



# Sustainability **Policy** for Länsförsäkringar AB



# Sustainability Policy

## 1 Introduction

### 1.1 Background, purpose and definition

Sustainability is an integrated part of the Länsförsäkringar AB Group's (referred to below as the "LFAB Group") endeavour for sustainable, long-term value creation for its owners, customers, employees, investors and society at large. Sustainability is to nurture the brand. Sustainability activities are based on the vision of "Together we create security and opportunities" and that sustainable enterprising is more profitable in the long term.

The main purpose of the Sustainability Policy is to define:

- How sustainability in the LFAB Group is to be conducted in terms of governance, approach and monitoring
- Overall focus areas for business units and business areas in the LFAB Group
- A list of governance documents, instructions and guidelines that, in addition to this Policy, relate to sustainability is attached as an appendix to this Policy.

### 1.2 Scope and effective date

The Sustainability Policy applies to the entire LFAB Group as of the day it is adopted by LFAB's Board of Directors. Each Board within the Group is to study and approve the Sustainability Policy for application in its respective company. The Policy does not comprise the sustainability work that is conducted by each regional insurance company within its own operations.

### 1.3 Communication and introduction

The person in charge of the document is responsible for communicating the Policy to the Operations by publishing it on Länet intranet. The LFAB Group's managers are responsible for communicating the policy and ensuring its implementation in their areas of responsibility. All employees are obliged to be familiar with the content of this Policy.

## 2 Governance of sustainability activities

Sustainability is an integrated feature of LFAB's business plans that permeates the entire operation. To achieve this, LFAB has the following functions for governing and monitoring its sustainability work:

### Board of Directors

LFAB's Board of Directors resolves on the Sustainability Policy annually. Sustainability is an integral part of the follow-up on business and action plans. The Board of Directors also adopts LFAB's Sustainability Report as part of the Annual Report each year.

### Sustainability Committee

The Sustainability Committee was established by the President and CEO to prepare and address sustainability matters in the LFAB Group and, after being specifically tasked by the regional insurance companies, for the Länsförsäkringar Alliance as a whole prior to a decision by corporate management. The members of this Committee are appointed by the President and CEO. The Committee follows a specific work instruction prepared and updated by the Head of Strategy and Change Management.

### Head of Sustainability

The President and CEO of LFAB has delegated the functional responsibility for sustainability to the Head of Sustainability in the Communication and Sustainability function. This means that the Head of Sustainability is responsible for regularly following up on the business units' and business areas' sustainability focus areas, and for ensuring that approaches decided by corporate management set the framework for the work of the relevant business units and business areas.

The Head of Sustainability helps to ensure compliance with the Sustainability Policy through coordination, providing know-how and participating as required in relevant sustainability teams, as well as providing feedback to the Sustainability Committee on the progress of sustainability activities in the LFAB Group.

## Business units and business areas

The heads of the business units and business areas in the LFAB Group have an operational responsibility to implement the Sustainability Policy. This entails responsibility for adopted approaches and focus areas being defined, implemented and followed up in each business unit and business area, as well as being reported back to LFAB's Head of Sustainability. Activities to achieve the decided sustainable development goals are part of the annual business planning.

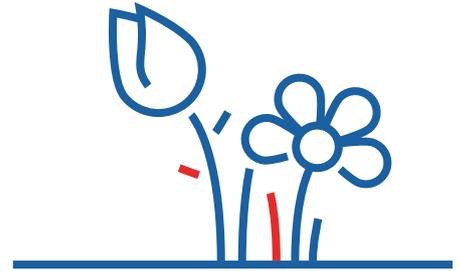
## 3 Sustainability and sustainability approach

Sustainability includes financial, social, environmental and business ethics matters. The LFAB Group's sustainability efforts are to support and contribute to the UN Sustainable Development Goals (SDGs) and support the UN initiatives that LFAB has signed, as presented in the Appendix to this Policy.

The Länsförsäkringar Alliance has identified SDGs 3, 8, 10, 12, 13, 16 and 17 as the most relevant to the business and those where Länsförsäkringar can make a positive contribution and reduce its negative impact. LFAB has supplemented the SDGs shared throughout the Länsförsäkringar Alliance with goals 5, 7, 9, 11 and 15, where the operations can help make a direct or partial contribution to these goals in the future through the asset management business conducted within the LFAB Group.

The UN Global Compact's principles for responsible business conduct and the UN PRI concerning Principles for Responsible Investment (PRI) are to be integrated into the LFAB Group's operations. The Non-life Insurance business unit supports the UN Principles for Sustainable Insurance (PSI) and these principles are integrated into the Non-life Group. The principles of these UN initiatives guide sustainability activities (see section 4.1). The Appendix to this Policy contains a description of the UN SDGs and the principles of the Global Compact, PRI, PSI.

Sustainability work is conducted by enga-



ging stakeholders, such as owners, customers, employees, suppliers, investors, partners, industry and civil society organisations and authorities. As owners and the recipient of the LFAB Group's deliveries, the regional insurance companies hold a unique position among stakeholders.

Sustainability is to be integrated throughout the Group's value chain, with a focus on the areas in which the LFAB Group can make the greatest difference.

#### 4 Managing climate risks and climate-smart vision

Climate change is the sustainability area to which the LFAB Group has assigned the highest priority. Climate change represents a financial risk for the LFAB Group in the form of potential impact on the insurance business, lending and investments.

Climate risks consist of physical risks and transition risks. Physical risks may take the form of extreme weather events, such as torrential rain, storms and floods, and permanent changes to the climate, for example, causing sea levels to rise. Climate risks can lead to increased insurance costs. Underlying collateral in lending may be affected. Transition risks could affect the LFAB Group and the companies in which investments are made, such as through regulatory, political and market changes related to the transition to a low-carbon society. If climate risk impacts the business of these companies, it could entail increased financial risk. From a reverse perspective, there are investment opportunities in companies and solutions that restrict climate change. Transition risks could also affect the insurance business and lending.

The LFAB Group has a long-term climate-smart vision that entails that the LFAB Group is to work actively to reduce climate impact and the climate risks throughout its operations and to encourage climate adaptation to reduce the damaging impact of climate change.

#### 5 Sustainability focus areas

The LFAB Group's sustainability efforts are divided into the following three main areas: Responsible offering, responsible business conduct and long-term environmental and social commitment. These three areas and the underlying sub-areas define how sustainability is to help create security and opportunities for customers and other stakeholders.

##### 5.1 Responsible offering

Responsible offering encompasses the offering of insurance, savings, loans and other financing products to customers.

##### Responsible insurance offering

The LFAB Group develops new products, manages the Länsförsäkringar Alliance's reinsurance cover and supplements the regional insurance companies' offering with specialist products. LFAB also prepares methods and standards for claims prevention and damage repair. The work includes taking into consideration sustainability risks and opportunities when developing new offerings.

The Non-life Insurance business unit supports the UN Principles for Sustainable Insurance (PSI) and works actively to integrate these principles into the insurance operations.

The focus areas for claims-prevention activities are: security and crime prevention, fire, water, motor third-party liability, and natural catastrophes, claims-prevention measures for people, animals and companies, health-promotion services for people and animals.

If a claim occurs, the LFAB Group will endeavour sustainable damage repairs, and strive to be economical with resources and work for a quick recovery and return to work.

##### Responsible savings offering

The LFAB Group is a major asset manager. Customer savings are deposited in pension products and in funds. The fund range comprises both externally and internally managed funds.

The aim is to be a responsible owner and to ensure sustainable returns in respect of economic, environmental, social and corporate governance-related dimensions. The Policy on Responsible Investments and Corporate Governance provides the foundation for the way in which responsible investments are to be conducted. LFAB has signed the UN Principles for Responsible Investment (PRI) and strives to integrate the principles into its investment activities. LFAB seeks to contribute to the UN SDGs through its corporate governance activities and by investing in companies that contribute to the goals. The Group's long-term objective is for investment portfolios and the funds managed by the LFAB Group to meet the Paris Agreement's target of limiting global warming to 1.5 degrees Celsius by 2030. Physical climate risks and transition risks are to be reduced systematically. This means that both companies with fossil operations and other companies with extensive climate risks will be managed. This management can take the form of reduced exposure, excluding certain sectors or companies and conducting active engagement. In parallel, the aim is to increase the share of sustainable investments and thus support the transition to a more sustainable and climate-smart society.

##### Responsible lending

Responsible lending involves contributing to the financial stability of society by limiting credit risk and making banking services available to society. Sustainability risks are to be taken into consideration in lending and funding. The Credit Policy and Credit Instructions comprise the basis for lending operations.

##### 5.2 Responsible business conduct

Responsible business conduct involves how the LFAB Group's own operations are to be conducted so that sustainability is integrated into the business. This entails that sustainability requirements are to be placed on suppliers, that a high level of business ethics is to permeate the business, that the LFAB Group

is to be a responsible and attractive employer, and that the direct environmental impact of the business is to be reduced.

Employees are to follow rules and guidelines and are expected to actively promote integrating sustainability into the operations and having sound understanding of the LFAB Group's sustainability agenda. The Code of Conduct for employees provides further guidance.

#### Sustainable purchases

By placing sustainability requirements on suppliers, the LFAB Group can reduce business risk and contribute to sustainable development. The foundation of this work is the Purchasing Policy, Contract Instructions and the Code of Conduct for Suppliers, which is based on the principles of the UN Global Compact. Sustainability requirements are to be made on suppliers and, in conjunction with procurement, an assessment of sustainability risks is to be made. As part of continuous monitoring, business managers are to evaluate suppliers' sustainability work and risks through self-assessment, sample checks, dialogue meetings, announced or unannounced visits.

#### Business ethics

For the LFAB Group, full regulatory compliance and a high level of business ethics are important. Governance documents and guidelines exist for employee conduct, investments, anti-money laundering and terror financing, improper benefits, employees' own business, conflicts of interest, security activities, inside information, incident reporting and whistleblowing procedures.

#### Responsible employer

The LFAB Group has the ambition to be a responsible and attractive employer that supports health and contributes to a sustainable work life. A positive corporate culture and well-defined values are to help attract and retain the best employees. Important conditions include clear leader and employee

profiles, open dialogues that create trust, a high level of involvement and responsibility, diversity, equality and inclusion as well as skills and learning. The Personnel Policy and the Equality and Diversity Plan comprise the basis for this work.

#### Environmental impact

The LFAB Group works to reduce the direct environmental impact of the business. The guiding principles are resource efficiency, recycling and re-use, as well as reduced carbon emissions. The LFAB Group will work to influence stakeholders (suppliers, customers, portfolio companies, etc.) to reduce their environmental impact. The LFAB Group supports the precautionary principle, meaning that the LFAB Group will endeavour to avoid materials and methods that could generate environmental and health risks when better potential alternatives are available.

All employees are responsible for reducing the environmental impact of the operations. There are guidelines on business travel. Where possible, train travel is to be chosen instead of flying and digital meetings are to be held instead of undertaking business travel. The aim is to reduce emissions from travel. The LFAB Group has as a goal to reduce paper-based communication, increase digital communication, and increase the number of invoices and expenses forms signed digitally. Sustainable purchases of office materials are to be made. Sustainability demands are placed on the personnel restaurant, where reduced food waste, local produce and ecolabelling are prioritised areas.

#### 5.3 Long-term environmental and social commitment

The LFAB Group carries out preventive work concerning climate change and natural catastrophes as well as concerning the promotion of health. This is achieved through the insurance offering, preventive measures and various forms of social commitment. The LFAB Group cooperates with various stake-

holders and decision-makers in society. The LFAB Group supports research projects, for example, within the framework of the Länsförsäkringar Research Fund and through the Agria Research Fund. Local social commitment takes place in partnership with the Red Cross. The LFAB Group assumes a long-term environmental and social responsibility by sharing expert knowledge and by making research available to others.

#### 6 Reporting of sustainability activities

Each business unit and department is responsible for measuring, reporting and following up sustainability work. The Head of Sustainability is responsible for coordinating, supporting and following up that sustainability activities are reported in accordance with national legislation and voluntary international standards. This work is reported annually in the Sustainability Report, which is part of the Annual Report.

#### 7 Compliance

The President and managers are responsible for compliance with this Sustainability Policy, that adopted instructions are in line with this Policy and that there are self-assessments and procedures in the operations to ensure a high level of internal control.

#### 8 Amendments

The person in charge of updating the Sustainability Policy is the Head of Sustainability at LFAB. The Sustainability Policy is to be addressed and resolved on by the Board of Directors once annually regardless of whether or not changes and updates are necessary.

Adopted by the Board of Directors of  
Länsförsäkringar AB 16 June 2020

## Appendix

### List of policies and guidelines affecting sustainability in the LFAB Group

- Code of Conduct for Employees
- Personnel Policy
- Business Travel Guidelines
- Equality and Diversity Plan
- Policy on Responsible Investments and Corporate Governance
- Policy on Anti-money laundering and terror financing
- Guidelines on Identifying and Managing Conflicts of Interest
- Policy on Improper Benefits
- Security Policy
- Purchasing Policy
- Code of Conduct for Suppliers

### List of UN initiatives supported by LFAB

#### UN Sustainable Development Goals

In 2015, the member states of the UN, including Sweden, adopted 17 Sustainable Development Goals<sup>1</sup>. The goals, also referred to as Agenda 2030 by the Swedish government, are to be met by 2030. To achieve the goals, everyone in society – organisations, business, the public sector, researchers and individuals – must be included and contribute. The goals apply to all countries at local and global levels. LFAB is to actively work to contribute to several of the targets through its operations.

#### The UN's 17 Sustainable Development Goals:

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals

#### UN Global Compact 10 principles

The UN Global Compact's principles for responsible business conduct include the areas of human rights, labour, environment and anti-corruption. LFAB has signed the UN Global Compact and has thus committed to integrating the following ten principles in the LFAB Group's operations:

##### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

##### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: Elimination of discrimination in respect of employment and occupation.

##### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

##### Anti-corruption

Principle 10: Businesses should work against corruption in all forms, including extortion and bribery.

#### PRI – Principles for Responsible Investment

LFAB has signed the UN Principles for Responsible Investment (PRI) and has thus committed to work actively to implement the six principles of the PRI in its investment operations and in its corporate governance role.

1. Incorporate environmental, social and corporate governance (ESG) issues into investment analysis and decision-making processes.
2. Be an active owner.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Work to promote acceptance and implementation of the principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the principles.
6. Report on our activities and progress towards implementing the principles.

#### PSI - Principles for Sustainable Insurance

Länsförsäkringar Sak has signed the Principles for Sustainable Insurance (PSI) and has thereby committed to actively working to implement the four principles of the PSI in its insurance operations in the Non-life Group.

1. Embed in our decision-making environmental, social and governance issues relevant to our insurance business.
2. Work together with our clients and business partners to raise awareness of sustainability topics, manage risks and develop solutions.
3. Work together with governments, regulators and other key stakeholders to promote action in society on sustainability.
4. Demonstrate accountability and transparency by disclosing publicly progress in implementing the principles.

<sup>1</sup> More information about the UN's 17 Sustainable Development Goals and 169 targets can be found at [www.un.org/sustainabledevelopment/](http://www.un.org/sustainabledevelopment/)