



# **LocalTapiola Group Climate Policy**

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# Introduction

Climate change is one of the greatest systemic risks of our era, giving rise to significant financial, social and environmental impacts on the financial markets, economies and societies in the future. The magnitude of these impacts will depend on how effectively we succeed in climate change mitigation and adaptation.

Mitigation involves achieving considerable long-term reductions to greenhouse gas emissions sooner than expected. The Paris Agreement aims to limit global warming to under 1.5 °C. This aim requires to transition towards a low-carbon economy and considerably reduce the use of fossil fuels.

From the perspective of both insurance and investment, climate change-related challenges will exercise an increasing impact on the business environment in which LocalTapiola Group operates. As an insurer, it is our mission to deliver insurance cover that is correctly and adequately tailored to respond to each client's needs. As an investor, we play a key role as a driver of a sustainable and thriving future. Continued climate change is increasing the role of these core missions.

**In the LocalTapiola Group Climate Policy, we describe the approaches that we employ to prevent, mitigate, manage and remedy our effects on the climate, to address climate change-related risks and to take into account climate change-related opportunities.** By acting in accordance with this Climate Policy, we will ensure that our procedures and practices are climate-proofed and that climate considerations are addressed in our business operations.

The Climate Policy was prepared in 2024, and it has been approved on the Boards of Directors of the LocalTapiola Group companies. Some minor updates were made to the Climate Policy in 2025. The Policy guides the work of everyone working at LocalTapiola. The LocalTapiola Group Climate Policy is a public document, available for reading on our website at [www.lahitapiola.fi/tietoa-lahitapiolasta/vastuullisuus/](http://www.lahitapiola.fi/tietoa-lahitapiolasta/vastuullisuus/).



# LocalTapiola's corporate responsibility commitments and climate goals

## LocalTapiola Group's corporate responsibility commitments

We are committed to operating sustainably, mitigating climate change and promoting climate change adaptation in the LocalTapiola group strategy, sustainability programme and Code of Conduct, and as a signatory of the UN's Principles for Sustainable Insurance (UN PSI) and through Finance Finland's Responsible Financial Sector principles. LocalTapiola Asset Management Group is committed to the UN-supported Principles for Responsible Investment (PRI).

## LocalTapiola's climate goals

Our sustainability work is guided by the LocalTapiola group strategy and the LocalTapiola sustainability programme 2022–2026, which includes the group's key sustainability goals and related key actions. As outlined in our sustainability programme, we want to provide Finnish solutions for climate change adaptation and mitigation.

**As an insurer, we want to increase the level of our clients' climate risk preparedness: we want to be a partner in climate change adaptation.** As an investor and a provider of finance, we aspire to promote climate-sustainable solutions alongside other goals. Accordingly, in our sustainability programme, we are committed to bringing CO<sub>2</sub>e emissions from LocalTapiola Group's

investment portfolios down to net zero by 2050 or sooner. We want to support our insurance clients in the green transition, and to bring insurance-associated CO<sub>2</sub>e emissions down to net zero by 2050. Furthermore, we have pledged to ambitiously reduce CO<sub>2</sub>e emissions generated from our own operations (Scope 1 and 2).



# Identifying, assessing and managing climate impacts, risks and opportunities

**O**n a regular basis, we identify and assess risks to which our business is exposed. This also covers sustainability risks. Sustainability risks mean environmental, social or governance-related risks. Climate risks are dealt with as part of the group's sustainability risks. Sustainability risk management is an element in normal business risk management, which is guided by the risk management policy approved by the Boards of the group companies.

As part of business risk surveys, as well as defining the risk management measures, we carry out a survey of the sustainability risks to which the group and group companies are exposed. The results of surveys are reported to the group's Risk Management Committee and to the Boards of the group companies.

We identify and assess LocalTapiola Group's material climate-related impacts, risks and opportunities in accordance with the materiality assessment requirements laid down in the EU Corporate Sustainability Reporting Directive (CSRD). The materiality assessment is based on double materiality, and it covers the value chain of LocalTapiola Group. In assessing risks and opportunities, we take account of climate change physical risks and transition risks in the short, medium and long term. Climate change is a material topic in LocalTapiola Group's sustainability reporting.



# Climate considerations in the provision of insurance and the remediation of claims

## Client and risk selection

**In our role as an insurer, we enhance our clients' ability to recover from losses caused by weather extremes, and we work towards mitigating climate change.**

As a result of climate change, insured risks will, in some respects, change: for instance, flood risks are expected to intensify and damage from storms and insects to increase. It is vital that we develop our understanding of the impacts of climate change. We use climate scenarios ever more comprehensively in order to understand the impacts that climate change has on the provision of insurance and on our clients' risks. Data on evolving climate risks and opportunities can be utilised in risk selection, insurance pricing, reinsurance and the development of insurance products.

We endeavour to provide our clients with insurance cover for their health, finances and property that is adequately tailored to respond to each client's needs, also in a changing climate. At the same time, as an insurance undertaking we are obligated to monitor the profitability of insurance



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provision, set targets for profitability and ensure that our activities are in line with the profitability targets. The work to achieve these targets is guided, inter alia, in underwriting policies. Owing to increasing climate risks and due to the targets set for profitability, it is possible that the scope or pricing of insurance will change. It may also occur that in future some risks will no longer be insurable.

We are developing our client and risk selection with due regard, alongside other goals, to our goal to bring insurance-associated CO<sub>2</sub>e emissions down to net zero by 2050 or sooner. To achieve this goal will in some instances require that the risks we insure must also transform into zero-emission risks. We are supporting and guiding our clients in this transformation.

## Product and service development

By developing our insurance products, we can seek solutions **for reducing the risks of climate change to people, nature or property**. Insurance product development and management are guided by the product management policy of the LocalTapiola Group insurance companies.

We are actively developing new insurance products to keep our clients' life and business protected now and in the future. This could mean the development of insurance products, or it may involve completely new types of insurance products.

Climate change mitigation calls for the deployment of increasingly lower-emission technologies, which in turn requires that the risks associated with the technology in question be insured. We familiarise ourselves with new technologies to be able to deliver – in the best possible manner – insurance solutions also for risks of which we have no prior experience or knowledge.

## Loss prevention

We support our clients **in preventing risks caused by climate change, in preparing for these risks and recovering from them.** To reduce and avoid climate risk-related losses, we cooperate actively with social actors. We make an active contribution towards increasing, in society, understanding of loss risks brought about by climate change and of how to anticipate them.

We encourage our clients and partners to invest in loss prevention, in order for the impacts of climate change and the disturbances they cause to be as mild as possible. To reduce the number of losses that occur, we support our insurance clients' risk management and its development. We endeavour to influence the use of resources needed to restore loss and damage and the reduction of emissions resulting from the restoration of loss and damage.

## Remediation of claims

**Climate change risks are also reflecting into our claim remediation activity.** As a result of extreme weather events, claims expenditure and the numbers of claims may increase particularly in property and business lines. Due to the prospect of a higher number of claims, claims service must be prepared for exceptional situations by ensuring operational performance, including claims handling efficiency, competences and resourcing. We need to have the necessary service capacity to deal with both individual disasters and extensive natural catastrophes that our policyholders may encounter.

Climate change physical risks or transition risks may give rise to new types of claim, for which we must prepare. In claims service, it is vital to develop staff's competencies in and understanding of, for example, the low-emission green transition technology that we insure as well as the risks which the technology we insure may entail. Examples of such include damage situations at wind farms and solar installations, or damage occurring in electro-mobility.

To anticipate climate change risks and to prepare for them, in claim remediation, we actively monitor regulatory developments and cooperate with our international partners.



**Climate change physical risks or transition risks may give rise to new types of claim, for which we must prepare.**

Our claim remediation activity causes CO<sub>2</sub>e emissions, which we calculate and report on an annual basis.

Furthermore, we also take climate change into account in claim remediation partnerships. We require responsible and sustainable policies from our claim partners, and promote the circular economy when restoring loss or damage, for example by using reused spare parts in vehicle claims or taking energy efficiency into account in repair construction projects. In selecting repair methods for vehicles and buildings, we monitor and promote the reduction of emissions.



# Climate considerations in investment, asset management and financing

## Investment activity of the group's insurance companies

The investment activity of the LocalTapiola Group insurance companies is guided by LocalTapiola Group's general principles, the responsible investment principles of the group's insurance companies, and investment plans. LocalTapiola General and LocalTapiola Life have in place separate **corporate governance principles** and their own **sustainable investment policies**. To a large extent, the investment assets of the group's insurance companies are managed at LocalTapiola Asset Management Group.



**We believe that by investing profitably, sustainably and with a long-term focus we also act responsibly towards our clients and stakeholders.**

In their investment activity, the LocalTapiola Group insurance companies take sustainability factors into account as part of the investment process and investment decisions. Sustainability is an important consideration in the investment activity

that our insurance companies pursue, and we believe that by investing profitably, sustainably and with a long-term focus, we can also act responsibly towards our clients and stakeholders. By employing a variety of financial and risk scenarios, we endeavour to identify and assess the impact of sustainability factors on the long-term returns and risks of different asset classes. In addition, we also examine investment activity against a variety of climate change scenarios.

LocalTapiola General provides its clients with corporate lending and real estate financing, while LocalTapiola Finance offers motor vehicle and machinery finance. In LocalTapiola General's Corporate Lending function, we take sustainability factors into account as part of the sustainability assessment of lending-related projects and as part of the overall assessment of investment and credit decisions. At LocalTapiola Finance, we enable the acquisition of lower-emission cars, by participating in the Green Deal, a voluntary agreement between the state of Finland and the automotive sector, that aims to cut greenhouse gas emissions from motoring, improve the energy efficiency of vehicles and increase the use of alternative types of propulsion.

## LocalTapiola Asset Management Group

The group's asset management and finance companies make up Asset Management Group. In addition to the group's own investments, Asset Management Group administers the funds of external clients.

At LocalTapiola Asset Management Group, our approach to sustainability is guided by the Asset Management Group's own sustainable investment principles, which lay down guidelines for addressing sustainability factors and risks at the Asset Management Group companies and in different asset classes. Asset Management Group's 'Climate and sustainable development' strategy includes the most important principles guiding investment activity which apply to this theme.

LocalTapiola Asset Management Group is committed to the Net Zero Asset Managers initiative (NZAMi). The aim is to bring emissions from investment AUM down to net zero by 2050 or sooner. LocalTapiola Asset Management provides its clients with investment solutions that take climate change mitigation into account.



## Asset management

Impacting climate change mitigation through investment activities requires understanding of the climate and environmental risks of investments. At LocalTapiola Asset Management, **consideration of sustainability factors (for example, greenhouse gas emissions) in investment decisions is part of risk management.** Climate risks are limited in investment portfolios by exclusionary strategies – for instance, investments in fossil fuels have been restricted in stock-picking and bond-picking. In investment activities, climate change also acts as an enabler.

LocalTapiola Asset Management is an active owner of the assets it manages, and this activity is guided by the corporate governance principles and the escalation policy. One engagement theme is climate change, and meetings, General Meetings and collaborative engagements are means by which we endeavour to engage companies to take climate action.

## Real estate operations

Our sustainable real estate operations are about addressing environmental, social and corporate governance considerations in a way that results in the best possible risk-reward profile. Consideration of climate change and emissions is an inherent element of environmental responsibility.

LocalTapiola's real estate division has joined the international Net Zero Carbon Buildings (NZCB) initiative, which has as its aim to reduce operational and embodied carbon emissions from real estate. We are committed to the energy efficiency objectives laid down in the energy efficiency agreements concluded in the real estate sector.

Our investment strategy comprises the high-quality maintenance, and improving the energy efficiency, of the building stock. **When making new real estate investments, we will also determine any possible climate change-related risks.** We never invest in properties that we evaluate to carry

excessive sustainability risk and any possible uncontrollable revenue implications and/or risk effects. The investment sites we develop and the work included in long-term plans of properties, as well as modifications, are implemented in compliance with the sustainable construction and design guidelines of LocalTapiola's real estate division. We require that the properties we develop calculate their carbon footprint and take action to reduce CO<sub>2</sub>e emissions while adhering to high standards of energy efficiency.

Emissions from the energy consumed at investment real estate managed by the real estate division are reported in Scopes 1 and 2, and in Scope 3 category 13, of LocalTapiola Group's carbon footprint. As for emissions from new construction and repair construction of investment properties, we report them in Scope 3 category 2.



## Climate considerations in our own operations

**T**he LocalTapiola Group companies operate business premises, and some group companies offer their staff company cars. Energy consumption at business premises and the journeys made by company cars may lead to CO<sub>2</sub>e emissions, which are so-called direct emissions from own operations and included in our carbon footprint's Scope 1 and 2 emissions.

For own operations, LocalTapiola Group has set a climate goal of reducing by 37% Scope 1 emissions and by 60% Scope 2 emissions by 2025 compared to the 2021 emissions. For the emissions that we cannot avoid, we will obtain carbon credits annually starting from the 2025 emissions. Achieving the climate goal for direct emissions requires a continuous and ambitious reduction of CO<sub>2</sub>e emissions now and in the future. We will be setting new emissions reduction goals for 2030.

The reduction of direct CO<sub>2</sub>e emissions is guided by LocalTapiola's climate roadmap for own operations, which sets out our main measures for achieving the climate goal by the end of 2025 and describes our emissions reduction opportunities up to 2030. Our emissions reduction efforts align with the Paris Agreement and the Science Based Targets initiative (SBTi). Through the carbon footprint, we monitor how our own operations climate goal progresses, both at group-wide level and on a company specific basis.

# Responsibilities

**L**ocalTapiola General's Board exercises authority over the strategic policy guidelines as regards sustainability, and over the key regulatory matters. In addition, General's Board has overall responsibility for organising the group's risk management. General's Board processes the group's Own Risk and Solvency Assessment (ORSA), which includes an assessment of climate change risks.

The Board of each LocalTapiola Group company monitors climate risks as part of the group's and the company's overall risk management and sustainability risk mix. It is for the Boards to approve the risk management plans as well as the investment plans that lay down the policies for responsible investment. The group's Management Group is tasked with formulating the other major group-level policy guidelines and decisions.

The group-level Sustainability Steering Group steers the development of sustainability at the group and the implementation of the sustainability programme goals, and it ensures proper anticipation of the applicable regulatory requirements. Climate goals are monitored as part of sustainability management and oversight. The LocalTapiola Climate Working Group for its part provides support for decision-making on the group's common climate issues.

# Reporting

**S**ustainability issues are reported to the Board of LocalTapiola General twice a year in the sustainability review, which may also include climate considerations.

As part of LocalTapiola General's Report of the Board of Directors, we publish a sustainability statement, by which we also report, in line with the sustainability reporting standards, on our climate issues. Furthermore, we describe our climate work in the voluntary LocalTapiola Sustainability Report.

As part of the prudential management process, the LocalTapiola Group insurance companies annually carry out an Own Risk and Solvency Assessment (ORSA). In addition to company-specific assessments, LocalTapiola General prepares a group-level Own Risk and Solvency Assessment. Alongside other risks, company-specific and group-level ORSA reports also report on climate risks with regard to both investment and insurance activities. The results of assessments are processed and approved at the Boards.



# LOCALTAPIOLA

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