

Document Title **Life & Pensions Climate Change Policy**

1 March 2021 Approval Date

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

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Information class **Open**

Group Directive Responsible Function ("GDRF") and contact	L&P Investments and 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 BoD 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 Responsible Investment 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"). Owned managed assets are assets where L&P makes the investment decisions and exercising asset allocation in fiduciary duty. Other 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 Introduction

L&P views climate change as the largest threat to our planet, ecosystems and communities, as well as being a critical issue for long-term investors. We recognise that climate change and the transition to a low-carbon economy both pose a threat to shareholder value and present new investment opportunities.

We support the objectives of the Paris Agreement to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. We acknowledge our role and responsibility as a large investor in contributing to this transition through our investment decisions and active ownership practices. We further acknowledge that we must adapt to elevated physical climate risks already at current levels of global warming and also in a future 1.5C aligned world.

As an investor we have a duty to manage our financial exposure to climate related risk and to maximise the opportunities arising from the low-carbon transition for our clients. This is our highest responsible investment priority.

3 Our commitments on climate change

We are a co-founder of the *UN-convened Net-Zero Asset Owner Alliance (AOA)* and we have committed to transition our investment portfolios, across all asset classes, to net-zero emissions by 2050, at the latest. We will set science-based interim targets every five year and report on our progress annually.

We support the recommendations from the *Task Force on Climate Related Financial Disclosures (TCFD)* and commit to disclose our climate related exposures, strategies, targets and governance.

As part of Nordea Group, we have joined the *Partnership for Carbon Accounting Financials (PCAF)* and thereby commit to disclose our financed emissions for relevant asset classes according to their accounting standards.

We are a signatory to the *UN Principles for Responsible Investments (UN PRI)* and are thus committed to integrate ESG issues, including climate change, in our investment decision processes.

4 Our approach

As with other environmental, social and governance (ESG) related aspects, climate change is an integrated part of our investment decision and risk management processes. We actively seek to understand and monitor how climate change may impact our portfolios and how our portfolios impact the climate. These insights help us guide our investment decisions, allocation strategies and engagement efforts. To support us, we base our work on the following pillars.

4.1 Climate resilience monitoring

We continuously monitor our climate risk exposures and use a combination of both forward- and backward-looking metrics and scenario analysis to future-proof our portfolios and assess their climate resilience. Climate risk exposures and the management of these are regularly assessed and discussed in L&P SC and reported to the Chief Investment Officers, the Life Executive Management Group, the NLH Board and the Boards of Directors of the local L&P entities.

4.2 Climate related exclusions and restrictions

We avoid investing in, or financing, companies in the most exposed sectors who are not properly preparing for a transition to a low-carbon economy. We have applied the following restrictions and exclusions in our portfolios;

- 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 material)

4.3 Financing the transition

We seek to benefit from the opportunities that arise from the transition to a low-carbon economy. We support companies and assets that clearly are undergoing a transition aligned with the objectives of the Paris Agreement and have set targets accordingly. In addition, we seek to actively invest in companies and assets that meet our risk and return requirements and significantly contribute to climate change mitigation and adaptation. We aim to over time increase the share of such investments.

4.4 Active ownership

Climate change is a prioritised area in our active ownership strategy where both our voting and engagement practices are important tools to improve our portfolios' climate resilience and to drive emission reductions in the real economy. We use a risk-based approach and focus our proactive engagement efforts on portfolio companies and sectors most exposed to climate risks. We engage with companies both through individual dialogues and together with other investors and investor coalitions. We are in regular dialogue with the asset managers who manage assets on behalf of us to ensure their practices and policies are aligned with our views and requirements.

Additional information on our internal rules with regards to ESG and sustainability can be found in the L&P Responsible Investment Policy and in the L&P Engagement Policy.

5 Positions and expectations

In addition to our commitments and restrictions we set expectations on our investee companies and asset managers with regards 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 investee companies and asset managers to;

- Disclose climate-related information in line with the recommendations provided by TCFD, including publicly disclosing scope 1-3 emissions
- Establish a robust governance of climate risks and report on the cost and implications of both physical and transition risks and how remuneration is linked to climate-related performance

- Set strategies and targets aligned with a 1.5C trajectory, including taking social considerations into account to support a just transition
- Support a just and orderly transition to a low-carbon economy when engaging with policy makers and refrain from participating in any direct or indirect advocacy activities aimed at weakening climate policy

5.1 Thermal coal

The burning of thermal coal for energy is the single largest contributor to man-made global temperature increase, accounting for about one third of the 1°C temperature rise above pre-industrial levels already observed. Carbon emissions already committed from existing coal fired power plants and plants that are planned or under construction would themselves nearly exhaust the remaining carbon budget to limit global warming to 1.5C.

We expect from all companies in our portfolios, and asset managers managing assets on behalf of us, that they have a firm understanding of the wider implications for the activities, operations and projects that they are engaged in. Ideally, companies and asset managers should guide their strategies as much as possible with the following principles;

- Other than coal plants currently under active construction, no further thermal coal power plants should be financed, insured, built, developed or planned
- There should be an immediate cancellation of all new thermal coal projects, including thermal coal plant, coal mines and related infrastructure (i.e. supplying products or services to thermal coal-based projects or business models) that are in pre-construction phase
- There should be a phase-out of all unabated existing coal-fired electricity generation in accordance with 1.5°C pathways, as provided by the IPCC and referenced by the International Energy Agency (IEA) and Powering Past Coal Alliance (PPCA)
- The most recent energy system models require an accelerated transition in developed economies including phase outs in most thermal coal assets by 2030 for industrialised countries and a full phase out globally by 2040¹

¹ Climate Analytics: “Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5°C” (2019). UN convened Net-Zero Asset Owner Alliance Thermal Coal Position Paper (2020)

We treat participation in activities and projects that are not aligned with these principles to be inconsistent with our climate commitments and the aspirations we have in respect to the different decarbonisation strategies of the companies and assets we invest in.

6 Reporting

We shall be open and transparent towards customers, authorities and other external stakeholders with regards to how we work with and incorporate climate change in our investment decisions, how climate change impacts our portfolios and how our portfolios impacts the climate.

We report and disclose on climate change 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.

Internal reporting on climate change is regularly provided to the Boards of Directors of the local L&P entities, the Life Executive Management Group and the across the Investment and Sustainability organisation.

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.