Climate transition criteria and list of companies considered to be in transition per October 2020

Introduction to the climate transition criteria

Länsförsäkringar AB (LFAB) has formulated a 'climate smart vision' in order to support the low-carbon transition and the Paris Agreement's objective to limit global warming well below 2 degrees Celsius. LFAB aims to harmonise its portfolios with a trajectory equivalent to limiting climate change to 1.5° by 2030. In line with this vision, LFAB has started to introduce criteria that enable identification of 'companies in transition'. These criteria are applied by LFAB's subsidiaries Länsförsäkringar Life Asset Management (Länsförsäkringar Liv Kapitalförvaltning) and Länsförsäkringar Mutual Fund Company (Länsförsäkringar Fondförvaltning) on direct investments in listed equities as well as corporate bonds.

Criteria based on revenue shares alone (e.g. 5 %) can in certain cases disqualify companies that are in the process of transitioning, for example companies that are shifting towards a more sustainable energy mix and a reduction of climate impact in line with the Paris Agreement. These criteria for identifying companies in transition should be seen as complementary to our ESG-related fossil fuel exclusion criteria. As a starting point, we apply these transition criteria on power generation and certain energy companies with a defined exposure to fossil fuels.

To assess whether companies are in transition, we consider a combination of forward-looking company specific CO2-performance data, whether the company has set a science-based emissions reduction target and/or the development of a company's energy mix regarding the revenue share from fossil fuels versus renewables. The criteria are dynamic as the underlying data from third parties is continuously being updated and reviewed. The list of companies considered to be in transition is therefore likely to change from time to time.

Specific climate transition criteria linked to power generation

LFAB may consider retaining companies with 5-20 % of revenue from thermal coal power generation[1] in our investment universe, if they fulfill any of the following criteria:

- The company has made a commitment to the Paris Agreement <2-degree objective (assessment based either on an approved 'Science Based Target' (SBT) or alignment with the Transition Pathway Initiatives (TPI) 2 degrees scenario by 2030), and/or
- The company's revenue share from renewable energy exceeds the revenue share from fossil fuel power generation.

Companies retained in the investment universe

As mentioned, the climate transition criteria are for now applied to companies with 5-20 % revenue from thermal coal power generation. The list of companies considered to be in transition includes both those within and outside of MSCI ACWI, LFAB's reference index. Even though 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 invests in these companies.

The list of companies that fulfil any of the above criteria contains **12 names**, an increase of **one** company compared to the previous quarter. New companies on the list are indicated with a ***** next to the name of the company.

[1] Figures on revenue share are based on company information from Trucost's database as per September 2020.

Company name	Qualification criteria
Avista Corporation	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
China Longyuan Power Group Corporation Ltd.	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Dominion Energy, Inc.	Assessment by Transition Pathway Initiative that the company is operating within the 2-degrees scenario
Drax Group plc	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Enel Generacion Chile S.A.	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Enel SpA	Has a third-party approved 'Science based target' in relation to the Paris Agreement; as well as an assessment by Transition Pathway Initiative that the company is operating within the 2-degrees scenario
Energias de Portugal SA	Has a third-party approved 'Science based target' in relation to the Paris Agreement, and revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
ENGIE Brasil Energia S.A.	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Entergy Corp	Assessment by Transition Pathway Initiative that the company is operating within the 2-degrees scenario
Federal Hydro-Generating Co (RusHydro)	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
IDACORP Inc	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Taiwan Cement Corp.*	Has a third-party approved 'Science based target' in relation to the Paris Agreement.