OP Pohjola's position on fossil fuels

Approved by the Board of Directors of OP Cooperative on 5 May 2026

Key definitions

Arctic area refers to the area limited by the Arctic circle.

Unconventional oil and gas extraction refers to activities and technologies that deviate from ordinary oil or natural gas production. These include, among others the production of oil from oil sand or oil shale, shale gas and coal bed methane.

Exploration and production business refers to the exploration of oil or natural gas onshore or at sea, and the production of oil or natural gas from deposits under the seabed or ground. It also refers to the exploration or development of new oil or gas deposits approved or confirmed after 31 December 2021.

Paris Agreement refers to the international treaty adopted in 2015 under the United Nations Framework Convention on Climate Change (UNFCCC). The parties to the treaty are countries, and it is not directly legally binding on banks, investors or companies. Nevertheless, it forms the global framework for climate change mitigation, and many non-state actors have voluntarily taken steps to align their climate and transition goals to those of the treaty.

SFDR (Sustainable Finance Disclosure Regulation)
An EU regulation (EU) 2019/2088 that obligates financial market participants to disclose openly how sustainability risks and sustainability-related impacts are considered in their investment decisions and investment products. While the SFDR does not require investment products to be sustainable, it imposes requirements on transparency and reporting.

Product under SFDR Article 8 ("promotes environmental and/or social characteristics")
Investment products under Article 8 of the SFDR are products which promote environmental and/or social characteristics, provided that the companies in which the investments are made follow good governance practices.

Product under SFDR Article 9 ("sustainable investment objective")
Investment products under Article 9 of the SFDR are products whose explicit investment objective is sustainable investment or, for example, a measurable impact related to climate change mitigation.

Thermal coal refers to coal that is used to generate energy (electricity and/or heat) by burning, as opposed to metallurgical or coking coal used in steel production.

OP Pohjola's position on fossil fuels are part of OP Pohjola's transition plan and sustainability programme. The position supports the objectives of the Paris Agreement and reflect our commitment to climate change mitigation.

OP Pohjola's position on fossil fuels is part of overall sustainability efforts in line with OP Pohjola's strategy. Sustainability targets and their monitoring are defined in OP Pohjola's sustainability programme. OP Pohjola's transition plan outlines in more detail the objectives, timelines and implementation of measures related to climate change mitigation. The fossil fuel position supplements overall sustainability-related plans, with a thematic focus on the boundary conditions for business activities related to fossil fuels in lending, investment and insurance operations and by supporting the implementation of the transition plan through decision-making and risk management.

1. OP Pohjola's position on business activities based on fossil fuels

For more than a decade, OP Pohjola has made active decisions on companies that operate in industries that exploit fossil fuels. The position on fossil fuels initially applied to coal and have since been expanded and clarified to also cover oil and gas exploration and production.

OP Pohjola's sustainability work and climate policies are part of the overall implementation of OP Pohjola's strategy. Objectives and approaches related to sustainability and climate are implemented within OP Pohjola's business operations in the banking, Wealth Management, insurance, and risk management.

Sustainability efforts at OP Pohjola are directed by a network of complimentary documents and policies. The hierarchy of these documents reflects the implementation of OP Pohjola's strategy and ensures that the policies on sustainability and climate are consistent and integrated with business operations.

OP Pohjola's sustainability programme defines the objectives, principles and monitoring of sustainability. The programme covers key themes related to the environment, society and good governance, including themes addressing climate change. The sustainability programme is approved by the Board of Directors of OP Cooperative and confirmed by the Supervisory Council of OP Cooperative, and its implementation is monitored as part of OP Pohjola's management and reporting practices.

OP Pohjola's transition plan outlines in more detail the objectives, timelines and implementation of measures related to climate change mitigation. The transition plan guides OP Pohjola's business activities, credit flows and risk management towards a low-carbon economy and supports a controlled transition in different industries. OP Pohjola's transition plan is approved by the Board of Directors of OP Cooperative and confirmed by the Supervisory Council of OP Cooperative.

The fossil fuel position is a thematic position that supplements the sustainability programme and transition plan. The position defines the boundary conditions for business activities involving fossil fuels in OP Pohjola's lending, investment and insurance operations, including exclusionary screening, threshold values and transition-related restrictions on activities involving coal, oil and gas.

The climate policy adopted by Wealth Management implements the policies on fossil fuels in our investment activities. The climate policy defines the climate criteria, exclusionary screening criteria and assessment procedures for investments and the practices used to steer investments towards low-carbon activities and business models with a credible transition plan. The policy is applied at the level of individual investment funds within the framework of investment strategies and applicable regulations.

Together, the sustainability programme, transition plan, fossil fuel position and the climate policy of Wealth Management form a consistent and hierarchical set of policies that enable the implementation of OP Pohjola's strategy in business activities involving fossil fuels in a controlled and systematic manner.

OP Pohjola's fossil fuel position applies to OP Pohjola's banking, insurance and Wealth Management businesses, considering the nature of the business activities and applicable regulations.

This document describes how the position is applied in OP Pohjola's different business operations.

1.1 Banking

Coal

OP Pohjola refrains from financing new coal power plants or coal mines, and companies that plan to build such facilities. New corporate financing relationships are not established with customers that derive more than 5% of their turnover directly from thermal coal. Turnover derived from thermal coal refers to coal extraction, sale of coal to be used as fuel, and electricity or heat generation based on coal. The definition does not cover the retail sale of electricity or the sale of electricity to end customers.

This position may be deviated from if the corporate customer commits to shifting to a low-carbon economy and producing a credible strategy to decouple from coal.

Conventional oil and gas exploration and production

Institutions, companies or projects that engage in oil and gas exploration or production are not financed.

Exceptions to the position are possible

- if the company:
    - acknowledges that it will not expand its exploration or production of oil or natural gas above what was approved by 31 December 2021; and
    - is committed to moving towards a low-emission economy and presents a concrete plan to achieve the emission reductions in line with the targets of the Paris Agreement in its business; or
- if financing is limited to the company's development and production activities that are based on renewable energy sources and the company presents a concrete plan to achieve the emission reductions in line with the targets of the Paris Agreement in its business.

Unconventional oil and gas extraction, exploration and production

New corporate customers that engage in unconventional oil and gas extraction, or the exploration or production of oil or gas in Arctic areas, are not financed. Financing is also not provided in situations where an OP Pohjola customer expands its operations to similar business activities.

Financing is not provided to OP Pohjola customers engaging in unconventional oil and gas extraction who expand the business activities in question.

Exceptions to the policy are possible

- if the company:
    - is committed to refraining from expanding its unconventional oil or gas extraction activities beyond what was approved by 31 December 2021; and
    - is committed to moving towards a low-emission economy and presents a concrete plan to achieve the emission reductions in line with the targets of the Paris Agreement in its business.

The policies are included in OP Pohjola's risk policy and credit policy and thus directly influence credit decisions.

1.2 Wealth Management

Exclusionary screening criteria applied in Wealth Management concerning fossil fuels are described in the Climate policy for Wealth Management. Exclusionary screening currently applies to direct active listed equity and corporate bond holdings in internally managed Article 8 and Article 9 funds.

The Climate policy for Wealth Management guides the work of investment activities to promote climate change mitigation and outlines climate targets. The policy brings together the criteria by which investee companies are analysed, and the targets are set as well as the measures taken to achieve the targets. The fossil fuel policy is implemented by excluding investments and by assessing the readiness of companies whose operations are based on fossil fuels to transition to more sustainable business models.

For funds included in the scope of exclusionary screening of fossil fuels, companies that derive more than 5% of their turnover from coal, oil or gas exploration, pipeline, transport, refining or production operations are excluded from investments unless the company has a transition plan that is clear, feasible or aligned with net zero targets. The assessment is based on the climate model described in the climate policy for wealth management. Wealth Management has defined the actively managed sustainable[1] funds investing directly in listed companies to which the exclusionary screening criteria apply.

Additionally, general exclusionary screening regarding coal applies to all of OP Pohjola's actively managed funds that engage in direct investments. Companies that derive more than 20% of their turnover from activities related to coal are excluded from investments. We also exclude from our investments companies that have undertaken expansion projects related to coal extraction, electricity production or infrastructure that supports these activities. Exceptions to the exclusionary screening criteria are possible in the case of individual companies that have a credible and feasible transition plan in place.

OP Asset Management's climate policy and information about fund-specific exclusions are available online at op.fi/responsible-investing.

[1] Funds that report sustainability information in accordance with Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation (SFDR).

1.3 Insurance

1.3.1 Pohjola Insurance

Pohjola Insurance does not issue insurance to new coal power plants or coal mines and requires that its customers have a credible strategy in place for phasing out the use of coal.

Pohjola Insurance does not issue insurance to institutions, companies or projects that engage in oil and gas exploration or production.

Exceptions to the position are possible if the company:

- acknowledges that it will not expand its exploration or production of oil or natural gas above what was approved by 31 December 2021; and
- is committed to moving towards a low-emission economy and presents a concrete plan to achieve the emission reductions in line with the targets of the Paris Agreement in its business; or
- if insurance is limited to the company's development and production activities that are based on renewable energy sources and the company presents a concrete plan to achieve the emission reductions in line with the targets of the Paris Agreement in its business.

Pohjola Insurance refrains from insuring new corporate customers that engage in unconventional oil and gas extraction, or the exploration or production of oil or gas in Arctic areas.

The policies do not apply to insurance activities that fall under a statutory obligation to insure.

The policies are integrated into Pohjola Insurance's operating instructions on pricing and underwriting (UW) and influence the decisions on whether insurance can be issued.

1.3.2 Investment activities by insurance companies

OP Life Insurance and Pohjola Insurance have outsourced their investment activities (including investment of assets and portfolio management) to OP Asset Management Ltd.

The principles of sustainable investing adopted by OP Life Insurance are described in the separate document *Principles for Responsible Investment at OP Life Insurance*. The sustainable investment policy adopted by Pohjola

Insurance is described in the separate document *Principles for Responsible Investment*. Both documents are available at op.fi/responsible-investing.

2. Decision-making and exceptions

Crises and security of supply

Exceptions to the position are possible in exceptional circumstances in which financing, insurance or investment activities are considered critical for ensuring national or local energy supply or security of supply or to safeguard the critical functions of society. Exceptions are always assessed on a case-by-case basis and subject to restrictions and time limits and require a higher level of decision-making and documented grounds.