's annual sustainability reporting.