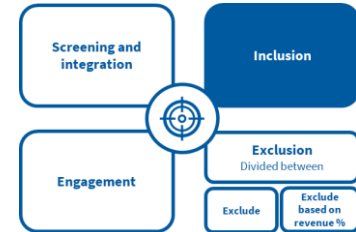


## Transition criteria and list of transition companies per December 2023

Länsförsäkringar AB applies several responsible investment strategies which ensures that sustainability (also referred to as 'ESG') factors are integrated into the investment process of investment portfolios and funds (see figure). The purpose is to improve the long-term return conditions of assets under management while at the same time contribute to a subset of the UN's global sustainability goals and counteract negative consequences for sustainable development.



One of the strategies is named **inclusion**. It involves, among other things, the application of sustainability-related transition criteria in the investment process. These criteria aim to identify companies in transition which over time can contribute to reduce negative climate impact. The transition criteria should be seen as complementary to the exclusion criteria ([link](#)). These criteria are applied by **Länsförsäkringar Liv's Asset Management** (Kapitalförvaltningen) and **Länsförsäkringar Mutual Fund Company** (Fondförvaltningen) to direct investments in listed equities and corporate bonds, as well as in government bonds<sup>1</sup>. The assets are linked to Länsförsäkringar AB's funds as well as its life and non-life insurance investment portfolios.

### Länsförsäkringar's climate smart vision

Länsförsäkringar AB (LFAB) has adopted a 'climate smart vision'<sup>2</sup> to support the low-carbon transition and the Paris Agreement's objective to limit global warming. For LFAB's asset management divisions, this vision includes targets relating to climate positive investment portfolios and funds, on aggregate, by 2045. An interim target towards achieving this vision is to harmonise the portfolios and funds by 2030 with an emission trajectory equivalent to limiting climate change to 1.5 degrees Celsius. 2019 is the base year.

In line with this vision, LFAB has introduced climate focused transition criteria. The rationale for introducing them is because criteria based on revenue shares alone (e.g. 5 %) in certain cases can disqualify companies that have made a commitment and are transitioning. For example, some companies are in the process of shifting towards a more sustainable energy mix, away from fossil fuels. Hence, it is likely that these companies over time reduce their climate emissions significantly. This type of transition might not necessarily be identified by a backward-looking metric that is often used in exclusion criteria.

### Design of transition criteria

Transition criteria have been applied by LFAB on certain **utility/power generation companies** since 2019. Since 2021 transition criteria have also been applied on certain **energy companies**. This means that LFAB may consider investing in individual companies in these sectors based on an integrated analysis, applying financial and ESG perspectives and related criteria. As part of the ESG analysis, different criteria are applied through the following four perspectives to determine whether a company is considered to be in transition:

- **Commitments:** science-based climate targets or equivalent climate targets set by the company;
- **Actions:** strategic plans, taxonomy aligned revenues and CAPEX investments, and the company's management of climate risk using data from [Transition Pathway Initiative](#) (TPI);
- **Trend (outcome):** the company's CO2 emission trend over time, based on actions (historically);
- **Forecast:** forward looking analysis of company's CO2 emission trajectory over time against what is necessary for the sector according to the Paris Agreement.

<sup>1</sup> ESG criteria are also applied by Länsförsäkringar Liv's Asset Management for new investments in illiquid funds (typically named private equity and private lending funds).

<sup>2</sup> Description of Länsförsäkringar's climate smart vision in Swedish via [link](#).

Commitment

Actions

Trend (outcome)

Forecast  
(CO2-emissions)

The transition criteria are dynamic as the underlying data from companies and third parties are continuously being updated and reviewed. The list of companies considered to be in transition is therefore likely to change over time. The transition criteria per sector are described below together with a list of companies that currently are considered to fulfill them.

### Specific transition criteria linked to utility/power generation companies

Länsförsäkringar AB may consider retaining companies with 5-20 % of revenue from thermal coal [power generation](#)<sup>3</sup> in the investment universe. To conclude whether certain companies are in transition an analysis covering the mentioned perspectives above and related criteria is conducted. As complementary criteria, a company's energy mix in terms of share from fossil fuels versus renewables is also considered in the analysis (share of the company's revenue from renewable energy production must exceed that from fossil energy).

### Utility/power generation companies considered to be in transition

[13 companies](#) within Länsförsäkringar AB's reference indices (Global and Sweden) are considered to fulfil most or all transition criteria and are thereby considered to be in transition. Although the companies are retained in the investment universe, this does not automatically imply that Länsförsäkringar Life Asset Management and/or Länsförsäkringar's Mutual Fund Company invest in them.

Company name	Assessment against transition criteria
<b>American Electric Power Company, Inc.</b>	The overall assessment is positive with <b>4/4</b> transition criteria met: Commitment, Action, Trend and Forecast.
<b>Acen Corporation</b>	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation.
<b>CEZ (Ceske Ener Zavody), a.s.</b>	The overall assessment is positive with <b>4/4</b> transition criteria met: Commitment, Action, Trend and Forecast.
<b>China Longyuan Power Group Corporation Ltd.</b>	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation.
<b>EDP - Energias de Portugal, S.A.</b>	The overall assessment is positive with <b>4/4</b> transition criteria met: Commitment, Action, Trend and Forecast.
<b>ENGIE Brasil Energia S.A.</b>	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation.
<b>Fortum Oyj</b>	The overall assessment is positive with <b>3/4</b> transition criteria met: Commitment, Action and Forecast.
<b>Kansai Electric Power Co</b>	The overall assessment is positive with <b>3/4</b> transition criteria met: Commitment, Action and Trend.
<b>NRG Energy Inc.</b>	The overall assessment is positive with <b>4/4</b> transition criteria met: Commitment, Action, Trend and Forecast.
<b>RWE</b>	The overall assessment is positive with <b>4/4</b> transition criteria met: Commitment, Action, Trend and Forecast. <sup>4</sup>

<sup>3</sup> Figures on revenue share are based on company information from licensed database as per November 2023.

<sup>4</sup> RWE has announced that the company is committed to phase out coal by 2030 at latest instead of previously 2038. Due to ongoing war in Ukraine the coal operations are however expected to increase in the short term due to energy security.

<b>Taiwan Cement Corp.</b>	The overall assessment is positive with <b>3/4</b> transition criteria met: Commitment, Action and Forecast.
<b>Vistra Energy</b>	The overall assessment is positive with <b>3/4</b> transition criteria met: Commitment, Action, and Forecast.
<b>Xcel Energy</b>	The overall assessment is positive with <b>3/4</b> transition criteria met: Commitment, Action, and Trend.

### Specific transition criteria for energy companies

Länsförsäkringar AB also applies transition criteria on selected [energy companies](#).

#### Energy companies considered to be in transition

[No company](#) within LFABs reference indices (Global and Sweden) currently fulfils most or all transition criteria for energy companies.