

# Sustainability Report for Länsförsäkringar AB for 2017 fiscal year

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Länsförsäkringar AB, Corporate Registration Number 556549-7020, registered offices in Stockholm, has decided to prepare a statutory Sustainability Report as a separate report to its Annual Report. Länsförsäkringar AB's 2017 Annual Report includes a reference to this Sustainability Report.

This report encompasses Länsförsäkringar AB and its subsidiaries Länsförsäkringar Sak, Försäkringsaktiebolaget Agria, Länsförsäkringar Gruppliv, Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondliv. In this Report, Länsförsäkringar AB and its subsidiaries are referred to as "Länsförsäkringar AB." Länsförsäkringar Liv presents its own sustainability report.

In addition to this report, Länsförsäkringar AB also prepares a Sustainability Report inspired by the GRI reporting standards that can be found in the 2017 Annual Report. Since the GRI reporting standards and the Sustainability Report according to the Annual Accounts Act present sustainability risks and information differently, Länsförsäkringar AB has decided to prepare its Sustainability Report according to the Annual Accounts Act as a separate report, rather than combining the two reports.

Länsförsäkringar's business concept is based on the customer, with the aim of creating security. Material sustainability risks are identified and prioritised in cooperation with priority stakeholders: owners and the Board, customers, employees, suppliers, partners, trade organisations, civil society organisations, authorities and investors.

## Governing guidelines

Länsförsäkringar AB's policy documents and guidelines form the basis of sustainability activities and related risks. All employees are to complete an e-course in the Code of Conduct for Employees, safety and sustainability every year. The Code of Conduct and e-course are available in Swedish and English. Policies and guidelines

are revised annually. Self-assessments and operational procedures are applied for the ongoing monitoring of compliance with these policies and guidelines. A Sustainability Committee, comprising Group management and the Head of Sustainability, meets at least four times a year to discuss and decide on priority sustainability issues.

Länsförsäkringar AB is a signatory of the UN Global Compact's Ten Principles on human rights, labour, environment and anti-corruption and seeks to ensure that the operations comply with these principles. Länsförsäkringar AB has also signed the United Nations-supported Principles for Responsible Investment (PRI), which, together with the Global Compact, form the basis of the corporate governance policy. Länsförsäkringar Sak is a signatory of the UN Principles for Sustainable Insurance (PSI).

- Sustainability policy
- Code of Conduct for Employees
- Personnel policy
- Equality and diversity plan
- Corporate governance policy
- Purchasing and procurement policy
- Code of Conduct for Suppliers
- Policy on employees' private transactions
- Policy on anti-money laundering and terror financing
- Guidelines on identifying and managing conflicts of interest
- Policy on improper benefits

## Climate and environmental risks

Global warming and the resulting extreme weather events, such as storms, torrential

rain, flooding and drought, have huge socio-economic consequences. For insurance companies, the damaging effects manifest themselves in the form of global warming leading to the risk of higher payments for weather-related insurance claims.

The sustainability policy and corporate governance policy outline the foundation of the Group's climate and environmental work.

Länsförsäkringar works actively on claims-prevention measures to reduce environmental risks. Natural catastrophes, water and fire damage claims, and motor insurance claims have the greatest impact on the environment. Länsförsäkringar's claims-prevention activities help reduce environmental impact through less waste, chemicals, energy, materials, transportation and other resources.

Länsförsäkringar has appointed a natural-catastrophe coordinator at each of the 23 regional insurance companies. Activities to prevent natural catastrophes includes analysing the external environment and following scientific and technological developments. Länsförsäkringar also provides information, offers internal training and trains customers, authorities and decision-makers to steer developments towards a more robust society. Claims prevention is a vital component in these efforts, which take the form of advice to raise preparedness for the extreme weather that occurs in Sweden. Advice is provided on how to best prepare property, forests, oneself and family to minimise the risk of damage.

Länsförsäkringar guides and encourages its customers and claims-repair suppliers to show climate and environmental

consideration. Länsförsäkringar also finances research into how climate change impacts the insurance industry, customers and the rest of society.

Climate risks also entail a financial risk for Länsförsäkringar's investments. Companies that base their operations on fossil fuels risk becoming "stranded assets" as stricter rules come into force to meet the two-degree climate target. The operations of other companies in which Länsförsäkringar invests could also be affected by climate change. Länsförsäkringar has reduced the risk in its investments since 2016 by divesting a large number of fossil companies linked to coal extraction and combustion. Länsförsäkringar AB is engaged in dialogue with a number of companies regarding their impact on the climate and environment.

The Task on Climate-related Financial Disclosures (TCFD) published recommendations on climate-related financial disclosures in June 2017. These recommendations comprise a framework on governance, strategy, risk management and reporting of climate-related risks and opportunities. Länsförsäkringar AB is positive to the TCFD's framework. Work on climate-related scenario analyses has been initiated.

A more detail description of climate-risk management is provided in note 2 Risk and capital management in the 2017 Annual Report.

Investments	2017	2016
Number of fossil companies excluded from equities and credit obligations in own funds and direct investments	130	80
Number of reactive company dialogues on environment through an ethics consultant or Länsförsäkringar AB itself	29	15
Number of reactive company dialogues on human rights through an ethics consultant or Länsförsäkringar AB itself	82	72
Number of reactive company dialogues on anti-corruption through an ethics consultant or Länsförsäkringar AB itself	20	20

The Group's direct environmental impact is relatively limited and primarily comprises business travel, heating and electricity in office premises, and paper

print-outs. Air travel was the largest source of carbon emissions in 2017. There are guidelines for business travel, and digital meetings and train travel, where possible, are recommended instead of air travel so as to reduce carbon emissions.

Länsförsäkringar AB's office properties are environmentally classified as energy-efficient and designed to promote health and sustainability, in line with the Sweden Green Building Council's certification scheme and the GreenBuilding system. Renewable electricity and district heating are used in these properties.

The development of digital services leads to lower volumes of paper-based communication to customers, which reduces environmental impact while making information more accessible.

#### Social and personnel-related risks

Employees are Länsförsäkringar AB's most important resource. They possess a variety of specialist and professional expertise that is vital to carrying out and developing the operations. Being an attractive employer is a focus area for Länsförsäkringar AB. Diversity and equality, skills development, learning, health and work environment are deemed important for employer attractiveness. Diversity centres on business value and helps to strengthen competitiveness and increase profitability. The Group firmly believes that different thinking is a key factor for success for learning and innovation that results in new customers in new markets. Diversity initiatives also play an important role in being an attractive and responsible employer and broadening the recruitment pool.

The personnel policy, Code of Conduct for Employees and the equality and diversity plan form the basis of the Group's HR. The equality and diversity plan includes the application of the Equal Opportunity Act and Discrimination Act, as well as targets, action plans and follow-up methods. The Code of Conduct provides a framework for Board members, employees and external consultants that describes expected standards of conduct and behaviour in daily duties that are consistent with the Group's

vision, values, targets, strategies and external requirements.

A current and external diversity analysis was performed in 2017. Activities identified include continuing to raise awareness of diversity, incorporating diversity into cultural activities, empowering managers to work on diversity in their leadership and reviewing business processes and procedures. Several internal workshops and information meetings were arranged in 2017 to highlight the importance of diversity.

The aim of the recruitment process is to ensure a more even gender distribution in working groups and various managerial positions. Working groups with a 40/60 ratio of men and women achieved the target in the business plan of 28%. Work is continuing to ensure an even gender distribution. Managers are encouraged to take a broad diversity perspective when recruiting.

	2017	2016
Number of permanent employees	1,847	1,759
Percent of permanent employees who are women, %	58%	58%

Social commitment primarily takes place locally in the various regional insurance companies and is governed by the guidelines of the local companies. Länsförsäkringar AB's social commitment is primarily linked to the diversity projects above. Länsförsäkringar AB has been making financial contributions to and supporting an exchange of know-how for a microinsurance project in India since 2016. Much of Länsförsäkringar AB's purchases of IT consultancy support are made from India, which is why the microinsurance project contributes to Indian society and is in line with the UN Sustainable Development Goals (SDGs).

#### Respect for human rights

Länsförsäkringar AB invests in companies all over the world, through its own management and via externally managed funds and mandates. The owner policy is the basis of work on responsible investments. Länsförsäkringar AB strives to encourage the companies in which it invests to adhere to international conventions that Sweden has

signed on the environment, human rights, corruption and controversial weapons. There is a market and business risk that these companies could be linked to violations of human rights or to breaches of other conventions. To minimise this risk, the Group engages an external ethics consultant to analyse all investments based on international conventions to identify whether a company that the Group has invested in could be linked to violations of human rights. Dialogue then commences with such companies to encourage them to stop such contraventions, assume their responsibility and take action to prevent violations from happening again. Länsförsäkringar sets requirements and monitors managers' efforts to integrate sustainability aspects, including human rights, into their investment analyses. Länsförsäkringar encourages managers to engage in dialogue with companies.

Länsförsäkringar AB's purchases primarily comprise services in IT and telecommunications, health and medical care, financial services, banking and investments, and consulting. 94 of the company's largest suppliers represent 80% of total purchasing volumes.

The purchasing and procurement policy stipulates the rules and methods for purchasing and procurement. A Code of Conduct for Suppliers, based on the UN Global Compact, defines requirements regarding human rights, labour conditions, environment and business ethics. The Code of Conduct has been included in purchasing agreements with new suppliers since 2016. Suppliers are expected to comply with the Code of Conduct. Each agreement manager in the operations is responsible for monitoring suppliers.

Work conditions, business ethics and environmental impact were discussed with the largest IT suppliers in 2017. No significant shortcomings were detected.

Strategic contractual procedures will include a broader and deeper scope for sustainability dialogue. It includes assessing whether spotchecks and audits with suppliers are required. A new risk analysis will be carried out.

### **Business ethics and corruption**

The banking and insurance industry is subject to strict rules and regulatory requirements aimed at protecting its customers and maintaining confidence and stability in the financial market. The rules also seek to prevent and counteract the financial system being utilised for money laundering and terror financing. The guiding governance documents are the Code of Conduct for Employees, policies for employees' private transactions, policies and guidelines on anti-money laundering and terror financing, guidelines for identifying and handling conflicts of interest, and policies on improper benefits.

For Länsförsäkringar, it is essential to apply full regulatory compliance and optimally prevent the operations from being utilised for corruption, fraud, money laundering or terror financing. Länsförsäkringar makes extensive efforts to limit these risks.

Systematic work is conducted to reduce the risk of money laundering, terror financing and fraud, such as building up in-depth customer knowledge, active monitoring and transaction reporting.

The general risk assessment performed within the business operations is regularly evaluated and updated as required, and also forms the basis of the governance documents, procedures and other anti-money laundering and terror financing measures.

The Compliance function monitors and checks risk-assessment compliance. A new risk assessment is carried out when new products, services and distribution channels are introduced and re-organisations are implemented. The Länsförsäkringar Alliance has a shared system for reporting deviations.

All employees, contractors and managers working in the banking and life-insurance operations must be familiar with the content of the governance documents and the relevant procedures for anti-money laundering and terror financing. All of the employees in the banking and life-insurance operations must also undergo mandatory training on the subject and receive additional training. A total of 2,013 (1,963)

people completed the training course on the Act on Measures against Money Laundering and Terrorist Financing in 2017.

Länsförsäkringar AB takes a stand against all forms of corruption and improper benefits, which is stated in the Code of Conduct and the policy on improper benefits. The Swedish Anti-corruption Institute's (IMM) recommendations on gifts, rewards and other benefits in business are part of the policy on improper benefits. The overall aim of the Group's anti-corruption work is to guide employees in avoiding giving and receiving gifts and representation that could arouse suspicions that the purpose is for private gain or promoting the interests of a third party.

The Compliance function regularly performs a risk and vulnerability analysis at Länsförsäkringar AB and its subsidiaries to evaluate the risk of bribery or other forms of improper influence. The areas addressed are the operations of each company, size and organisation of each company, market, customers, distribution channels, partners, sponsoring and purchasing. The result of the 2017 risk and vulnerability analysis showed that Länsförsäkringar AB and its subsidiaries are at low risk of being exposed to bribery.

There is an e-course in the Code of Conduct for all employees that includes teaching examples of business ethics to raise awareness and highlight the circumstances and the risks of corruption within the Group, and how employees are expected to act. A total of 82% of employees completed the e-course in the Code of Conduct in 2017. The course also includes elements on safety and sustainability.

A whistle blowing procedure is open to all employees, customers, partners and other business associates to help counteract or stop crime or suspected crime in the business activities or closely related to the business activities. The informant has the right to anonymity and will not suffer any repercussions due to the report. The whistle blowing procedure is an alternative to other reporting channels. The Head of Compliance did not receive any whistle blowing cases in 2017.

# Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Länsförsäkringar AB (publ),  
corporate identity number 556549-7020

## Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2017 and that it is prepared in accordance with the Annual Accounts Act.

## The scope of the examination

My examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that my examination of the statutory sus-

tainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinion.

## Opinion

A statutory sustainability report has been prepared.

Stockholm, 6 March 2018

KPMG AB

Mårten Asplund  
Authorized Public Accountant