



LocalTapiola Group Climate Policy

Contents

Introduction.....	3
LocalTapiola's corporate responsibility commitments and climate goals	4
Identifying, assessing and managing climate impacts, risks and opportunities.....	6
Climate considerations in the provision of insurance and in claims handling	7
Climate considerations in investment, asset management and financing.....	9
Climate considerations in our own operations	11
Responsibilities.....	12
Reporting	12

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 mitigating and adapting to climate change.

Mitigation involves achieving significant 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.

Climate change related challenges will exercise an increasing impact on the business environment in which LocalTapiola operates, from the perspectives of both insurance and investment. 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.

The LocalTapiola Group Climate Policy describes the approaches that we employ to prevent, mitigate, manage and remedy our effects on the climate. Furthermore, it also sets out how we address climate change related risks and take account of climate change related opportunities. By acting in accordance with this Climate Policy, we will ensure that our policies are climate-proofed and that climate considerations are addressed in our business operations.

The Climate Policy has been approved at the Boards of the LocalTapiola Group companies. The Policy guides the work of everyone working at LocalTapiola. The LocalTapiola Group Climate Policy is a public document, available on our website at 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 responsibly, mitigating climate change and promoting climate change adaptation in the LocalTapiola Group strategy, sustainability programme, and Code of Conduct, 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

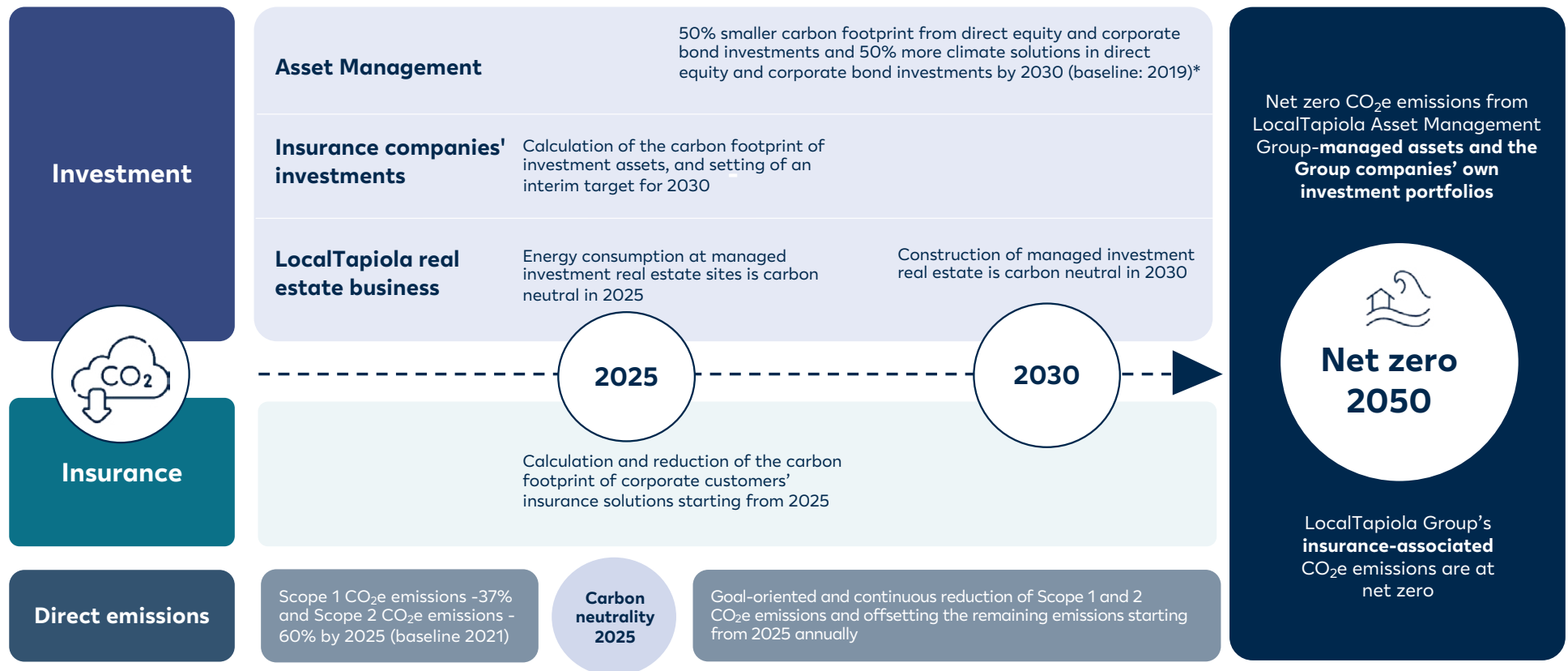
Our sustainability work is guided by the LocalTapiola Group strategy and the LocalTapiola sustainability programme 2022–2026, which includes the group's key sustainability goals and related key actions. As outlined in our sustainability programme, we want to provide Finnish solutions for climate change adaptation and mitigation. Our climate goals, which apply to investments, insurance, and our own activities, are illustrated on page 5.

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 CO₂e 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 CO₂e emissions down to net zero by 2050. Furthermore, we have pledged to reduce our direct CO₂e emissions and to achieve direct carbon neutrality (Scope 1 and 2) by the end of 2025.



LocalTapiola Group's insurance-associated and financed greenhouse gas emissions are at net zero in 2050



* LocalTapiola Asset Management's goal is to manage 46% of AUM in line with the Net Zero Asset Managers goal by 2030.

Identifying, assessing and managing climate impacts, risks and opportunities

On a regular basis, we identify and assess risks to which our business is exposed, including sustainability risks. Sustainability risks mean environmental, social or governance 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 mapping, we chart the sustainability risks to the group and to the group companies, and define the risk management measures. The results of this mapping 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 in claims handling

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 are utilising climate scenarios more comprehensively way to understand the impacts of climate change 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 aim to provide our clients with insurance coverage for their health, finances and property that is adequately tailored to meet each client's needs, even in a changing climate.

At the same time, as an insurance under-taker we are obligated to monitor the



We aim to provide our clients with insurance coverage for their health, finances and property that is adequately tailored to meet each client's needs, even in a changing climate.

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

We are developing our client and risks selection with due regard, alongside other goals, to our goal to bring insurance-associated CO₂e 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 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 also in the future. This can mean the development of insurance products, or may involve completely new type of insurance products.

Climate change mitigation calls for the deployment of increasingly lower-emission technologies, which in turn requires to insure the risks associated with the technology in question. 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' management of risk and its development. We seek to influence the use of resources needed to restore loss and damage, and we contribute to cutting emissions resulting from the restoration of loss and damage.

Claims handling

Climate change risks are also reflecting into our claims handling 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 skills and understanding of, for example, the low-emission green transition technology that we insure as well as of the risks which the technology we insure may entail. Examples of such include damage situations at wind farms and solar installations, or damage that occurs in electric transportation.

To anticipate climate change risks and to prepare for them, in claims handling we are actively monitoring 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 claims handling activities lead to CO₂e emissions, which we calculate and report on an annual basis.

In addition, we also take account of climate change in claim service partnerships. We require responsible and sustainable policies from our claim partners, and promote the circular economy when restoring loss and damage, for example by using reused spare parts for damaged vehicles or taking energy efficiency into account in repair construction projects.

Climate considerations in investment, asset management and financing

Investment activities of the group's insurance companies

Investment activities at the LocalTapiola Group insurance companies are guided by LocalTapiola Group's general principles and investment plan. LocalTapiola General and LocalTapiola Life have in place separate corporate governance principles, in addition to which LocalTapiola Life also follows its own sustainable investment policies. We are currently preparing responsible investment principles for the group's insurance companies, as well as sustainable investment principles for LocalTapiola General. 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 activities, the LocalTapiola Group insurance companies address sustainability factors as part of the investment process and investment decisions. Sustainability is an important consideration in the investment activity our insurance companies pursue, and we believe that by investing profitably, sustainably and with a long-term focus we also act responsibly towards our clients and stakeholders. We analyse our investment activities using various economic and risk scenarios, and have also started to consider these against different types 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 account of sustainability in projects related to financing and as part of the overall assessment of investment and credit decisions. At LocalTapiola Finance, we enable procurement of lower-emission cars by participating in the Green Deal, a voluntary agreement concluded between the state of Finland and the automotive sector, and by offsetting CO₂e emissions from the vehicles that we finance and LocalTapiola insures.

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 for different classes of assets. 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 has joined the Net Zero Asset Managers (NZAM) climate reduction initiative supporting investing aligned with net zero emissions by 2050 or sooner. As part of the commitment, LocalTapiola Asset Management is delivering to its clients investment solutions that take into account climate change mitigation.

Asset management

To impact on climate change mitigation through investment activity calls for an understanding of the climate and environmental risks to which investments are exposed. At LocalTapiola Asset Management, **sustainability factors (such as greenhouse gas emissions) are addressed in investment decisions as part of risk management.**

Climate risks are being limited in investment portfolios by exclusionary strategies – for instance, investments in fossil fuels have been restricted in stock-picking and bond-picking. In investment activity, climate change also acts as an enabler.

LocalTapiola Asset Management acts as 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 through meetings, General Meetings and collaborative engagements we aspire to engage companies to take climate action.

Real estate business

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

LocalTapiola real estate business has joined the international Net Zero Carbon Buildings (NZCB) initiative, which has as its aim to achieve carbon neutrality in terms of operational carbon and embodied carbon. The sustainability of real estate business activity is guided by the Asset Management Group's sustainable investment principles. We are committed to the energy efficiency objectives laid down in the energy efficiency agreements concluded in the real estate sector.

Our investment strategy includes the high-quality maintenance, and improving the energy efficiency, of the building stock. **When making new real estate investments, we will determine any possible climate change risks.** We never invest in properties that we evaluate to carry excessive sustainability risk and any possible uncontrollable revenue implications and/or risk impact.

The investment sites we develop are constructed in compliance with LocalTapiola's real estate investment sustainable construction guideline and design guidelines. For the sites we develop, we require that they calculate their carbon footprint and take action to reduce CO₂e emissions while adhering to high standards of energy efficiency.



Climate considerations in our own operations

The LocalTapiola Group companies operate business premises, and some group companies offer their staff company cars. The energy consumption of these premises and the journeys made by company cars may result in CO₂e emissions, which are considered direct emissions and fall within Scope 1 and 2 of our emission calculations. LocalTapiola Group has set the goal of achieving direct carbon neutrality by the end of 2025.

Direct CO₂e emissions reduction is guided by the Carbon Neutrality Roadmap, which describes the most important actions we need to take to achieve carbon neutrality by the end of 2025. Achieving carbon neutrality requires us to reduce our direct CO₂e emissions. Our emissions reduction efforts align with the Paris Agreement and the Science Based Targets initiative (SBTi). As for the emissions that we cannot avoid, the intention is to offset them starting from the 2025 emissions. Through the carbon footprint, we are monitoring how the direct carbon neutrality goal progresses, both at group-wide level and on a company specific basis.

Responsibilities

LocalTapiola 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 portfolio. 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

Sustainability issues are reported to the Board of LocalTapiola General twice a year in the sustainability review, which may also include climate-related considerations.

As part of LocalTapiola General's Report of the Board of Directors, we publish a sustainability statement, in which we also report in line with the sustainability reporting standards on our climate issues. Furthermore, we also 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 (ORSA). Alongside other risks, the company-specific and group-level ORSA report also reports on climate risks with regard to both investment activity and insurance. The results of the assessments are processed and approved at the Boards.



LOCALTAPIOLA

LocalTapiola Group
Revontulenkujä 1, 02100 Espoo
www.lahitapiola.fi