

Lincoln Financial Group's Environmental, Social, and Governance (ESG) Investment Policy

Managing Lincoln's Investments

Approach

At Lincoln, invested assets are an integral part of our operations. We follow a balanced approach to investing for both current income and prudent risk management and we act in the long-term best interest of our customers. Our primary emphasis is on generating sufficient current income, net of income tax, to meet our obligations to customers, as well as other general liabilities. This balanced approach requires the evaluation of expected return and risk of each asset class utilized while still meeting our income objectives.

Investment Portfolio Composition and Diversification

Fundamental to our investment policy is diversification across asset classes. Our investment portfolio, excluding cash and cash equivalents, is composed of fixed maturity securities, mortgage loans on real estate, alternative investments, and other long-term investments. We purchase investments for our segmented portfolios that have yield, duration, and other characteristics that take into account the liabilities of the products being supported.

Managing ESG Risk and Opportunities in Our General Investment Account

Lincoln recognizes the importance of considering environmental, social, and governance (ESG) factors in its investments. We recognize that climate change factors may result in additional risk to our investment portfolio. These may manifest in various forms including operational, market, credit, policy, and regulatory risks.

In order to maintain the balanced approach described above, Lincoln and its asset managers consider a range of relevant ESG factors into due diligence, monitoring, and investment decision making. ESG factors are incorporated into an overall analysis in the manner described below and are considered in the recommendations as appropriate. In addition, to enhance our internal understanding of these factors, designated Lincoln individuals are required to participate in ESG training on an annual basis.

In addition to considering risks in our investment management process, we also consider related ESG opportunities. Senior members of the investment team participate periodically in both internal and external educational sessions and discussions regarding sustainable investment trends and opportunities.

We have a dedicated strategy within our alternative investments portfolio to invest in equity and debt of renewable energy companies and projects. These investments include wind, solar, and other renewable energy strategies that are aligned with Lincoln's long-term investment objectives.

For investments that Lincoln manages internally, specifically mortgage and real estate holdings, Lincoln incorporates a range of factors in its investment management process. We require and review environmental assessments on all real estate securing our commercial mortgage loan investments and routinely conduct environmental assessments for real estate we acquire.

The ESG Investment Policy is reviewed annually and approved by the Chief Investment Officer and the Investment Committee.

Third-Party Asset Manager Requirements

At Lincoln, a variety of third-party asset managers manage the investments for the general account. Lincoln requires its third-party asset managers across all asset classes to consider ESG factors, including climate-related risks, in their selection and review process for investments in Lincoln's accounts as appropriate. On an annual basis, Lincoln requests that its third-party asset managers supply Lincoln with their policies and procedures related to the incorporation of ESG factors. Additionally, when vetting subadvisors for funds, prospective managers are expected to disclose how they specifically mitigate risk from potential financial, legal, and/or regulatory liabilities related to ESG issues during their securities selection and portfolio construction processes. Many of Lincoln's third-party asset managers are signatories to the United Nations' Principles for Responsible Investment (UNPRI), with the majority having formal ESG investment statements or policies.

Public Fixed Income Asset Managers

The ESG landscape is evolving and we believe that those managing our fixed income investments are best suited to determine the relative importance of ESG factors in making investment decisions. Where relevant and appropriate, third-party asset managers are expected to use reasonable efforts to favor investments in firms that the third-party asset manager considers to have higher ESG ratings while adhering to Lincoln's Fixed Income portfolio guidelines.

Investments Within Our Products

We also recognize that our customers are thinking about ESG factors in their investments. For this reason, a variety of socially responsible investment options are available within the subaccounts of our products, including our individual and group variable annuities, variable universal life, and other retirement plan solutions. In addition, Lincoln's proprietary ESG fund, the LVIP Delaware Social Awareness Fund is one of the longest tenured ESG funds in the insurance industry and is available across our products.

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