
# CLIMATE TRANSPARENCY REPORT 2020

## LocalTapiola Asset Management Ltd



Principles for Responsible Investment

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

# About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-3EAD7789-2A61-456A-8B11-1041606CD49E/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

| Strategy and Governance - CC | | | TCFD Recommendation | | | |
|---|---|---|---|---|---|---|
| Indicator | Reported | Disclosure | Governance | Strategy | Risk Management | Metrics & Targets |
| SG 01.6 CC | ✓ | Public | | | | |
| SG 01.7 CC | ✓ | Public | | | | |
| SG 01.8 CC | ✓ | Public | | | | |
| SG 01.9 CC | ✓ | Public | | | | |
| SG 01.10 CC | ✓ | Public | | | | |
| SG 07.5 CC | ✓ | Public | | | | |
| SG 07.6 CC | ✓ | Public | | | | |
| SG 07.7 CC | ✓ | Public | | | | |
| SG 07.8 CC | ✓ | Public | | | | |
| SG 13.1 | ✓ | Public | | | | |
| SG 13.2 | ✓ | Public | | | | |
| SG 13.4 CC | ✓ | Public | | | | |
| SG 13.5 CC | ✓ | Public | | | | |
| SG 13.6 CC | ✓ | Public | | | | |
| SG 13.7 CC | ✓ | Public | | | | |
| SG 13.8 CC | ✓ | Public | | | | |
| SG 14.1 | ✓ | Public | | | | |
| SG 14.2 | ✓ | Public | | | | |
| SG 14.3 | ✓ | Public | | | | |
| SG 14.6 CC | ✓ | Public | | | | |
| SG 14.7 CC | - | Public | | | | |
| SG 14.8 CC | ✓ | Public | | | | |
| SG 14.9 CC | ✓ | Public | | | | |
| SG 15.1 | ✓ | Public | | | | |
| SG 15.2 | ✓ | Public | | | | |
| SG 15.3 | ✓ | Public | | | | |

| Symbol | Status |
|---|---|
| ✓ | The signatory has completed this sub-indicator |
| - | The signatory did not complete this sub-indicator. |
| | This indicator is relevant to the named TCFD recommendation |
| Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete. | |

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

| MAIN CHARACTERISTICS | |
|---|---|
| **Name** | LocalTapiola Asset Management Ltd |
| **Signatory Category** | Fund Management - Majority |
| **Signatory Type** | Investment Manager |
| **Size** | US$ 10 - 29.99 billion AUM |
| **Main Asset Class** | Multi-Asset |
| **Signed PRI Initiative** | 2010 |
| **Region** | Europe |
| **Country** | Finland |
| **Disclosure of Voluntary Indicators** | 93% from 38 Voluntary indicators |

# LocalTapiola Asset Management Ltd

## Reported Information

## Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

| SG 01 | Mandatory | Public | Core Assessed | General |
|---|---|---|---|---|

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

| SG 01.1 | Indicate if you have an investment policy that covers your responsible investment approach. |
|---|---|

| SG 01 CC | Mandatory to Report Voluntary to Disclose | Public | Descriptive | General |
|---|---|---|---|---|

| SG 01.6 CC | Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon. |
|---|---|

◉ Yes

| | Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products. |
|---|---|

In relation to our investment activities we identify meaningful physical and transition risks. As physical risks we identify for instance both direct and indirect effects on business activities and human basic needs (food, clean water, electricity) that more frequent and severe extreme weather events cause. In addition, we identify the risks to energy and resource security. As transition risks we identify the potential impact on investment returns that the process of adjusting towards a low and ultimately zero carbon economy has. The technological shift and change in government policies might lead to a re-valuation of a broad range of assets. In addition to the transition risks, we identify several investment opportunities that stem from the transition.

In our climate policy we have defined ways to manage these risks in our investments. Also, our investment philosophy and our avoidance strategies support the management of these risks. For instance, we manage transition risks by avoiding to invest in worst-in-class (based on carbon footprint) companies operating in carbon-intensive sectors (utilities, energy, materials, air & sea transportation and waste management). In addition, we avoid investing in companies producing brown/thermal coal and peat when share of revenue is over 25 percent, and in companies that use these raw materials in energy production when it accounts for over 25 percent of their energy mix. So, we aim at investing in the best-in class companies, but also in companies that have high ambitions to become more clean by changing their strategies. With regards to physical risks, they are taken into account in our company-specific investment analysis. Also, we estimate that the largest social risks in relation to extreme physical events exists in emerging markets. Our exposure to these markets is limited.

When it comes to our investment philosophy, for instance, the share of active investment in our listed direct equity investments is 92 %. In our active investments we do not follow any market indices, and apply our stock-picking and quantitative models in our investment decisions. Especially in our stock-picking model the role of our in-house analysis is remarkable and allows us to closely manage for the physical and transitional risks. Similar procedure is applied to our direct credit investments. In addition, in credit investments we have actively increased the amount of green bonds in order to direct our investments to green solutions and to mitigate climate change. For our direct investments in government bonds we are still in the process of defining how to account for the climate risks, as we only invest euro-denominated bonds issued by European and OECD-countries.

We also tackle the opportunities coming from transition with thematic investment solutions. In fixed income, we launched a positive impact bond fund in April 2019. The positive impact bond fund invests mainly in green bonds, but also in sustainability and social bonds. The fund targets climate change mitigation and a positive impact on the SDGs. In equities, we have a thematic mutual fund that invests in climate-positive companies.

○ No

| SG 01.7 CC | Indicate whether the organisation has assessed the likelihood and impact of these climate risks? |
|---|---|

◉ Yes

| | Describe the associated timescales linked to these risks and opportunities. |
|---|---|

It is still very challenging to assess the exact timescale or path as to when or how these risks and opportunities will realize. However, we follow up closely estimations on global warming and current trends in fighting it, especially within our investment horizon of 3-5 years, but also in the long term. In-line with the TCFD recommendations for assessment we identify short term as anything below 5 years, mid-term as 5 to 10 years and long term as anything above 10 years. In the short term, our focus is on the individual companies' actions to reduce their carbon footprint and to mitigate climate risk. In the mid-term we look into how changes in regulation and how the transition towards low and zero carbon economy affects sectors and individual companies. In the long-term we try to estimate what will the risks be if the set goals are not enough to mitigate the climate risk, eg. pronounced physical risks and the market risk. In addition, the probability of failing to reach the targets of Paris Agreement is something we need to evaluate closely. In our view, the regulators are lagging in setting goals to support the targets. During 2019, we have for instance looked at the IPCC report and its implications on the likelihood and impact of climate change.

We have run our initial assessments regarding scenario analysis that includes climate risks for different time periods. Due to our investment philosophy our exposure is lower than that of the market (we do not invest in-line with indices and are able to avoid companies and sectors according to our view). Also, we follow closely risks and changes related to climate regulation (eg. EU taxonomy), that might have implications to operations at certain sectors and also on overall investment returns.

Our main focus however is on the opportunities side, and we believe that these opportunities arise on an ongoing basis. We aim at investing in the frontrunners that either improve their own operations and footprint, or provide products and services that reduce the footprint of the value chain.

As investors we need to look into all climate related risks. Naturally the challenge currently is the accuracy and comparability of the data. The TCFD recommendations tackle especially the challenges related to climate risk reporting, and we publicly support these recommendations. We have also prepared our first TCFD aligned climate report for 2019.

In addition to carbon emissions and stranded assets, we also follow closely water and other climate risks. However, these assessments are made on sectoral basis as availability of data is limited.

○ No

| SG 01.8 CC | Indicate whether the organisation publicly supports the TCFD? |
|---|---|

◉ Yes

○ No

| SG 01.9 CC | Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities. |
|---|---|

◉ Yes

| | Describe |
|---|---|

For most of our investments we have a strategy in place to identify and manage material climate-related risks and opportunities.

In our stock and credit -picking strategies the assessment of climate-related risks and opportunities is conducted simultaneously with our in-house investment and ESG analysis of all companies that we invest in. The issues considered and their relevance vary from sector to sector. Main issue that we follow in a more overarching manner is the carbon emissions. The stranded assets risk and the physical risks are something we evaluate on an individual company level by assessing eg. the asset-base or the company's locations. Especially for carbon emission the data availability has improved remarkably over the past years and offers possibilities for comparison. We have avoidance criteria based on carbon footprint in use, and avoid investing in worst-in-class (based on carbon intensity) companies in utilities, energy, materials, air & sea transportation and waste management. In these sectors we aim at investing in the best-in-class companies or companies that have a clear plan to improve their operations. In other sectors we use internal limits to control for the carbon footprint of our investment objectives. We also avoid investing in companies where 25 percent of revenue comes from brown/thermal coal or peat used in energy production, or in energy producers with at least 25 percent of activity based on these raw materials without a trustworthy plan of changing their mix. For identifying these companies we use a third party database, Bloomberg and data collected by ourselves. The portfolio weight of a company that has a high carbon intensity is limited to the lower end of our typical range of 2-5 percent.

For portfolios that are based on our stock- and credit-picking strategies and our factor model, we calculate and report the portfolio spesific carbon footprints semi-annually. For client portfolios we calculate the aggregate numbers and report accordingly. The methodology we use in this calculation is in-line with the TCFD recommendations, and in our calculations we use reported data only.

We support the TCFD and encourage the companies we invest in to report on their climate risks inline with the recommendations.

In addition, we have two climate-themed mutual funds and sustainability themed sub-portfolios that we offer to our clients. The themes included are among others renewables, clean tech and sustainable solutions for industry and cities. In the fixed income side green bonds play a big role. With the thematic investments we aim at mitigating the climate change.

In our externally managed investments, we discuss ESG-issues including climate risks with our partners regularly. We monitor their processes and implementation of ESG-issues into the Funds' investments. We are prepared to make changes in case we feel that climate issues are not taken into account in a appropriate manner.

We also use ETFs in investment solutions in order to fullfill certain client needs. We are prepared to offer low-carbon ETFs in case we consider them beneficial to our client needs

○ No

| SG 1.10 CC | Indicate the documents and/or communications the organisation uses to publish TCFD disclosures. |
|---|---|

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☑ Regular client reporting

☐ Member communications

☐ Other

☐ We currently do not publish TCFD disclosures

## Governance and human resources

| SG 07 CC | Mandatory to Report Voluntary to Disclose | Public | Descriptive | General |
|---|---|---|---|---|

| SG 07.5 CC | Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues. |
|---|---|

| | Board members or trustees |
|---|---|

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

| | Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee |
|---|---|

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

| | Other Chief-level staff or heads of departments |
|---|---|

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

| | Portfolio managers |
|---|---|

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

| | Dedicated responsible investment staff |
|---|---|

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

| | External managers or service providers |
|---|---|

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

| | Other role, specify (1) |
|---|---|

ESG Steering Group

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

| SG 07.6 CC | For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed. |
|---|---|

Board of Directors and CEO have oversight for all activities at LocalTapiola Asset Management. RI issues and climate-related issues are reported to the Board of Directors at least annually.

| SG 07.7 CC | For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved. |
|---|---|

RI and climate-related issues are discussed in the Management Board at least bi-annually. CIO and Director, Portfolio Management and ESG are both members of the Management Board. Director, Portfolio Management and ESG is responsible for developing RI and climate-related policies and implementing them into portfolio management and allocates majority of her time on these issues. ESG Steering Group sets targets for ESG implementation and coordinates ESG projects. All asset classes and investment concepts are represented in the ESG Steering Group, including the Middle Office. Portfolio Managers are responsible for implementing the RI and climate-related policies, in particular for conducting the ESG analysis of individual investments. One of the Portfolio Managers is acting as an ESG coordinator in order to facilitate and expedite ESG projects. One of the Client investment managers is responsible for developing and implementing RI and climate-related policies in externally managed investments. We also have an ESG data-analyst with responsibilities to enhance the quality and use of RI and climate-related data, as well as RI and Climate-related reporting on portfolio and client level.

| SG 07.8 CC | Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation. |
|---|---|

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☑ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☐ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

## ESG issues in asset allocation

| SG 13 | Mandatory | Public | Descriptive | PRI 1 |
|---|---|---|---|---|

| SG 13.1 | Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.). |
|---|---|

☑ Yes, in order to assess future ESG factors

| | Describe |
|---|---|

MSCI ESG data was researched as part of our factor research initiative. Basic question of the study was if ESG data could be seen as a return driver. We studied both MSCI overall score level and changes in scores as well as sub score (E, S, G) data.

☑ Yes, in order to assess future climate-related risks and opportunities

| | Describe |
|---|---|

We have used the PACTA tool in order to assess the climate risks of our investments based on the stock-picking model.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling





PRI Principles for Responsible Investment

| SG 13.2 | Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets. |
|---|---|

| | We do the following |
|---|---|

☑ Allocation between asset classes

☐ Determining fixed income duration

☑ Allocation of assets between geographic markets

☐ Sector weightings

☑ Other, specify

To better prepare for unexpected scenarios and strengthen our risk management

☐ We do not consider ESG issues in strategic asset allocation

| SG 13.3 | Additional information. [OPTIONAL] |
|---|---|

Our economists have continued incorporating ESG into strategic asset allocation. More specifically, we have continued to build a modelling framework that allows us to simulate the effects of ESG factors, including climate-related risks and opportunities, using long-term macro scenarios. Given the nature of ESG factors, purely quantitative analysis will be complemented by qualitative analysis. The results will be considered in strategic asset allocation between different asset classes and geographical regions. In addition to the long-term portfolio optimization, the scenario analyses should help us to better prepare for unexpected scenarios and strengthen our risk management. This work will continue in 2020.

| SG 13 CC | Mandatory to Report Voluntary to Disclose | Public | Descriptive | General |
|---|---|---|---|---|

| SG 13.4 CC | Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans. |
|---|---|

☑ Initial assessment

| | Describe |
|---|---|

We recognize the role of ESG and specifically climate issues in strategic asset allocation. Our economists have continued their work in incorporating ESG into strategic asset allocation. More specifically, we have continued to build a modeling framework that allows us to simulate the effects of ESG factors, including climate-related risks and opportunities, using long-term macro scenarios. In our simulations we have used the IPCC defined RCP 8.5 and RPC 2.6 scenarios. Given the nature of ESG factors, purely quantitative analysis will be complemented by qualitative analysis. The results will be considered in strategic asset allocation between different asset classes and geographical regions. In addition to the long-term portfolio optimization, the scenario analyses should help us to better prepare for unexpected scenarios and strengthen our risk management. This work will continue in 2020.

In addition, we have used the PACTA tool in estimating the risks within our listed direct equity investments based on our stock-picking model. With the PACTA tool we have analyzed all our stock-picking portfolios. The PACTA tool uses the SDS scenario. Since our stock-picking portfolios are very concentrated (only about 30-40 names) the incorporation of the scenario analysis is difficult. The challenge of the tool is that it only takes into account specific sectors. Generally, we have very little exposure in these sectors if any. Ie. the coverage of the analysis is usually very low. Results have, however, mostly been positive. Our portfolios' exposure to fossil fuels is between 10 and 70 percent, if there is any exposure, depending on the portfolio being observed. In addition, according to the tool our portfolios are well aligned with the SDS and also with the B2DS scenarios. As a result our portfolios are currently better positioned than the general market, that stands currently at a 2-4 degree global warming scenario.

☐ Incorporation into investment analysis

☐ Inform active ownership

☐ Other

| SG 13.5 CC | Indicate who uses this analysis. |
|---|---|

☐ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☐ Other

| SG 13.6 CC | Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy. |
|---|---|

◉ Yes

| | Describe |
|---|---|

It is still very challenging to assess the exact timescale or path as to when or how these risks and opportunities will realize. However, we closely follow estimations on global warming and current trends in fighting it, especially within our investment horizon of 3-5 years, but also in the long term. In-line with the TCFD recommendations for assessment we identify short term as anything below 5 years, mid-term as 5 to 10 years and long term as anything above 10 years. In the short term, our focus is on the individual companies' actions to reduce their carbon footprint and to mitigate climate risk. In the mid-term we look into how changes in regulation and how the transition towards low and zero carbon economy affects sectors and individual companies. In the long-term we try to estimate what will the risks be if the set goals are not enough to mitigate the climate risk, eg. pronounced physical risks and the market risk. In addition, the probablity of failing to reach the targets of Paris Agreement is something we need to evaluate closely. In our view, the regulators are lagging in setting goals to support the targets. During 2019, we have for instance looked at the IPCC report and its implications on the likelihood and impact of climate change.

○ No

| SG 13.7 CC | Indicate whether a range of climate scenarios is used. |
|---|---|

☑ Analysis based on a 2°C or lower scenario

☐ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☐ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

| SG 13.8 CC | Indicate the climate scenarios your organisation uses. |
|---|---|

| Provider | Scenario used |
|---|---|
| IEA | ☐ Beyond 2 Degrees Scenario (B2DS) |
| IEA | ☐ Energy Technology Perspectives (ETP) 2 Degrees scenario |
| IEA | ☑ Sustainable Development Scenario (SDS) |
| IEA | ☐ New Policy Scenario (NPS) |
| IEA | ☐ Current Policy Scenario (CPS) |
| IRENA | ☐ RE Map |
| Greenpeace | ☐ Advanced Energy [R]evolution |
| Institute for Sustainable Development | ☐ Deep Decarbonisation Pathway Project (DDPP) |
| Bloomberg | ☐ BNEF reference scenario |
| IPCC | ☑ Representative Concentration Pathway (RCP) 8.5 |
| IPCC | ☐ RPC 6 |
| IPCC | ☐ RPC 4.5 |
| IPCC | ☑ RPC 2.6 |
| Other | ☐ Other (1) |
| Other | ☐ Other (2) |
| Other | ☐ Other (3) |

| SG 14 | Mandatory to Report Voluntary to Disclose | Public | Additional Assessed | PRI 1 |
|---|---|---|---|---|

| **SG 14.1** | Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered. |
|---|---|

☑ Changing demographics

☑ Climate change

☐ Resource scarcity

☑ Technological developments

☐ Other, specify(1)

☐ Other, specify(2)

☐ None of the above

| **SG 14.2** | Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity |
|---|---|

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

| | Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes. |
|---|---|

| | trillions | billions | millions | thousands | hundreds |
|---|---|---|---|---|---|
| Total AUM | | | 494 | 290 | 000 |
| Currency | EUR | | | | |
| Assets in USD | | | 544 | 856 | 508 |

| | Specify the framework or taxonomy used. |
|---|---|

Based on our own assessment of our thematic investments

☐ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☐ Other, specify

☐ None of the above

| SG 14.3 | Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities. |
|---|---|

☑ Scenario analysis

☐ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☑ Total carbon emissions

☑ Carbon intensity

☐ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

| SG 14.5 | Additional information [Optional] |
|---|---|

In stock and credit picking strategies we have identified certain industries as carbon intensive. Within these industries we invest only in the best-in-class companies, measured by carbon intensity. In addition, we can invest in companies committed to improvement, meaning companies that can prove stringent policies, practices and targets for decreasing their carbon footprint and for mitigating their environmental impact. These companies have also received an excellent or good score in our in-house ESG scoring system. We also take into account sector or company specific indicators of carbon footprint in our analysis. In less carbon intensive sectors we adhere to our process of internal ESG analysis.

Carbon footprint metrics (mentioned above) calculated for funds and client portfolios are disclosed publicly on a quarterly basis (funds) or for clients on biannual basis.

We also avoid investing in companies with more than 25 % revenues arise from coal or peat extraction and production.

| SG 14 CC | Voluntary | Public | | General |
|---|---|---|---|---|

| SG 14.6 CC | Provide further details on the key metric(s) used to assess climate-related risks and opportunities. |
|---|---|

| Metric Type | Coverage | Purpose | Metric Unit | Metric Methodology |
|---|---|---|---|---|
| **Weighted average carbon intensity** | ☐ All assets<br>☑ Majority of assets<br>☐ Minority of assets | identifying carbon risks | tons of CO2e per 1m EUR of revenue | for individual company 1 CO2e / 1m EUR revenue and for portfolio as the weighted average for all investments<br>calculated for all internally managed equities and credit |
| **Carbon footprint (scope 1 and 2)** | ☐ All assets<br>☑ Majority of assets<br>☐ Minority of assets | identifying carbon risks | tons of CO2e | corporate disclosure based on generally accepted measurement methodologies or inline with the CDP requirements<br>data run for all internally managed equities and credit where data available |
| **Portfolio carbon footprint** | ☐ All assets<br>☑ Majority of assets<br>☐ Minority of assets | identifying carbon risks | tons of CO2e or tons of CO2 per 1m EUR of revenue | either portfolio total carbon emissions or carbon intensity (carbon intensity preferred and generally a better metric when comparing equity and credit portfolios as for all other metrics methodologies between equity and credit differ; also when calculating aggregated numbers for client portfolios by combining equity and credit carbon intensity is the preferred metric)<br>calculated for internally managed equities and credit |
| **Total carbon emissions** | ☐ All assets<br>☑ Majority of assets<br>☐ Minority of assets | identifying carbon risks | tons of CO2e | calculated as owned carbon emissions based on company emissions divided by company market cap and multiplied by our share of the market cap, share of ownership in individual company emissions are then summed in order to calculate total carbon emissions for a portfolio (for equities), for credit we use total value ie market cap plus total debt instead of market cap only and calculate the portfolios share of total value<br>calculated for all internally managed equities and credit |
| **Carbon intensity** | ☐ All assets<br>☑ Majority of assets<br>☐ Minority of assets | identifying carbon risks | tons of CO2e per 1m EUR of revenue | for individual company t CO2e per 1m EUR of revenue; for a portfolio total carbon intensity is calculated as a weighted average of the company-specific carbon intensities<br>calculated for all internally managed equities and credit |

| SG 14.8 CC | Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks. |
|---|---|

○ Processes for climate-related risks are integrated into overall risk management

◉ Processes for climate-related risks are not integrated into overall risk management

| | Please describe |
|---|---|

Climate change is one of the ESG risks that we have identified and looked into over several years now. In our RI principles we specifically define climate change as one of the important aspects of our RI, and in our internally managed active listed equity and fixed income investments we look both for risks and opportunities that stem from the climate change trends. Since our strategy is based on stock- and credit-picking we assess climate-related risks on an individual investment level (company level). This is part of the analysis is conducted by our portfolio managers. Also, controlling for climate-related risks is currently a responsibility of our portfolio managers. We are in the process of building up risk management processes regarding integration of ESG issues into our overall risk management (including our compliance and middle office control functions). However, our middle office control function is for instance responsible for calculating and reporting the carbon footprints for our portfolios. One of the challenges of a central controlling regarding climate-related risks is the data availability and the comparability of the available data. During the past years the carbon emissions data has become better available, but there is still lack of data on other issues such as stranded assets, water, waste management, use of recycled materials,etc. Also the data available is not based on any generally accepted measurement methodologies. TCFD recommendations is a great first step towards more standardized data, but it will take time before this data is available so that it can be used to measure climate-risks on a portfolio level.

| SG 14.9 CC | Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption. |
|---|---|

◉ Yes

| | Please describe |
|---|---|

We actively engage in climate related issues with the companies we invest in.

Since 2016 we have sent an annual survey to those companies we invest in that to our knowledge do not report their carbon emissions. With our engagement we inform them about the importance of climate risk reporting, and encourage the companies to adopt the TCFD recommendations. Our survey has been sent to over 100 companies every year. In addition, we discuss the climate related issues with the companies that we invest in, in our regular meetings with company management. The intensity of our engagement activity varies between companies, and our engagement is more systematic and profound with companies more exposed to climate risks. In our engagement activities we also encourage companies to set science-based targets regarding the environmental footprint of their operations.

In addition to our own direct engagement, we actively engage through collaboration. We have for instance joined the Climate Action 100+ initiative and are actively supporting the CDP non-disclosure campaigns. We have also taken part in the PRI led oil and gas initiative and actively participate in investor letters and statements. Eg. in 2019 we signed the investor letter to key US companies on climate lobbying and the investor statement on deforestation and forest fires in the Amazon.

In the AGMs we also vote for in shareholder resolutions regarding climate issues, when we evaluate the proposal as reasonable (ie. the company has not already taken steps in order to fulfill shareholder requirements in the matter or the proposal is not too guiding).

Our investment strategy for our internally managed assets is for the majority of assets based on stock- and credit picking and factor models. Especially in our stock- and credit-picking strategies we identify and assess the climate-related risks on company and sector levels. We have divided sectors based on their carbon footprints into carbon-intensive and non-carbon-intensive. For the carbon-intensive sectors (utilities, energy, materials, air & sea transportation and waste management) we have defined investment limitations (avoidance criteria) based on company-level climate metrics. In addition, more focus is put on the climate-related risk assessment for the carbon-intensive sectors. From 2019 onwards we also exclude companies with high coal and peat-related activities. Since our portfolios are concentrated (30-40 companies or issuers) we follow the risks and limitations at company-level. Our investment strategy also allows for directing our investments in companies benefitting from the climate change trends, and we actively look for such investment opportunities, both in equities and fixed income. Especially in fixed income we have actively increased the share of green bonds in our portfolios. The total amount we have invested in green bonds has increased over the years from 138m EUR in 2017 to 326m EUR at the end of 2019 (majority being credit investments). In credit investments we have launched a positive impact bond fund in 2019 that invests mainly in green bonds and in equities we will launch an environmental fund in 2020, that invests in climate and environmental solutions and services.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

| SG 15 | Mandatory to Report Voluntary to Disclose | Public | Descriptive | PRI 1 |
|---|---|---|---|---|

| SG 15.1 | Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas. |
|---|---|

◉ Yes

| SG 15.2 | Indicate the percentage of your total AUM invested in environmental and social themed areas. |
|---|---|

| | % |
|---|---|

15

| SG 15.3 | Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description. |
|---|---|

| | Area |
|---|---|

☑ Energy efficiency / Clean technology

| | Asset class invested |
|---|---|

☑ Listed equity

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

4

☑ Fixed income - SSA

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - Corporate (financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - Corporate (non-financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

6

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

| | Brief description and measures of investment |
|---|---|

We invest in companies that offer products and services in the field of energy efficiency and clean tech, eg. companies in the electric vehicle value chain, companies that build smart grids and companies that offer products and services for energy efficiency in industrial production and real estate. We also offer a sub-portfolio within the clean tech/renewables theme to our institutional clients.

In fixed income we also invest in bonds that are used in funding energy efficiency projects. Some of these green bonds direct funds to different green projects. For those, we have estimated the share of energy efficiency and clean tech projects.

In percentage calculation we used the internally-managed AuM for the specific asset class.

LocalTapiola Asset Management has a limited number of carefully selected external managers. The external managers' fund offering supplements the LocalTapiola mutual fund offering. Eg. SRI ETFs are very efficient vehicles to adhere to client specific SRI investment restrictions. In addition, we have selected one SRI EMD fund from our external manager's fund offering that is more widely used in discretionary clients' portfolios. We have also added other Green Bond funds from external managers to cater for energy effiency/clean technology aspects in the client portfolio.

☑ Renewable energy

| | Asset class invested |
|---|---|

☑ Listed equity

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - SSA

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - Corporate (financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

3

☑ Fixed income - Corporate (non-financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

11

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

| | Brief description and measures of investment |
|---|---|

We invest in companies that manage renewable energy assets and produce green energy. In addition, we invest in traditional utilities that have a strong strategy and a proven track record in becoming more clean.

In fixed income we invest in green bonds issued by financial institutions, utility companies and agencies that fund renewable energy projects. Some of these green bonds direct funds to different green projects. For those, we have estimated the share of renewable energy projects.

In percentage calculation we used the internally-managed AuM for the specific asset class.

LocalTapiola Asset Management has a limited number of carefully selected external managers. The external managers' fund offering supplements the LocalTapiola mutual fund offering. Eg SRI ETFs are very efficient vehicles to adhere to client specific SRI investment restrictions. In addition, we have selected one SRI EMD fund from our external manager's fund offering that is more widely used in discretionary client portfolios. We have also added other Green Bond funds from external managers to cater for renewable energy aspects in the client portfolio.

☑ Green buildings

| | Asset class invested |
|---|---|

☑ Listed equity

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - SSA

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - Corporate (financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

8

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

### Brief description and measures of investment

We have invested in green bonds that finance green building projects. These green bonds are usually issued by financial institutions and agencies and real estate companies. Some of these green bonds direct funds to different green projects. For those, we have estimated the share of green building projects.

In listed equities, we have also invested in companies that manage green building, or convert actively their buildings into green. The share of these investments is less that 1 % of the listed equity AuM.

In percentage calculation we used the internally-managed AuM for the specific asset class.

☑ Sustainable forestry

### Asset class invested

☑ Listed equity

#### Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

### Brief description and measures of investment

We invest in companies that manage certified forests and use certified wood raw materials in the production of wood building materials and paper and packaging products.

In percentage calculation we used the internally-managed AuM for the specific asset class.

☐ Sustainable agriculture

☐ Microfinance

☑ SME financing

### Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☑ Fixed income - Corporate (financial)

#### Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

| | Brief description and measures of investment |
|---|---|

We have invested in social and sustainable bonds issued by banks targeting SME Financing. In percentage calculation we used the internally-managed AuM for the specific asset class.

☑ Social enterprise / community investing

| | Asset class invested |
|---|---|

☐ Listed equity

☐ Fixed income - SSA

☑ Fixed income - Corporate (financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

| | Brief description and measures of investment |
|---|---|

We have invested in social bonds targeting social enterprise and community investing. In addition, we have "traditional", non-social bond investments in corporations that have invested in social enterprises/communities. In percentage calculation we used the internally-managed AuM for the specific asset class.

☑ Affordable housing

| | Asset class invested |
|---|---|

☐ Listed equity

☑ Fixed income - SSA

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

3

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

Brief description and measures of investment

We invest in social bonds targeting affordable housing in the Netherlands.

In percentage calculation we used the internally-managed AuM for the specific asset class.

☑ Education

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

2

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

Brief description and measures of investment

We invest in companies that provide education and educational materials, and also in companies that provide technological solutions and connectivity to improve learning process especially in developing countries. We also invest in agencies which are promoting education.

In percentage calculation we used the internally-managed AuM for the specific asset class.

☑ Global health

Asset class invested

☑ Listed equity

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

24

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

7

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

| | Brief description and measures of investment |
|---|---|

One of our thematic mutual funds is called LocalTapiola Wellbeing. This fund invests in healthcare companies with focus on diagnostics, healthcare systems and service providers, but also on pharmaceuticals. Our objective is to find future winners based on technology and service, and contribute to better diagnostics (including early detection), more efficient treatment processes and cost-efficiency in healthcare.

In addition to our thematic fund we have invested in health care companies in several other portfolios.

In percentage calculation we used the internally-managed AuM for the specific asset class. Infixed income we have invested in agencies promoting health care in Africa.

☑ Water

| | Asset class invested |
|---|---|

☑ Listed equity

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☑ Fixed income - SSA

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

| | Percentage of AUM (+/-5%) per asset class invested in the area |
|---|---|

1

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Cash

☐ Other (1)

| | Brief description and measures of investment |
|---|---|

We invest in water companies, that operate water infrastructure and waste water treatment plants, and provide clean water to industries and consumers. Our offering to our clients includes specific thematic sub-portfolios, and one of these is built on the water theme.

In fixed income we have invested in green bonds issued by agencies that fund water projects. Some of these green bonds direct funds to different green projects. For those, we have estimated the share of water projects.

In percentage calculation we used the internally-managed AuM for the specific asset class.

☐ Other area, specify

○ No