

Sustainable insurance 2018

Länsförsäkringar Sak's report based on the
UN Principles for Sustainable Insurance (PSI)



About Länsförsäkringar and the UN Principles for Sustainable Insurance

About Länsförsäkringar

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through their regional insurance company. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has 3.9 million customers and 6,700 employees.

About Länsförsäkringar Sak Försäkringsaktiebolag

The Non-life Insurance business unit (Sak) of the Länsförsäkringar AB Group comprises Länsförsäkringar Sak Försäkringsaktiebolaget Agria (Agria) and its subsidiaries Försäkringsaktiebolaget Agria (Agria) and Länsförsäkringar Grupplivförsäkrings AB (Gruppliv). The Non-life Insurance business unit is responsible for the non-life insurance operations, including pet and crop insurance, and health insurance, which are conducted by Länsförsäkringar AB as assigned by the regional insurance companies.

Non-life insurance is divided into the following three business areas: Agria, Health, and Reinsurance and Special Insurance.

Its role is to complement the regional insurance companies' offering with specialist products to meet customer needs, and to start new business that can be channelled out to the regional

insurance companies. Business is conducted so that the regional insurance companies can offer customers a broad range of insurance for people, animals and property and obtain effective reinsurance coverage. Länsförsäkringar Sak underwrites health care, accident and health insurance in the Health Business Area, and commercial special insurance and international reinsurance, as well as manages the Länsförsäkringar Alliance's overall reinsurance cover. Pet-insurance operations are conducted in the subsidiary Agria Djurförsäkring. Group life assurance is underwritten in the subsidiary Länsförsäkringar Gruppliv as an important part of the customer offering in the expanding Health Business Area.

About the UN Principles for Sustainable Insurance

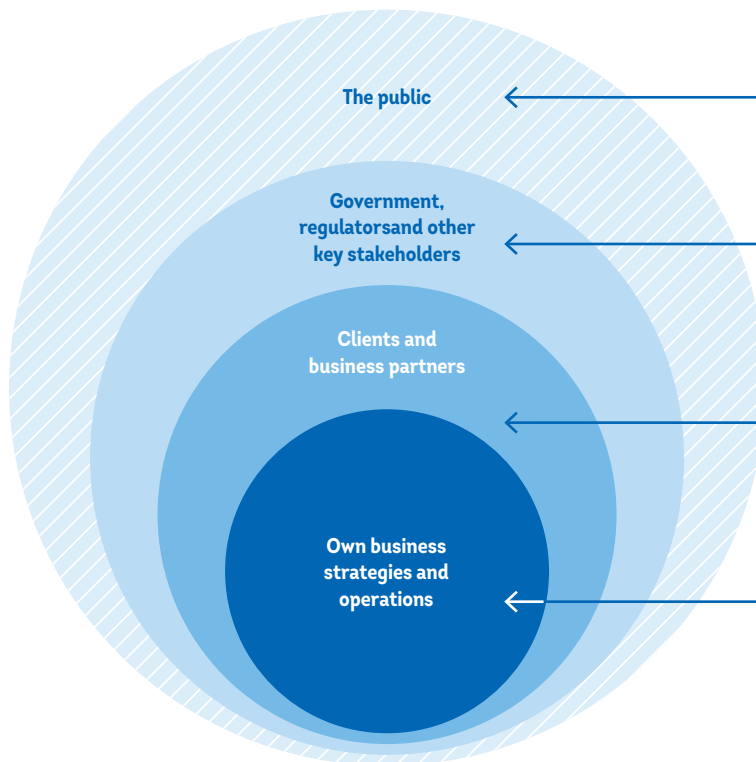
The UN Principles for Sustainable Insurance (PSI) is an initiative directed at insurance companies that consists of four principles. All companies that sign the PSI commit to reporting annually on their ongoing work, and publishing the results¹⁾.

Länsförsäkringar Sak Försäkringsaktiebolag (Länsförsäkringar Sak)²⁾ is the first Swedish insurance company to sign these guidelines. This report provides information on the work performed in 2018 based on the four principles combined with the Sustainability Report produced for Länsförsäkringar AB, of which Länsförsäkringar Sak is a part³⁾.

¹⁾ [unepfi.org/psi/signatory-companies](https://www.unepfi.org/psi/signatory-companies)

²⁾ [lansforsakringar.se](https://www.lansforsakringar.se)

³⁾ mb.cision.com/Main/152/2844516/1065397.pdf



Principle 4:

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Principle 3:

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Principle 2:

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Principle 1:

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Principle

1 *We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.*

Sustainable business

Sustainability involves generating greater value for customers and, at the same time, contributing to the sustainable development of society. Sustainability activities are based on the vision of "Together we create security and opportunities." We carry out preventive work on climate change and natural catastrophes, and concerning promotion of health for people and animals, through carefully prepared insurance offerings, preventive efforts and social commitment in various forms. We can reduce the company's sustainability risks and also promote the positive development of society by taking economic, social and environmental aspects into consideration in business development and in business decisions. Extensive claims prevention is central.

Sustainability governance

Länsförsäkringar AB's Board assumes the overall responsibility for governing sustainability activities and decides on the governance documents that form the basis of such work. The sustainability policy includes Länsförsäkringar AB's material sustainability topics and aims to provide managers and employees with guidance in their daily sustainability work. Climate risk has been identified as the top priority as stated in the policy. The policy also outlines environmental considerations and the precautionary principle. The sustainability policy was updated in 2018 to clarify the link to the UN initiatives signed by Länsförsäkringar AB and Länsförsäkringar Sak, the link to internal governance documents and the responsibility for sustainability in the operations. Alongside the sustainability policy, Länsförsäkringar AB also has other governance documents that describe sustainability governance and focus, divisions of responsibilities, targets, activities and monitoring.



Other policies and instructions that all employees are to comply with regarding sustainability:

- Code of Conduct for Employees
- Personnel policy
- Equality and Diversity Plan
- Corporate governance policy
- Policy on anti-money laundering and terror financing
- Guidelines on identifying and managing conflicts of interest
- Policy on improper benefits
- Security policy
- Purchasing and procurement policy
- Code of Conduct for Suppliers

In addition to the Group-wide governance documents, Länsförsäkringar Sak has its own company-specific controlling documents, such as a company directive, authorisation manual, investment guidelines, insurance guidelines and guidelines for underwriting business. The governance documents are updated and then approved by the Board once each year. Risk management at Länsförsäkringar Sak is decentralised, which means that the heads of the individual business areas take responsibility for risk management within the parameters established by the Board.

The insurance industry is subject to stringent rules and regulatory requirements so as to ensure financial stability and provide protection for customers. Full regulatory compliance is naturally inherent in all of Länsförsäkringar's operations.

Monitoring and internal control

Länsförsäkringar AB's corporate governance system aims to ensure healthy and responsible control, risk management and a high level of internal control in the operations. This corporate governance system includes the organisation, internal rules and systems for internal control. Internal control is based on three lines of defence:

- *The first line of defence* is the operations, which are responsible for risk management and monitoring. A deviation reporting system is in place.
- *A second line of defence* is in place to support internal control, whereby Compliance is responsible for independent monitoring and control to ensure that the operations are conducted with full regulatory compliance. Risk Management is responsible for independent risk control and ensuring that the operations are conducted with a high level of risk control.
- *In the third line of defence*, Internal Audit comprises the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal control.

Self-assessments and operational procedures are applied for the ongoing monitoring of compliance with these policies and guidelines. Policies and guidelines are revised annually. A whistle-blowing

function is available to prevent crime or suspected crime in the business.

Governance of sustainability activities at Länsförsäkringar Sak

The President of Länsförsäkringar Sak sits on Länsförsäkringar AB's Sustainability Committee, which comprises Länsförsäkringar AB's executive management and its Head of Sustainability. The Committee meets at least four times a year. From autumn 2018, Länsförsäkringar Sak's Sustainability Manager (Head of Sustainability and Business Development) reports on the status of the company's sustainability activities to Länsförsäkringar AB's Sustainability Committee. Reports are submitted twice a year following an annual sustainability agenda.

The Head of Sustainability and Business Development is a member of the management group and reports directly to the President and management. A Sustainability Manager has been appointed for each of the three business areas – Health, Agria and Reinsurance and Special Insurance – and is also a member of the management groups of each business area. These managers comprise the Sak Sustainability Group, led by the Head of Sustainability and Business Development. This group works to reach consensus for efficient sustainability efforts together with the President and Head of Responsible Investments. Länsförsäkringar AB's Head of Sustainability attends meetings every quarter.

Three UN initiatives form framework of sustainability efforts

Three UN initiatives form the framework of our efforts and the company strives to incorporate the principles into the operations. These initiatives are: Global Compact (corporate sustainability), Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI).

UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) were established to achieve four fantastic things by 2030: ending extreme poverty, reducing inequalities, promoting peace and justice in

the world and solving the climate crisis. We need to continue to increase know-how, understanding and commitment in order to contribute to achieving the SDGs and driving Länsförsäkringar's sustainability efforts. Länsförsäkringar AB worked together with the 23 regional insurance companies in 2018 to identify the SDGs to which Länsförsäkringar can positively contribute and the goals where Länsförsäkringar can take action to reduce its negative impact. Länsförsäkringar Sak performs an analysis of the company's offering related to the SDGs. An SDG workshop was arranged together with business unit management.

Film about the Länsförsäkringar Alliance

The Länsförsäkringar Alliance supports the UN SDGs, and a film produced by Reuters during the year explains more about this⁴⁾. Länsförsäkringar's support of the SDGs as a company group shows the strength of its joint sustainability efforts. The film describes how in crisis situations Länsförsäkringar finds the strength and ability to mobilise both resources and a great commitment. In such a scenario, it is valuable to share how Länsförsäkringar together with its customers and partners develops its offering of security and its operations, and in doing so contributes to a more sustainable society.

Targets

Integrating sustainability into Länsförsäkringar Sak's operations is a priority area. The long-term objective is that sustainability

⁴⁾[youtube.com/watch?v=FEeeR52EW0U&feature=youtu.be](https://www.youtube.com/watch?v=FEeeR52EW0U&feature=youtu.be)

is to feature throughout the operations. Every year the Board decides on a business plan for the operations that features sustainability as one of the priority areas with well-defined ambitions of achieving continued progress. Claims prevention is an area in which insurance companies can significantly affect sustainability.

Key sustainability topics

Länsförsäkringar AB carries out regular analyses of risks and opportunities and the company's direct and indirect impact on the value chain. Material sustainability risks and opportunities are identified and prioritised in cooperation with key stakeholders: customers, owners, employees, suppliers, partners, trade organisations, civil society organisations, authorities and investors. Länsförsäkringar AB has identified eight priority sustainability topics based on stakeholder dialogue and with the guidance of the Global Reporting Initiative (GRI). The eight sustainability topics are grouped into three focus areas: responsible offering, responsible business conduct and long-term environmental and social responsibility. Länsförsäkringar Sak comprises the "responsible insurance offering" of the "responsible offering" area.

New materiality analysis performed

Länsförsäkringar AB performed a new materiality analysis in autumn 2018 with the participation of Länsförsäkringar Sak. The aim of the analysis was to prioritise the most important sustainability topics for Länsförsäkringar based on the business's impact on the environment and society. As part of the materiality analysis,

UN Sustainable Development Goals



various stakeholder groups were engaged to enhance understanding of key stakeholders' expectations of sustainability activities.

Sustainability training

New employees are informed about the content of the sustainability policy and other relevant guidelines in the induction programme. All employees are also to complete a mandatory e-course every year that includes the Code of Conduct, security and sustainability. The President also has two employee days – known as Sak Days – a year. Each day has a particular sustainability theme. A lecture was held in November 2018 on the topic of climate change linked to mental illness. In addition, all three business areas arranged several sustainability seminars throughout the year.

Health and work environment

Being a responsible employer is important for Länsförsäkringar Sak to attract new employees and retain existing employees. Diversity and equality, skills development, learning, health and work environment are deemed the key components of a responsible and an attractive employer. Länsförsäkringar Sak's employees have access to a broad range of mainly internal training opportunities as well as external courses and seminars.

Länsförsäkringar AB was awarded Nyckeltalinstitutet's prize for best health index in 2018 with 139 points out of 146. The index comprises nine key indicators on health. Länsförsäkringar has made significant progress, with low sickness absence. The systematic work on leadership and employeeship, monthly employee-manager meetings on health, fitness, rehabilitation support and health care insurance were considered to be factors for success.

Länsförsäkringar Sak has applied a long-term approach to health and the organisational, social and physical work environment for many years. The organisational and social work environment is regularly monitored in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4). Health care insurance is offered to all employees that includes medical consultations, counselling, preventive health services and rehabilitation. All business areas have diversity-related activities in the 2019 business plan. Work on equality in working groups is continuing.

Product and service development

Innovation and digitisation improve customer offerings and enhance the efficiency of the operations, which promotes economic, social and environmental sustainability. Länsförsäkringar Sak produces innovative solutions for its products and processes, and the administration concerning them. Digitisation has resulted in enhancements to operational efficiency in several areas. Digital marketing is being used more frequently. Digital stamps, digital signatures and digital authorisation are other services that are being sought after and applied more often. The development of digital services also leads to lower volumes of paper-based communication to customers, which reduces environmental impact while making information more accessible to customers. Development of new services involves extensive approval processes that include analysis of the risks linked with our strategies, our objectives, our customers and the environment.

Examples of our offers and claims prevention

We work to prevent claims since they always have an adverse impact. Preventing a claim is always a win for the individual, company and society. By incorporating sustainability into our business, we reduce our sustainability risks, promote the positive development of society, and create business value. Claims prevention is central and information is also provided on the websites⁵⁾.

Health Business Area

The Health Business Area offers group life assurance, accident and health insurance, home loan cover, and is one of Sweden's leading operators in the field of health and medical care. The task of the Health Business Area is also to determine customer insurance needs linked to health, to develop offers that meet those needs, and to help our customers obtain the protection they need.

The Health Business Area has the vision of creating a healthier Sweden. Preventive work on mental illness continued during 2018. Social sustainability was in particular focus, since the Health Business Area stimulates preventive work in promoting health. The sections in health care insurance enable a sustainable lifestyle, a sustainable working life and a sustainable society. There are

⁵⁾lansforsakringar.se och agria.se

many advantages to be had from both a financial and a social perspective for taking preventive measures and action at an early stage when the risk of long-term sick leave arises.

Health and health care insurance

We help companies and employees stay healthy. Länsförsäkringar remains a market leader in health care insurance and has the most comprehensive products with services that promote health and prevent illness, such as the right care at the right time and effective rehabilitation. The insurance policy also includes personal counselling, manager support via telephone and a number of online individual health programmes. Effective rehabilitation includes work-oriented rehabilitation and treatment for substance abuse.

New offers in health and health care insurance were introduced from January 2019 to meet both general needs for a diversified health care insurance offering and specific needs due to the new fringe-benefit tax that came into effect in mid-2018. This includes a preventive and rehab insurance policy and a “basic care” policy. Both of these policies form part of the more comprehensive health care insurance.

Bo Kvar insurance

This policy provides financial protection in the event of death, illness or unemployment and is an important component in

providing financial security to mortgage customers. Bo Kvar insurance also provides the opportunity to use Länsförsäkringar’s preventive health services.

Health Portal “Hälsoportalen” – preventative services

On Health Portal – a special web portal for customers that currently have or plan to take out health care insurance or Bo Kvar insurance – customers can search for information about the policy, get answers to common questions and learn about the digital health programme that provides support for making lifestyle changes, for example, reducing stress and establishing healthier living habits. These health services are offered through a partnership with SOS International⁸⁾.

Specific work-oriented rehabilitation measures at an early stage can detect problems with mental health and sickness absence so as to prevent lengthy sick leave and to facilitate an early return to work.

One current trend is increased use of preventive health services, which indicates that more people are getting help with working proactively on health for themselves or their entire working group. The use of the Health Portal and preventive services doubled to 40,000 users (19,000) in 2018.

⁸⁾lansforsakringar.soshalsa.eu



Current trend in increased use of preventive health services

The number of users of the Health Portal and preventive services during 2018 doubled to

40,000

(2017: 19,000)

Seniors Insurance

The Health Business Area has taken the demographic trend of an ageing population into consideration through such measures as offering an insurance policy called Seniors Insurance. It contains life, accident and health care insurance for seniors who have reached the maximum age in their group insurance policy.

Digital marketing and services

Digital services were developed during the year, mainly focusing on data-driven marketing, customer care and services with offers for the Bo Kvar and health care insurance. It should be easy to find the right insurance cover that matches customer needs, to make use of the policy and to receive service via digital channels.

In 2018, measures to prevent illness were carried out on under the framework of the health care insurance in the form of digital activities that raise awareness of physical activity, life balance and screen time.



Many forest owners and agricultural customers suffered greatly from the summer's drought

During the autumn, policyholders were offered a free, around the clock, counselling service manned by professionals specialised in psychology, law and finance.

Other activities during the year

Many forest owners and agricultural customers suffered greatly as summer fires raged, crops dried out and concern grew for their harvests, animals and finances. A service through the Health Business Area that provides support in crises is included in agricultural insurance policies, and this year the policy was opened even before claims had occurred since there was such a high need to offer customers counselling when they needed it the most. It meant that between 26 July and 31 December, policyholders were offered a free, around the clock, counselling service manned by professionals specialised in psychology, law and finance.

Agria

Agria is the Länsförsäkringar Alliance's specialist company for pet and crop insurance, and Länsförsäkringar's subsidiary brand. Agria has a dedicated focus on and involvement with animals and their owners. The company's roots stretch back more than 125 years. Agria conducts operations in Sweden and has branches in Norway, Denmark, Finland and the UK, and also started operations in France in 2018.

The Swedish operations are divided into two business areas: Pet and Horse & Agriculture. Agria offers insurance cover for animals and crops to private individuals, the agricultural sector and other companies. Insurance cover comprises veterinary care insurance, life assurance and business interruption insurance.

86 new cat insurance policies

Agria launched 86 new cat insurance policies in 2018. Different breeds of cat suffer from different types of injuries and illnesses that affect their veterinary care and medical needs. The Agria Cat Breed Profile, a globally unique material of analyses of cat diseases and claims using diagnoses from 300,000 cats, forms the basis of the 86 customised cat breed insurance policies. Each breed of cat has a specially tailored product, meaning that Agria offers customised security that provides the best cover for the veterinary needs and medicines for the specific breed.

For Agria, animal health and animal care is the foundation of everything. Engagement in and responsibility for a sustainable

society featuring animals are important parts in continuing to grow with satisfied customers and employees. To safeguard the veterinary aspect, Agria has employed its own veterinarians.

Agria conducts claims-prevention and health-promotion activities for animals, has several claims prevention industry partnerships and is in continual dialogue with the veterinary industry on preventive efforts.

Special campaigns targeted at children and young people increase awareness of different animals and the value of having a pet. Agria's Research Fund supports Agria's research on animal health and well-being and the importance of animals to people and society. Agria has extensive claims statistics that are used by researchers and breed clubs to improve animal health and



Through its social commitment, Agria contributes to a healthier society with animals.

sustainability. More information can be found under "Examples of research and dialogue in 2018." Through its social commitment, Agria contributes to a healthier society with animals.

Digital marketing and services

Customers are given advice and information via various digital channels such as the Agria app and Pälspodden, a podcast that

Agria Animal Insurance

Welcome to Agria Animal Insurance. This is the section of our website where we provide information in English to anyone who would like to know more about the pet insurances we offer. We can answer your queries in English and help you with the process of taking out an insurance policy.

During 2018 the Agria web page had a total of **7 million visits**

provides advice and tips for animal owners, as well as via social media such as Instagram and Facebook. The majority of customers prefer using digital channels. The number of visitors to agria.se totalled 7 million in 2018. 80% of visitors in digital channels visit Agria using mobile devices.

All animal owners were given the option of securely receiving and managing digital insurance certificates and invoices. In addition to major savings, this offers faster communication and better customer service while reducing Agria's environmental impact via the digital mailbox Kivra.

Agria also offers digital veterinary consultations for all dogs, cats and small animals insured with Agria. This means that animal owners make use of veterinary services via videolink and can consult a vet free of charge in the event of illness or accident.

Agria achieved its 2018 target of half of the users of digital vet services not needing to physically visit a vet. 12,000 of 24,000 digital consultations were referred to physical visits.

Reinsurance and Specialty

Reinsurance and Specialty conducts operations such as managing reinsurance for regional insurance companies, leveraging ceded reinsurance and signing foreign reinsurance in selected areas against targets and profitability requirements that have been set. Reinsurance also manages ceded reinsurance for Länsförsäkringar Sak and its subsidiaries. Länsförsäkringar Sak is one of the largest purchasers of reinsurance for property and forests in Europe. To continually monitor and assess risk, Länsförsäkringar Sak has access to a comprehensive claims statistics database. New technology and measurement methods are also applied. The business area is also tasked with conducting insurance business in the product areas of liability, cargo, motor, performance bond, seller liability insurance plus, property, and foreign markets.

Sales of seller liability insurance, which provides cover for the ten years of liability for hidden faults that sellers of private residences have under the Swedish Land Code, are increasing in line with the growth of Länsförsäkringar Fastighetsförmedling.

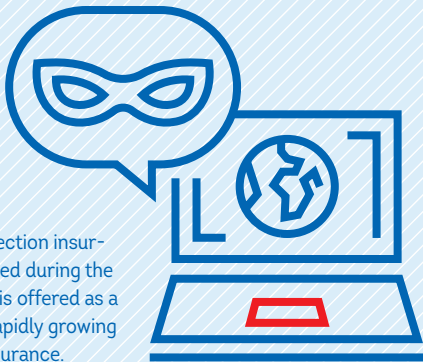
Länsförsäkringar AB is a member of the International Network of Insurance (INI)⁷, which is an independent insurance network in 120 countries whose purpose is to help each other issue insurance for risk outside Sweden, which is administered by the inter-

⁷ininetnetwork.com/ini-the-global-network.html

national operations of the Reinsurance and Specialty Business Area. The number of customised and local insurance solutions for the Länsförsäkringar Alliance's Swedish corporate customers with international interests increased during the year.

The business area pursues product development and conducts targeted efforts to meet new customer needs arising from an increasingly digitised world and to supplement the regional insurance companies' range of commercial insurance products. Claims prevention is central. A new data protection insurance was launched during the year. This policy is offered as a product in the rapidly growing area of cyber insurance. Besides incident management, it provides basic cover for several claim incidents that the Länsförsäkringar Alliance's customers could experience. This offer targeted to small and medium-sized businesses.

The business area conducts a small portfolio in motor third-party liability and motor insurance as a supplement to the regional insurance companies' motor business. Agreements on vehicle-damage guarantees and brand insurance were signed with Toyota and Lexus in summer 2018 and came into effect in January 2019. A solution was prepared together with the customer, which fully leverages the Länsförsäkringar Alliance's strength in terms of its closeness to policyholders and dealers.



New data protection insurance

A new data protection insurance was launched during the year. This policy is offered as a product in the rapidly growing area of cyber insurance.

We focus on coming closer to customers, highlighting claims prevention, reducing the number of claims and costs for both customers and ourselves, and increasing the understanding of our risks.

In 2018, the business area continued its work on a Claims Prevention Plan for product areas – the right action for the right customer, and customisation of the offering. Focus on coming closer to customers, highlighting claims prevention, reducing the number of claims and costs for both customers and ourselves, and increasing the understanding of our risks.

Risk-management system at Länsförsäkringar Sak

A shared risk-management system has been established in the Länsförsäkringar AB Group. The Group's risk-management system is described in the Group instructions and a Group-wide risk policy adopted by the Board of Länsförsäkringar AB and approved by the Board of each subsidiary. Each insurance subsidiary then prepares a company-specific risk policy based on the Group-wide policy. Based on this Group-wide risk-management system, the subsidiaries also prepare more detailed rules for managing company-specific risks. The risk-management system comprises an integrated part of the organisational structure and decision-making processes and helps the operations to meet its targets with a higher degree of certainty. In addition to risk management in the operations, it also encompasses the independent risk-management function in the second line of defence. The Compliance and Actuarial functions also have a role to play in risk management. The President is responsible for incorporating the governance documents decided by the Board and each manager in the company is responsible for risks in their field of operations.

The risk-management system and a more detailed description of the risks to which the company is exposed and how these risks are managed are presented in note 2 Risk and risk management of Länsförsäkringar Sak's Annual Report⁹⁾.

Sak's risk initiatives are governed by a risk policy and technical insurance guidelines in accordance with Chapter 10, Section 23 of the Swedish Insurance Business Act (SFS 2010:2043) and the Swedish Financial Supervisory Authority regulations and general guidelines on insurance operations (FFFS 2015:8).

Claims adjustment

In individual claims, the commitments in the insurance contract and the insurance terms and conditions agreed upon will be the

starting point for correct claims adjustment, while the objective in managing the matter should always be meeting the customer's needs. The customer often needs help and guidance in the situation that has arisen. Treating the customer with care comprises a natural part of the claims process, which is why claims adjustment must take place promptly based on the situation of the insured party. The ambition is to have active claims adjustment close to the customer, to ensure sustainable damage repairs and to strive to be more economical with resources. In the respective business areas there are organisations for managing customer complaints, which are responsible for treating complaints in accordance with the complaint guidelines the company has adopted.

Investments

The investment portfolios for Länsförsäkringar Sak and Agria are managed by Länsförsäkringar's asset management department. Active ownership activities and integration of sustainability factors into asset management form the basis of responsible investments.

Our approach to risks and investment opportunities are identified by integrating sustainability factors into investment analyses and decisions. The aim is to contribute to sustainable value creation, taking into account both financial and sustainability related aspects. Länsförsäkringar can contribute to several SDGs through its investment and engagement activities.

Länsförsäkringar AB has signed the UN Principles for Responsible Investment (PRI) and works actively to implement these six principles. Länsförsäkringar AB reports annually to PRI on its work with responsible investments. Our approach to responsible investments is formalised in our responsible investment and stewardship policy, publicly available.

Reduce climate risks in investments

Länsförsäkringar pays extra consideration to the financial risks when financial risks in investing in companies that base their operations on fossil fuels and other companies that have a major impact on the environment. Mining and energy companies that derive more than 20% of revenue from thermal coal are divested from Länsförsäkringar's own funds and discretionary mandates.

⁹⁾mb.cision.com/Main/152/2788448/1025497.pdf

At year-end 2018, 134 coal companies had been divested. The carbon footprint of the equities investments of the Länsförsäkringar Sak portfolios is measured and reported on the website.

Increased investments in green bonds

Länsförsäkringar also seeks to help make society more sustainable, for example, by making investments in green bonds that finance climate and environment-related projects. A challenge is that demand for green bonds outstrips supply, thus limiting the possibility of increasing the share of investments in green bonds at the desired rate. At the end of 2018, the investments in green bonds of the Länsförsäkringar Sak Group's portfolios amounted to 3.1–6.8% per portfolio.

Engagement

Länsförsäkringar engages with companies on sustainability topics to influence the company to act responsibly. Engagement takes place both in reaction to an incident that has occurred and as a preventive measure.

Länsförsäkringar joined three new climate-focused investment initiatives in 2018: one was the Climate Action 100+ initiative that targets companies responsible for the highest carbon emissions globally. Länsförsäkringar also joined an initiative focusing on sustainable food, deforestation and antibiotics in the meat industry. Further, Länsförsäkringar supports Access to Medicine, an organisation that seeks to improve access to medicine for people around the world.

All listed equities and credit investments are screened twice a year in order to ensure that they do not violate international conventions on human rights, labour rights, environment and anti-corruption. Engagement and collaboration with other investors is the primary tool for influencing companies. As a last resort, companies can be divested when dialogue does not work. A list of excluded companies can be found at lansforsakringar.se

Sustainability requirements on external managers

Sustainability requirements are placed on external managers during the selection, contract and monitoring phase. One of the baseline requirements in the selection phase is that the managers

must have signed the PRI. Since 2014, the proportion of managers linked to the Sak Group portfolios who have signed the PRI has increased.

And at year-end 2018, the following statistics could be reported;

- all external managers of liquid assets were members of PRI (11/11),
 - 3 of 5 external managers of liquid assets were members of PRI.
- The managers' work on integrating sustainability in investments is monitored and assessed annually, and the objective is to require that they further develop their work.

Strategic development

The asset management department continued to focus on responsible investment both in relation to strategic development as well as operational efficiencies throughout 2018. This work was based on the adopted 2018 business plan and the related targets for responsible investments. More information about responsible investments is available in the 2018 Annual Report ⁹⁾.

Länsförsäkringar safeguards transparency, which is why the work on responsible investments is reported annually in separate Stewardship and Corporate Governance Reports ¹⁰⁾.

⁹⁾ mb.cision.com/Main/152/2844516/1065397.pdf

¹⁰⁾ lansforsakringar.se/stockholm/privat/om-oss/hallbarhet-forskning/ansvarsfulla-investeringar/agarstyrningsrapporter

Länsförsäkringar joined three new climate-focused investment initiatives in 2018:



Targeting companies responsible for the highest carbon emissions globally.



Initiative focusing on oil and gas companies with high climate risks.

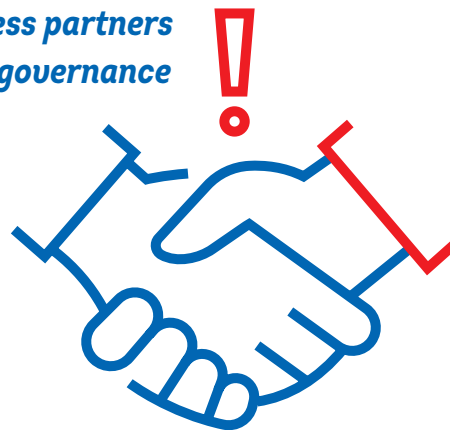


Initiative focusing on sustainable food and antibiotics in the meat industry.

Principle

2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.



Engagement and collaboration

Länsförsäkringar Sak participates in the UN pilot project on climate risks

In spring 2018, the PSI Initiative called for dialogue to start a pilot project on climate risks in the insurance industry following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Länsförsäkringar Sak announced its interest and the project started in November 2018 with 18 insurance companies from across the world participating. The project will develop analytical tools and scenarios to better understand the impacts of climate change on the business. By participating in the project, we are contributing to finding new methods and approaches for modelling the impact of climate change on the insurance industry. Opportunities are also provided for exchanging experience and gaining a better understanding of climate risks in a global perspective together with other leading insurance companies. Greater expertise is needed to prevent climate-related claims.

Länsförsäkringar Sak participates in survey of sustainability aspects in underwriting

In 2018, the PSI Initiative prepared an extensive survey on how insurance companies consider sustainability aspects in underwriting. More than 200 companies from across the world responded to the survey including Länsförsäkringar Sak. A UN work group then analysed the results and prepared proposals on global guidelines for managing ESG risks in non-life insurance underwriting that will be presented in 2019.

Agria

Ethics in animal care is an important issue. Agria takes responsibility for engaging with veterinarians around ethical positions in the treatment of sick and injured animals. Agria develops insurance products that create security for animals and animal owners, tailored to customers' various needs, in close collaboration with animal-owner organisations¹¹⁾ in the world of dogs, cats, small animals and horses. This collaboration means that Agria's insurance products are the best possible as a result of many animal organisations taking part in Agria's product forums, which provide input for improvements and ideas for new products. One shared task is improving animal ownership, animal husbandry, and animal care. In many ways, Agria gives its collaborating partners the opportunity to profile and improve their operations.

Through its social commitment, Agria contributes to a healthier society with animals. One activity that is very popular is the Agria Charity Dog Walk, a health-promotion activity for people and animals. The dog walk took place at 16 locations throughout Sweden in 2018. A total of more than SEK 180,000 was collected for the benefit of homeless dogs. The dog walk is also arranged in Oslo, Copenhagen and Helsinki.

¹¹⁾ agria.se/om-agria/agrias-samarbetspartners

Health - Independent medical examination

Independent medical examinations (IMEs) are used to ensure that mediated health care is based on medical grounds and provides the best long-term results for customers. The aim is for health care providers to follow the same guidelines for the forms of treatment that are recommended for various complaints, such as physiotherapy treatment instead of an operation, which means that health care and rehabilitation have better results for customers.

The Health Business Area focuses on both physical and mental health under the framework of health care insurance. The business area sends digital information to help encourage customers to live healthily and promote well-being. Another way of contributing is by donating to the non-profit association Mind and Childrens Program.

Code of Conduct for Suppliers

Our business operations are based on a high level of business ethics. Free competition under applicable laws is crucial for our operations. The choice of suppliers is based not only on quality and competitiveness in the products and services, but also on suppliers' compliance with social, ethical, and environmental principles. Länsförsäkringar AB's Code of Conduct for Suppliers is an integral part of its purchasing policy, which defines the basic requirements for human rights, labour, environment and anti-corruption. This applies to potential and existing suppliers and their sub-suppliers, and is published on Länsförsäkringar's external website in a Swedish and an English version. The Code of Conduct is based on the UN Global Compact and defines Länsförsäkringar's basic requirements on human rights, labour, environment and anti-corruption.

Sustainability risks in Länsförsäkringar AB's largest purchasing categories were analysed in 2018 and a self-assessment form accompanied by a risk assessment model was produced based on the results. This form serves as a fundamental risk assessment of large suppliers. The model was tested in the autumn of 2018.

Work conditions, business ethics and environmental impact were discussed with the largest IT suppliers in 2018.

One part of Reinsurance is continuously engaged with the re-insurance companies that it collaborates with regarding the need to sign Länsförsäkringar AB's Code of Conduct for Suppliers, or supporting the principles of the UN Global Compact. Benchmarking took place in autumn 2016, which showed that 74% of the reinsurance companies could meet at least one of these criteria. The 2018 benchmarking confirmed an increase of 4%, meaning that 78% of the reinsurance companies could meet at least one of these criteria. Benchmarking took place for the remaining reinsurance operations in 2018, and showed that 54% of the reinsurance companies could meet at least one of these criteria.

UN pilot project on climate risks

In 2018, Länsförsäkringar was the only Swedish company to join an international UN project on climate risks in the insurance industry. The project will develop methods and models for using forward-looking climate scenarios to understand how climate change affects the industry. The project supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Greater expertise is needed to prevent climate-related claims.



Principle

3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Government authorities, legislators and other decision makers

Dialogue is being conducted with government authorities and legislators in order to develop integrated methods for risk management and risk transfer solutions. We have an important role in being part of influencing decision makers, customers, employees and other operators in society and in working together for a sustainable future.

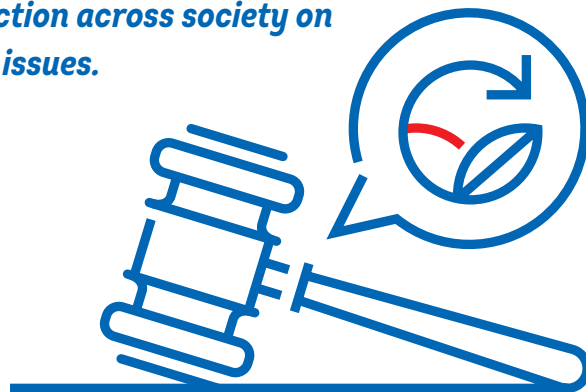
Länsförsäkringar actively participates in the public debate on good health and a sustainable working life. One example is Almedalen Week, which takes place annually in Visby on Gotland, where representatives of Swedish political parties and a variety of civil society organisations and companies gather to discuss politics and social issues. The debates in 2018 dealt with such themes as fringe-benefit tax on health care insurance.

Throughout the year, Länsförsäkringar engaged, both independently and together with trade organisations, in close dialogue with politicians and decision makers on the proposal to levy fringe-benefit tax on health care insurance. The fringe-benefit tax was introduced in July 2018 and impacts many small businesses and their employees, which is unfortunate. Preventive health activities and receiving medical advice at an early stage benefit society.

Overall collaboration and memberships

Global Compact

The Global Compact is a UN initiative for the business world, with ten principles concerning human rights, labour, environment and anti-corruption. Länsförsäkringar is a member and submits annual reports to the Global Compact on the implementation of these principles.



PRI - Principer för Ansvarfulla Investeringar

A UN initiative of six Principles concerning the integration of sustainability in investment decisions, engagement and collaboration Länsförsäkringar is a member and submits annual reports to PRI on the implementation of these principles. Länsförsäkringar participates in investor initiatives to influence other companies and stakeholders in sustainability topics.

Insurance Sweden

An industry organisation working to promote good business conditions for the insurance industry and to increase confidence in the industry and knowledge of the importance of private insurance in society. Länsförsäkringar is a member of the board and several committees.

Swedish Insurance Society

The Swedish Insurance Society promotes sound and suitable development of insurance matters in Sweden by improving the specific professional and general knowledge of its members concerning insurance.

SNS

The Centre for Business and Policy Studies (SNS) is an independent think tank that brings together the worlds of academia, business and government for knowledge-sharing and dialogue on key societal issues. Länsförsäkringar is a member.

ICMIF - International Cooperative and Mutual Insurance

ICMIF is a civil society organisation for mutual and cooperative insurance companies, with its registered office in the UK. Its purpose is to spread knowledge about mutuality and to support the development and construction of mutual or cooperative insurance companies around the world. A great deal of information and experiences, including around sustainability, is exchanged among members. Länsförsäkringar is an active member.

AMICE - Association of Mutual Insurers and Insurance Cooperatives in Europe

AMICE is a corporate lobbying organisation for mutual and cooperative insurance companies in Europe, with its registered office in Brussels. The purpose is to take members' interests into consideration and to ensure equal conditions for all insurance companies in Europe regardless of their legal form. The organisation represents the particular interests of mutuality, above all in issues of European legislation, and also works for the exchange of information and experiences among its members. Länsförsäkringar is a member of the board and several working groups.

Eurapco

Eurapco is an alliance between eight European mutual insurance companies working in 18 countries with around 40 million customers. Its members exchange information and experiences. Länsförsäkringar is an active member of several committees.

INI - International Network of Insurance

A network of more than 120 market-leading insurance companies all over the world who work together to help each other's corpo-

rate customers that have foreign operations but local insurance solutions.

Kyoto Statement of the Geneva Association

An initiative that encourages the world's insurance companies to work together with customers, policy-makers and industry colleagues to help reduce environmental impact. The Geneva Association, which has existed for more than 40 years, also has a global partnership on economic, political and social issues in the insurance industry. Länsförsäkringar is a signatory.

NMC - The Swedish Association for Sustainable Business

A professional association and cross-industry platform for sharing of knowledge on running a sustainable business, contributing to sustainable development. Länsförsäkringar is a member.

Increased regulation

Work is in progress at the EU level to produce legislation on sustainability in the financial market. Proposals include demands for sustainability in advisory services and information on the management of climate risks. Through both Insurance Sweden and Amice, Länsförsäkringar has the opportunity to exert an influence in statements on proposals for consideration submitted to organisations including EIOPA.



Health and Agria conduct dialogue and collaborate with academic institutions and researchers in order to incorporate sustainability topics in research and training programmes in the insurance industry.

Examples of research and engagement in 2018

Länsförsäkringar contributes to financing research, which constitutes a part of its social commitment. The idea of creating security for customers and society in general is a driving force. Health and Agria conduct dialogue and collaborate with academic institutions and researchers in order to incorporate sustainability topics in research and training programmes in the insurance industry.

Health-promotion efforts for people

The SDG target 3.4 is to reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being. This is a challenge for society both globally and in Sweden and we know that preventive efforts are incredibly important for achieving this target. Länsförsäkringar focuses on reducing the risk of lifestyle diseases such as diabetes, high blood pressure and heart disease, and on promoting mental health in both the working population and young people.

Communication initiatives were implemented during the year to spread awareness of mental illness in society among young people and at work, for example, with the non-profit organisation Mind. Research projects were initiated into mental health among young people and mental illness at work. Donations were made to the development of Childrens Program that helps children aged 7-12 and their parents who have addiction problems. Children who grow up in families with addiction problems run a greater risk of developing mental illness as adults. Länsförsäkringar also provided financing for a study into the effect of lifestyle changes on health.

In addition, Länsförsäkringar is engaged in continuous dialogue with representatives from authorities, civil society organisations, health care providers, politicians, scientists and practitioners from the health care sector. The purpose of such network dialogues is to enhance knowledge and awareness of the insurance industry's role in welfare and an endeavour to develop the health and medical system so that it is more efficient and sustainable.

Agria

Agria's research fund was founded in 1938, meaning that the fund celebrated its 80th anniversary during the year. During the past

year, the research fund was developed to encompass three areas: small animals, horses and farm animals. Agria's research fund supports research into the types of animals that Agria insures. This takes place in collaboration with the Swedish Kennel Club, through the Agria and SKK Research Fund, the Swedish-Norwegian Foundation for Equine Research and the Swedish Farmers' Foundation for Agricultural Research. Agria earmarked SEK 9.5 M for veterinary research in 2018. Research applications are processed by independent, qualified appraisers. Research grants are targeted at animal health and the importance of animals to people and society.

Agria works through various initiatives for increased animal health, and also to raise awareness of animals' contribution to society as a benefit to human well-being.

Health-promotion efforts for animals

The majority of horse injuries are due to lameness. The research supported by Agria increases expertise in preventing lameness and spreading information through the #stoppahältan project, which had a real impact during the year.

Agria has initiated the "Agria Naturbana" natural riding ground to inspire outdoor horse riding. Two outdoor riding grounds were opened at Flyinge and Strömsholm where future hippologists, scholarship holders and upper-secondary school pupils can use a specially built riding ground in the forest as an alternative to an indoor riding hall. It is very important to incorporate riding outdoors at an early stage as a natural part of a horse's training for these future role-models. It is vital to vary exercises, terrain and intensity in horse riding to ensure more healthy and strong horses. Through the horse-riding media, seminars and its own channels, Agria has spread the message of how we can work together to reverse the trend of the rising problem of lameness among horses. We call it the endemic disease for horses and are continuing to pursue the long-term change needed for the horses' best. Agria has a podcast, Pälspodden, to increase communication of research results. The episodes feature selected researchers who discuss their projects with a well-known personality in the field in question. Four episodes of the podcast were produced in 2018 with almost 28,500 downloads.

Principle

4 *We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.*

Our ambition is, in our various business relations, to be part of influencing customers, companies, municipalities and decision makers to be socially responsible. By informing them about our work, we can promote increased knowledge and thereby enable more central players in society to be socially responsible, which in turn leads to positive changes in society.



More information about our sustainability initiatives is available at lansforsakringar.se and agria.se



