Responsible Investment Policy

Valid from: 2025-01-01

Applicable to: All employees

1. Goals and principles

The purpose of this document is to present the responsible investment policies applied to the investment activities of If P&C Insurance Holding Ltd (publ) ("If Holding") and its subsidiaries holding investment assets[1]. "If" is used as a general reference for any and all of these companies.

If aims to recognize and mitigate the adverse impacts of its investment operations to the environment (including climate and biodiversity), society, employees, respect for human rights, and anti-corruption and anti-bribery (hereinafter sustainability factors). Therefore, If has incorporated sustainability into its investment operations, and the company's investment decisions take into account not only financial aspects, but also sustainability factors, as well as the related risks (hereinafter sustainability risks).

Responsible investment is an approach to managing assets so that environmental, social and governance ("ESG") issues are included in investment analysis, decision-making and reporting. Responsible investment also includes active ownership. It aims to combine better risk management with improved portfolio returns, and to reflect investor values. It complements traditional financial analysis.

This policy is mandatory for portfolio managers and for those participating in investment operations and describes how to take sustainability risks and factors into account in their day-to-day activities. It is reviewed and approved by the Boards of Directors of If at least annually. The policy is available in English. The policy covers direct listed equity investments and fixed income investments, which represent approximately 95 percent of If's total investments, and applies to all

[1] This reference does not include any Topdanmark company for the time being.

markets If invests in. The policy is also used as guidance when making investments in other asset classes. New investments as well as current investments are covered by the processes.

2. Commitment to responsible investment

As a part of Sampo Group, If is committed to complying with Sampo Group's approach to sustainability and commits to promoting sustainability considerations when developing If's business operations.

If aims to be an active owner and to incorporate ESG factors into its investment analysis and decision-making processes, and ownership policies and practices. ESG issues have an impact on the long-term performance, risks and value of all companies. Hence, taking these issues into consideration in the investment process is an important means to improve the risk-return profile of investment and it is a critical success factor of investment activities.

Sampo Group, including If, is a signatory of the ***UN Global Compact***. If is committed to the UN Global Compact principles on human rights, labour, the environment, and anti-corruption, and works to make the principles part of its strategy, culture, and day-to-day operations. These principles are also incorporated into investment processes.

Sampo Group, including If, is a signatory of the ***UN Principles for Responsible Investment*** *("UN PRI")*. According to the UN PRI's six principles, the Group companies are required to:

- incorporate ESG issues into investment analysis and decision-making processes
- be an active owner and incorporate ESG issues into ownership policies and practices
- seek appropriate disclosure on ESG issues by the entities in which it invests
- promote acceptance and implementation of the Principles within the investment industry
- work together to enhance effectiveness in implementing the Principles
- report on activities and progress towards implementing the Principles

If aims to continually reduce its own greenhouse gas emissions and to encourage its partners and customers to reduce theirs. If has joined the ***Science-Based Targets initiative*** *("SBTi")* and is committed to ambitious and science-based climate targets. Targets are considered science-based if they are in line with what the latest climate science deems necessary to meet the goals of the **Paris Climate Agreement**, i.e., limiting global warming to well-below 2°C, preferably 1.5°C, compared to pre-industrial level. If follows the SBTi sector-specific guidelines for the financial sector and is, inter alia, developing climate targets for the investment operations.

As a Sampo Group company, If supports the **Climate Action 100+** initiative, an investor-led initiative to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

The **Task force on Climate-related Financial Disclosures** ("TCFD") is an industry initiative that aims to identify and report the information needed by investors, lenders and insurance underwriters to appropriately price and assess climate-related risks and opportunities. TCFD has divided climate-related risks into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change. This is an important initiative, and If works continuously to integrate the TCFD standard into its operations.

The **EU Taxonomy** ("Taxonomy") is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities. The Taxonomy is part of EU's efforts to achieve ambitious development goals in line with Agenda 2030[2] and the Paris Climate Agreement. The aim is to provide a common language to help investors and companies navigate the transition to a low-carbon, resilient and resource-efficient economy. The Taxonomy requires large financial and non-financial companies to disclose to what extent the activities which they carry out meet the criteria set out in the Taxonomy. Insurance companies are, inter alia, required to report key performance indicators (KPIs) on sustainable investments. If is continually working to integrate the Taxonomy into its business strategy and reporting processes.

In 2015, all UN member states adopted the **Sustainable Development Goals** ("SDG")**.** These goals provide a shared blueprint and roadmap for the public and the private sector, as well as civil society, for how to achieve a better and more sustainable future for all. If supports the SDGs and is committed to making its contribution in partnership with its stakeholders.

More information and detailed reporting are available in If's sustainability statement.

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[2] https://sdgs.un.org/2030agenda

3. Implementation

If has incorporated sustainability analysis into its investment processes as described below.

3.1 Norm-based research

A part of responsible investment is assessing companies' impact on stakeholders and the extent to which a company causes, contributes, or is linked to violations of international norms and standards. When new investments are planned, potential investee companies' possible violations against the international norms and standards laid down in international conventions, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the Guiding Principles on Business and Human Rights: Implementing the United Nations' Project, Respect and Remedy Framework and the Paris Agreement on Climate Change, are considered.

Norm-based research, i.e., research that assists investors in making decisions regarding companies' adherence to environmental protection, human rights, labour standards, and anti-corruption, is used to assess whether companies are respecting these norms and standards. The data is provided by an external service provider.

Should abuses or breaches related to these standards be observed in an investee company, or potential investee company, the incident is investigated, measures are taken on a case-by-case basis, and the investment must be approved by the chairman of If's Investment Control Committee (the "ICC"). Depending on the severity, nature, and extent of the breach, portfolio management measures may consist of direct dialogue with the investee company's executive management, a pooled engagement action or, as a last resort, divestment if the investee company does not respond to the engagement efforts and does not take measures to prevent the abuse or breach within a reasonable time frame (see Active ownership).

3.2 Sanction screening

If is also committed to compliance with relevant sanctions laws in the jurisdictions in which it operates. Regarding investments, If has implemented screening procedures for both new and existing investments. To ensure compliance with the requirements under sanctions laws, If is screening its investment portfolio and investment counterparties against applicable sanctions lists, both before making an investment and on an ongoing basis. If does not invest in companies or sovereign bonds which are subject to these types of sanctions.

3.3 ESG risk rating

When analysing investment objects and making investment decisions, ESG risk ratings from an external service provider are used to quantify the extent to which a risk related to sustainability criteria can affect a company's value. The risk rating is a two-dimensional materiality framework that measures both a company's exposure to ESG risks and how well the company is managing those risks. The ESG risk rating focuses on identifying an investee company's significant ESG risks through a number of criteria and to evaluate potential ESG controversies based on information published by the company.

The ESG risk ratings are presented on a scale from 0 to 100, where the highest value represents the highest level of unmanaged ESG risk. Based on the ESG risk ratings provided by the service provider, investment objects are categorized into internally defined risk categories. The risk categories are low risk, medium risk, high risk, and severe risk. The possible action to be taken by the portfolio manager depends on the risk category of the investment. Depending on the results of the ESG risk rating screening, the actions described in table 1 below should be taken.

If the risk category of an investee company included in the portfolio changes, the investment will be subject to the actions in table 1.

Table 1. The ESG traffic light model's risk categories and the required actions.

Low risk (0–19.99) Companies with ESG risk ratings between 0 and 19.99 are included in this category. The risk arising from the ESG criteria is considered low. A decision to make an investment in a company with a low risk rating does not require any separate action from a responsible investment point of view.
Medium risk (20–29.99) Companies with ESG risk ratings between 20 and 29.99 are included in this category. The risk arising from the ESG criteria is considered medium. A decision to make an investment in a company with a medium risk rating does not require any separate action from a responsible investment point of view. However, due to the increased level of ESG risk, the portfolio manager should analyse the causes and possible consequences of ESG risks related to the company in question.
High risk (30–39.99) Companies with ESG risk ratings between 30 and 39.99 are included in this category. The risk arising from the ESG issues is considered high. Due to the high ESG risk, the portfolio manager should prepare an analysis on the causes and possible consequences of ESG risks related to the company in question. In addition, new investments in this risk category and the background to their ESG risk classifications shall be reported in writing to the ICC at the next regular meeting with the ICC.

Severe risk (40–100)

Companies that have a sustainability risk rating between 40 and 100 are included in this category. The risk arising from the ESG criteria is considered severe. Due to the severe risk, investments are not permitted, unless the company is implementing actions, deemed sufficient, to manage the risks. Before any new investment can be made, an application for approval shall be submitted to the Chairman of the ICC and such application shall include detailed information on the causes and possible consequences of ESG risks. In addition, investments in this risk category and information regarding the background to their ESG risk classifications shall be regularly reported to the ICC.

Companies that are not ESG rated by the service provider should be carefully analysed for all risk factors that affect the risk-return ratio including risks arising from ESG criteria. Investments in issuers without an ESG risk rating by the service provider are not included in the ESG traffic light model and the reporting based on it.

3.4 Sensitive sector screening

Certain industries are considered to carry more sustainability risks and cause adverse sustainability impacts than others. Such risks include, for example, reputational risk, climate risks, and regulatory risks. Investments in industry sectors identified as sensitive are monitored regularly to identify potential sustainability risks and quantify them.

Industries identified as sensitive include the manufacture or production of the following products or services, as well as the subcontracting, logistics or distribution of the manufacture or production of those products: adult entertainment, tobacco, gambling, military equipment, controversial weapons, oil and coal.

Different industries/product groups have been divided into tolerance categories based on how much of the company's net sales is generated, either directly or indirectly, by the business in question. With respect to controversial weapons, involvement is based on verified involvement by a third party. Based on the criteria described in table 2, investments that pose higher sustainability risks (i.e. whose direct/indirect involvement in a specific sector exceeds the set limits) are evaluated on a case-by-case basis and require the approval of the Chairman of the ICC. Restrictions are based on If's evaluation of the possible sustainability risks and adverse sustainability impacts of different industries.

Direct involvement refers to the manufacture or production of a product or service. Indirect business refers to various parts of the value chain of product or service production, such as subcontracting, transport, or distribution.

Table 2. Sensitive sectors and criteria

Industry/ Product group	Key risk factors	Percentage of sales		Description
Low tolerance		Direct business (production)	Indirect business (distribution /services)	
Controversial weapons	Reputational risk,regulatory risks	0%	0%	Investments are not made in companies whose business involves manufacturing, subcontracting or distribution of controversial weapons. Controversial weapons are, for example, biological, chemical, nuclear and cluster weapons. Exemptions can be granted if the company has a credible strategy to transition to a more sustainable business model.
Coal	Reputational risk, technology risks, transition risks, regulatory risks	5%	5%	Investments are not made in companies whose business involves mining of carbon or coal, coal mining subcontracting or production or distribution of coal-based energy or whose business is the distribution of coal or services related to coal gaining more than 5% of its revenues from this business. Exemptions can be granted if the company has a credible strategy* to transition to a more sustainable business model.
Tobacco	Reputational risk,regulatory risks, human right risks	0%	50%	Investments are not made in companies whose business involves the production of tobacco products or whose business is distribution of tobacco products or services related to tobacco products gaining more than 50% of its revenues from this business. Exemptions can be granted if the company has a credible strategy to transition to a more sustainable business model.
Adult entertainment	Reputational risk, labour rights risks, human right risks	0%	50%	Investments are not made in companies whose business involves production of adult entertainment or whose business is the distribution of adult entertainment or services related to adult entertainment gaining more than 50% of its revenues from this business.
Partial tolerance		Direct business	Indirect business	
Oil	Reputational risk,technology risks, transition risks, regulatory risks	30%	30%	Investments are not made in companies whose business is extraction, production or refining and processing of oil or the production or distribution of oil-based energy, if the company gains more than 30% of its revenues from these businesses. Exemptions can be granted if the company has a credible strategy* to transition to a more sustainable business model*.
Gambling	Reputational risk,governance risks, money laundering risks	50%	50%	Investments are not made in companies whose business is gambling or whose business is the distribution of gambling related products or services, if the company gains more than 50% of its revenues from these businesses.
Military equipment	Reputational risk, regulatory risks	50%	50%	Investments are not made in companies whose business is the production of military equipment or whose business is the distribution of military equipment or services related to military equipment, if the company gains more than 50% of its revenues from these businesses. Exemptions can be granted for companies producing military equipment for armed forces in democratic countries.

* A credible strategy can for example be science-based climate targets, or other types of ambitious climate targets, which are in line with the Paris Climate Agreement.

3.5 Science-based targets

If's near-term science-based emissions reduction targets[3] were approved by SBTi in December 2023. SBTi offers different target-setting methodologies for investment operations. If has decided to mainly use the Temperature Rating Approach for target-setting. Financial institutions may use the Temperature Rating Approach to address and cover corporate instruments, including corporate debt, listed equity and bonds, and private equity and debt. Financial institutions can use this approach to determine the current temperature rating of their portfolios, based on the public GHG emissions reduction targets (including science-based targets and any other valid public GHG targets that meet the method criteria) of their investees, and take actions to align their portfolios to ambitious long-term temperature goals by engaging with portfolio companies to set ambitious targets. This approach takes an engagement-oriented approach focused on portfolio companies' actions to measure and reduce emissions. If uses the Temperature Rating Approach for corporate loans, listed equity, corporate bonds, funds and ETFs. Listed equity and bonds represent more than 90 percent of If's total investment portfolio. The Sectoral Decarbonisation Approach (SDA), which involves the use of emissions-based physical intensity targets, is used for commercial real estate loans, as the Temperature Rating Approach cannot be used for this asset class.

Table 3. Headline target

If P&C Insurance Holding Ltd (publ)'s portfolio targets cover 85% of its total investment and lending by investments and assets under management as of 2020. As of that year, required activities made up 85% of If P&C Insurance Ltd (publ)'s total investment and lending by investments and assets under management while out of scope activities made up 15%.

Table 4. Asset class level targets

Asset class	Method	Target language
Corporate loans: Commercial real estate	Sector Decarbonisation Approach (SDA)	If P&C Insurance Holding Ltd (publ) commits to reduce GHG emissions from the commercial real estate sector within its corporate loan portfolio 57.2% per square meter by 2028 from a 2020 base year.
Corporate loans	Temperature rating	If P&C Insurance Holding Ltd (publ) commits to align its scope 1 + 2 portfolio temperature score by invested value of its corporate loan portfolio from 2.91°C in 2020 to 2.25°C by 2027. If P&C Insurance Holding Ltd (publ) commits to align its scope 1 + 2 + 3 portfolio temperature score by invested value of its corporate loan portfolio from 2.84°C in 2020 to 2.21°C by 2027.
Listed equity, corporate bonds, funds and ETFs	Temperature rating	If P&C Insurance Holding Ltd (publ) commits to align its scope 1 + 2 portfolio temperature score by invested value of its listed equity, corporate bond, fund and ETFs portfolio from 2.52°C in 2020 to 2.04°C by 2027. If P&C Insurance Holding Ltd (publ) commits to align its scope 1 + 2 + 3 portfolio temperature score by invested value of its listed equity, corporate bond, fund and ETFs portfolio from 2.7°C to 2.14°C by 2027.

[3] https://sciencebasedtargets.org/resources/files/Target-language-and-summary_If-PC-Insurance-Holding-Ltdpubl.pdf

3.6 Active ownership and engagement principles

Active ownership refers to measures taken to guide and control the management of investee companies with the aim of achieving the best possible profitability and long-term return for shareholders and to ensure that the legitimate interests of other stakeholders are taken into account. As an active owner, If strives to ensure that its investee companies operate responsibly. Key engagement issues include, for example, international norms and standards which If expects investee companies to comply with, governance and compliance related matters, as well as environmental aspects and climate change. In general, If only engages with companies that it has invested in and can decide not to engage with a company, for example, to avoid conflicts of interest. Additional criteria to consider before engaging can be, for example, materiality of the ESG issue, size of the investment, actions already taken by the investee company, and geographical location. Active ownership also applies to fixed income investments, where applicable.

3.6.1 Monitoring of investee companies' operation

If monitors the operations of investee companies in various ways by following news, stock exchange releases, information provided by external service providers and the investee companies' reporting. If expects the investee companies to be open and transparent in their operations and provide information on their financial performance, strategy, risk management, capital structure, and governance. In addition, If pays attention to the scope and quality of investee companies' reporting on their sustainability principles and climate impact, as well as how they are applied and any related goals.

Besides monitoring news and statutory and voluntary reporting, If's portfolio managers engage regularly with investee companies, for example, through participation in the companies' investor events and general meetings. If may also meet directly with the management of the companies. The purpose of the meetings is to discuss matters that are important in terms of the investee company's success, e.g., the company's goals, possible challenges, sustainability in business operations, and capacity to rectify possible discrepancies. Internal staff engagement is used both in a proactive and reactive manner.

3.6.2 Participation and exercising the right to vote in general meetings

Voting at annual general meetings ("AGMs") is a tool for shareholders to express their views and can be used in conjunction with other engagement activities. Participating at AGMs is part of the portfolio managers' responsibilities. The portfolio managers keep records of the AGMs they have attended and the votes they have cast at the meetings. The number of AGMs attended and voting behaviour is reported quarterly in Sampo Group's Sustainability Factbook.

If may authorize an employee to participate and vote at the AGM or use an external service provider to whom If gives voting instructions on exercising the right to vote. Voting in person or by proxy depends primarily on the geographical location of the investee company.

Voting decisions are made by the portfolio manager. Should any proposals submitted to the general meeting by an investee company's Board of Directors deviate from If's engagement and sustainability principles, If may initiate discussions with the company before the AGM in order to reconcile the opinions. If a discussion is not possible or if it does not lead to a mutual understanding, ownership rights may be exercised in possible voting situations. If strives to ensure that the investee company knows the grounds for If's voting behaviour in cases where If does not support the Board's proposal. If necessary, If may, as a shareholder, make proposals that promote good governance and sustainability as well as support similar proposals by other shareholders and take part in preparing such proposals.

3.6.3 Pooled engagement

If may exercise ownership together with other investors through pooled engagement if it is believed to be an effective means of achieving a desired change in the investee company. Through pooled engagement, If can voice concerns with companies that fail to respect established norms and companies that face credible allegations as identified by the service provider's teams of analysts, and request transparency regarding risk mitigation. Pooled engagement is used mainly in a reactive manner to address issues that may have already occurred.

If uses an external service provider for screening investments, initiating engagements, and coordinating engagement action. Methods of engagement include, for example, letters, emails, and meetings. The service provider provides quarterly reporting on all engagement activities and access to continuous monitoring of ongoing engagements. In addition, every engagement action is assessed internally on a case-by-case basis by the portfolio manager with the assistance of If's Sustainability unit and Investment Operations department. The pooled engagement process is coordinated internally on Sampo Group level.

Engagement processes may take years depending on the severity of the case. Engagement progress and outcomes are monitored internally and through the service provider while the engagement is ongoing. In unsuccessful engagements, the escalation strategy depends on the size and type of investment. If the investee company is unresponsive to engagement activities, the investment may be sold, or the exposure reduced.

Attention to possible conflicts of interest shall be paid when conducting active ownership activities. The aim should be to exercise the engagement processes in line with the best interest of customers and other stakeholders of Sampo Group. To avoid conflicts of interest, internal approval and mapping processes shall be conducted before all pooled engagement actions.

3.7 Implementation with respect to fund managers and outsourced asset management

Prior to selecting a new external fund manager or asset manager, If should establish relevant ESG aspects and analyse the prospective partner's commitment to responsible investment. Examples of issues to raise when conducting due diligence during partner selection include if the partner is a signatory to the PRI and/or the UN Global Compact, if the partner has a responsible investment policy and how well it is aligned to If's policy, what responsible investment processes the partner has, the extent of the partner's ESG reporting, and identified ESG risks and opportunities.

4. Responsibilities

If's ICC supervises If's investment activities in accordance with, inter alia, the principles set out herein and the Chairman of the ICC shall approve certain investments as set out herein. If's Investment Operations department monitors holdings regarding ESG risk rating, possible sensitive sector involvement, and possible failures to respect established norms and conventions. If's Sustainability unit shall provide input to the ESG risk rating, sensitive sector, science-based targets and norm-based research processes, and assist in the pooled engagement process.

Table 5. Organisation and responsibilities

Unit/body	Responsibilities and tasks
If's Boards of Directors	Approve the Responsible Investment Policy and outline the overall procedures and policies regarding responsible investment.
Chairman of If's Investment Control Committee (ICC)	Responsible for overseeing the practical implementation of responsible investment and responsible for compliance with the Responsible Investment Policy.
Portfolio Management unit	Each portfolio manager includes a sustainability analysis in his/her investment analysis and monitors the investee companies also from sustainability perspective. If any discrepancies are observed, the portfolio manager consults with the Chairman of the Investment Control Committee and possibly also with If's Sustainability unit to ensure a consistent operating method.
If's Investment Operations department	Responsible for coordinating responsible investment practices, developing tools, and cascading operating methods throughout the investment organisation. Investment operations have dedicated staff responsible for analysing, monitoring and reporting ESG issues, and supporting the portfolio managers in issues related to responsible investment including ESG screenings. Reports on responsible investment to the ICC and the Boards of Directors of If.
If's Sustainability unit	Expert unit responsible for supporting the portfolio managers in issues related to responsible investment, for example, assessing applications regarding investments in entities with severe ESG risk rating, entities operating in sensitive sectors, or entities violating international norms and standards.

5. Communication and reporting

5.1 Internal reporting

If's Investment Operations department provides, at least quarterly, reports to the ICC enabling the ICC to monitor the breakdown of the investments into the risk categories of the ESG traffic light model and into sensitive sectors. In addition, Temperature Ratings (TR) and the holdings in companies which are not compliant with international norms and standards, such as the UN Global Compact, are reported to the ICC at least quarterly. This information is also reported to If's Board of Directors on an annual basis. Pooled engagements are monitored and reported to the ICC at least annually. Moreover, the progress of the investment portfolio related to science-based climate targets (e.g., portfolio-level TR and SDA status) as well as ongoing engagements and the outcome of past engagements are monitored and reported to the ICC at least annually. Engagements are reported to If's Board of Directors as part of the regular board materials.

5.2 External reporting

The breakdown of the investments into the risk categories of the ESG traffic light model and into sensitive sectors, norm-based research risk categories and the number of pooled engagements is reported on aggregate level in If's sustainability statement which is part of the annual report. Science-based targets, TCFD and Taxonomy reporting are also available in If's sustainability statement.

UN Global Compact and PRI reporting is conducted on Sampo Group level by Sampo plc.

6. Compliance

All employees are responsible for following internal rules.

In order for the employees to be able to fulfil this responsibility, all leaders must ensure proper implementation within their respective area of responsibility.

Breach of internal rules could result in disciplinary action and/or reduced variable compensation.

This document shall be reviewed and decided at least yearly.