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# Method for the work with integrating the Paris Agreement into the investment processes

In the policy for responsible investments, PFA commits to compliance with the goals fixed in the Paris Agreement to ensure limited carbon emissions and thus prevent global warming from increasing more than 2 degrees Celsius. Therefore, PFA has prepared some guidelines to ensure that PFA's contribution to the Paris Agreement will be implemented. Below is described the method and approach that PFA has drawn up to incorporate the guidelines in the investment process and strengthen PFA's knowledge of the company portfolios' climate impact.

## Dynamic method

PWhile incorporating the Paris Agreement into the investment process, PFA has given priority to focusing on PFA's listed shares and bonds[1] since different types of carbon data have been available. The companies are not liable to publish their objectives to reduce carbon emissions, and therefore PFA has collected different data sets to make a comprehensive assessment of the companies. PFA regularly follows the development in the work of the data providers, and PFA will integrate new parameters into its method whenever this is relevant and possible.

## Purpose of the method

The purpose is to ensure a data-based and consistent approach to the assessment of the portfolio's and the companies' carbon emissions. In this way, PFA will also be able to analyse and compare its investments with its benchmark in order to assess whether more carbon is being emitted than expected.

PFA's approach identifies the companies in which the risk of working against the Paris Agreement is greatest.

## 3-step method

The method deals with a number of different parameters within carbon emissions and environmental impact.

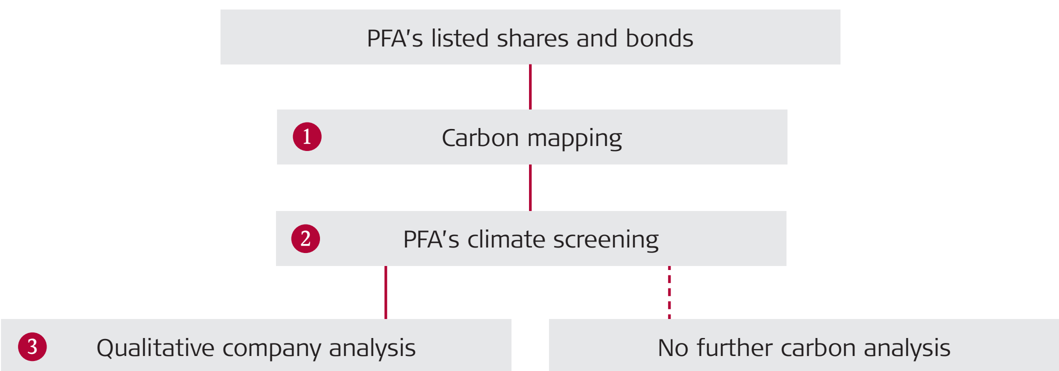
The mapping of the total portfolio's carbon emissions forms the basis of the analysis. Company-specific emissions data combined with ESG analyses contribute to assessing the companies' relative emissions and environmental impact compared with other companies in the same sector. Further qualitative analyses will be carried out when deemed necessary.

## Step 1

The first step is to create a total overview of the carbon emissions from investments in equities and bonds. This mapping also contributes to identifying industries and companies with large carbon emissions and thus a need of additional focus.

## Step 2

PPFA has prepared a quantitative climate screening model which embraces all companies which are either comprised by an energy-intensive industry, or which emit excessive amounts of carbon compared to the sector. By using the quantitative screening, a more nuanced and fact-based image of the companies is created. The model assesses the current emissions and the percentage of




[1] Carbon mappings are being prepared for other asset classes.

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reserves, and it also includes the company's opportunities within sustainable energy and clean tech. Furthermore, the model also deals with the company-specific ambition to reduce carbon emissions compared to others in the industry.

**The screening is based on the following parameters, which are broken down into 31 specific measuring points:**

- Carbon emissions Scope 1, 2 and 3 compared to turnover
- Carbon emissions compared to the industry
- Carbon reduction, target and description of reduction goals
- Possibility of using sustainable energy
- Fossil fuel reserves, including coal, tar sand and shale gas respectively
- Planned reduction of emissions
- CDP disclosure[2]

The purpose is to put focus on the companies that have significantly higher emissions than their competitors. The result of the screening gives a comprehensive image of the companies' goals in the area, the development of carbon emissions and the degree of adaptability to new and cleaner energy resources. This provides qualified data that can describe the company and form the basis of assessing whether a specific and in-depth analysis of the company is necessary.

## Step 3

The last step focuses on the companies in which data from PFA's climate screening shows that the company's climate impact has not been addressed, on the companies which have not addressed their energy consumption or set any targets for the carbon emissions or on the way in which they contribute to the green transition.
This is done by preparing company-specific qualitative analyses and assessing whether or not the investment in the company complies with the targets defined in the Paris Agreement.

Based on the company-specific analysis and dialogue with the company, if any, PFA will assess whether it may lead to divestment and potential exclusion of the company.

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[2] CDP (previously Carbon Disclosure Project) collects data and prepares scores for the companies' carbon disclosure..

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