

2018

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About us

Länsförsäkringar AB

Länsförsäkringar AB is wholly owned by the regional insurance companies, together with 16 local insurance companies. Through its distinct role in the Länsförsäkringar Alliance's value chain, Länsförsäkringar AB contributes to increasing competitiveness and reducing costs for joint development. In turn, this creates possibilities for the regional insurance companies to be successful in their respective markets. In

addition to the Parent Company, Länsförsäkringar AB, the Group consists of Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv is not consolidated in the Group since the company is operated according to mutual principles.

Länsförsäkringar in brief

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 offering of banking, insurance, pension and real-estate brokerage services through the regional insur-

ance companies. The regional insurance companies are owned by the insurance customers – there are no external shareholders and meeting customer needs and requirements is always the primary task. The Länsförsäkringar Alliance has 3.9 million customers and 6,700 employees.

3.9 million customers

23 local regional insurance companies

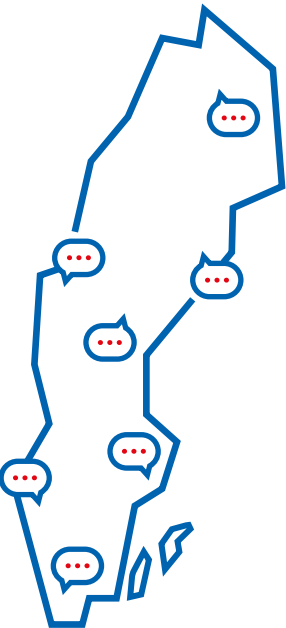
Länsförsäkringar AB

Länsförsäkringar Sak Försäkrings AB
Supplements the regional insurance companies' non-life insurance offering with specialist products, serves as an engine for new business and is responsible for joint reinsurance.

Länsförsäkringar Bank AB
Offers a broad range of banking services to the regional insurance companies' customers through Länsförsäkringar Hypotek, Länsförsäkringar Fondförvaltning and Wasa Kredit.

Länsförsäkringar Fondliv Försäkrings AB
Offers pension savings with fund management and guarantee management and personal-risk insurance to the regional insurance companies' customers.

Länsförsäkringar Liv Försäkrings AB
Manages traditional life assurance taken out before September 2011 when the company was closed for new business.



“ We make and keep a joint promise in 23 regional accents.

| Rating | | | |
|--|--------------------|------------------|-------------------|
| Company | Agency | Long-term rating | Short-term rating |
| Länsförsäkringar AB | S&P Global Ratings | A-/Stable | - |
| Länsförsäkringar AB | Moody's | A3/Stable | - |
| Länsförsäkringar Bank | S&P Global Ratings | A/Stable | A-1 (K-1) |
| Länsförsäkringar Bank | Moody's | A1/Stable | P-1 |
| Länsförsäkringar Hypotek ¹⁾ | S&P Global Ratings | AAA/Stable | - |
| Länsförsäkringar Hypotek ¹⁾ | Moody's | Aaa | - |
| Länsförsäkringar Sak | S&P Global Ratings | A/Stable | - |
| Länsförsäkringar Sak | Moody's | A2/stable | - |

¹⁾Pertains to the company's covered bonds.

The 2018 fiscal year

Earnings 2018 Figures in parentheses pertain to 2017

- Operating profit for the Länsförsäkringar AB Group amounted to SEK 2,351 M (2,825). The return on equity amounted to 9% (11).
- Operating profit for the Länsförsäkringar Sak Group amounted to SEK 460 M (1,028). The combined ratio amounted to 94% (88).
- Operating profit for Länsförsäkringar Bank amounted to SEK 1,510 M (1,599). Net interest income strengthened to SEK 4,497 M (3,996).
- Operating profit for Länsförsäkringar Fondliv increased to SEK 673 M (600). Premium income amounted to SEK 9,010 M (9,133). Commission and fee income increased to SEK 1,671 M (1,578).

Operating profit for the
Länsförsäkringar AB Group

SEK **2.4** bn

Operating profit, Bank

SEK **1.5** bn

Combined ratio non-life insurance

94%

Managed assets unit-linked insurance

SEK **126** bn

Five-year summary

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------------|---------|---------|----------------------|---------|
| Länsförsäkringar AB, Group¹⁾ | | | | | |
| Operating profit, SEK M | 2,351 | 2,825 | 2,286 | 2,155 | 1,469 |
| Equity per share, SEK | 2,462 | 2,269 | 2,046 | 1,858 | 1,675 |
| Total assets, SEK M | 506,835 | 473,773 | 421,816 | 384,595 | 355,933 |
| Return on equity, % | 9 | 11 | 10 | 11 | 7 |
| Own funds for the group (FRL) ²⁾ , SEK M | 43,870 | 44,172 | 40,602 | 36,905 ³⁾ | - |
| Solvency capital requirement for the group (FRL) ²⁾ , SEK M | 33,874 | 33,441 | 30,121 | 28,233 ³⁾ | - |
| Own funds for the financial conglomerate, SEK M | 43,870 | 44,172 | 40,352 | - | - |
| Capital requirement for the financial conglomerate, SEK M | 33,874 | 33,441 | 30,121 | - | - |
| Länsförsäkringar Sak, Group | | | | | |
| Premiums earned after ceded reinsurance, SEK M | 5,891 | 5,623 | 5,342 | 5,074 | 4,099 |
| Technical result for insurance operations, SEK M | 402 | 977 | 435 | 821 | 611 |
| Operating profit, SEK M | 460 | 1,028 | 644 | 908 | 791 |
| Solvency ratio, % (Länsförsäkringar Sak Försäkrings AB) | 228 | 221 | 260 | 235 ³⁾ | - |
| Länsförsäkringar Bank, Group | | | | | |
| Deposits from the public, SEK M | 108,142 | 99,404 | 91,207 | 83,925 | 76,790 |
| Loans to the public, SEK M | 289,426 | 261,444 | 226,705 | 201,964 | 179,424 |
| Operating profit, SEK M | 1,510 | 1,599 | 1,467 | 1,175 | 935 |
| Return on equity, % | 8.3 | 10.0 | 10.1 | 8.9 | 8.3 |
| Common Equity Tier 1 capital ratio, Bank Group, % | 14.2 ⁴⁾ | 24.3 | 24.8 | 23.7 | 16.2 |
| Tier 1 ratio, Bank Group, % | 15.5 ⁴⁾ | 26.8 | 27.5 | 26.6 | 16.2 |
| Länsförsäkringar Fondliv | | | | | |
| Premium income, SEK M | 9,010 | 9,133 | 8,637 | 8,645 | 8,543 |
| Operating profit, SEK M | 673 | 600 | 512 | 516 | 373 |
| Managed assets, SEK M | 125,805 | 128,140 | 114,450 | 102,807 | 93,610 |
| Solvency ratio, % | 135 | 152 | 150 | 141 ³⁾ | - |
| Länsförsäkringar Liv (not consolidated in Länsförsäkringar AB) | | | | | |
| Premium income, SEK M | 1,684 | 1,533 | 1,720 | 1,919 | 2,639 |
| Net profit for the year, SEK M | 609 | 3,121 | 2,359 | 5,143 | 1,966 |
| Collective consolidation ratio, New Trad, % | 105 | 117 | 114 | 114 | 120 |
| Collective consolidation ratio, Old Trad, % | 124 | 123 | 125 | 120 | 120 |
| Solvency ratio, % | 200 | 207 | 195 | 182 ³⁾ | - |

¹⁾ Excluding Länsförsäkringar Liv Försäkrings AB, which is operated according to mutual principles. ²⁾ According to Swedish Insurance Business Act (FRL), the Solvency II directive in Swedish law.

³⁾ Opening balance on 1 January 2016 under Solvency II. ⁴⁾ As of 31 December 2018, the application of the risk weight floor for Swedish mortgages changed, which will reduce the capital ratios from this period.

Success lies in the balance between local and shared

About Länsförsäkringar AB Länsförsäkringar AB and its subsidiaries are commissioned by the regional insurance companies to conduct joint banking, non-life insurance, pension and life-assurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and efficiency. All to create conditions for the regional insurance companies to develop the offering close to their customers.

Länsförsäkringar AB is wholly owned by the 23 regional insurance companies, together with 16 local insurance companies. The regional insurance companies impose demands on effective capital use and a balanced and market-based return on equity set according to each subsidiary's operations and risk. In 2018, the return on equity amounted to 9%. In addition to the Parent Company, Länsförsäkringar AB, the Group consists of Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Fondliv, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv is not consolidated in the consolidated financial statements since the company is operated in accordance with mutual principles and the earnings accrue in their entirety to the policyholders.

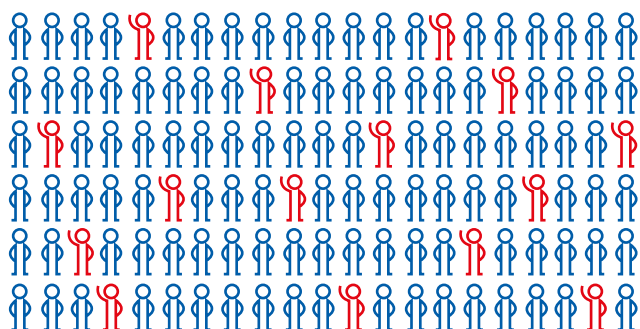
Mission

Länsförsäkringar AB is tasked with conducting profitable business activities in banking, non-life insurance, pension and life assurance, developing the customer meeting – everything from products and concepts to channels and tools to providing business service to the regional insurance companies. This ensures that the regional insurance companies can offer their customers the right range of products and enables private individuals, companies and agricultural customers in Sweden to live with a sense of security. The Länsförsäkringar Alliance's reinsurance cover is managed through a number of cover pool solutions and joint group insurance cover by Länsförsäkringar Sak.

Owner Control

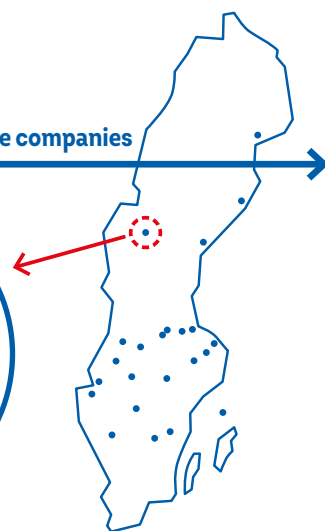
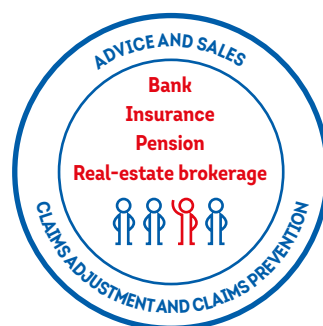
3.9

million customers/owners



23

regional insurance companies



Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, which is individually owned in various holdings by the 23 regional insurance companies and 16 local insurance companies, which in turn are owned by a total of 3.9 million insurance customers. The Boards of Directors of the regional insurance companies are formally responsible for owner control. Based on the federal organisation and the purpose of the ownership of Länsförsäkringar AB, these companies have together created joint forms for owner control that comply both with the requirements usually imposed on owner control and with the federal conditions.

Owner control at Länsförsäkringar AB has clear advantages compared with the owner control of many larger financial groups. This is because all of

the regional insurance companies have the same clear purpose for their ownership, are proactive and collectively hold sufficient financial capacity to safeguard long-term ownership.

Owner control logic

The logic behind owner control centres mainly on the relationship between the Länsförsäkringar AB Board of Directors, Länsförsäkringar AB's General Meeting and the regional insurance companies' owner consortium. Formal owner control takes place through the General Meeting, although the regional insurance companies' owner consortium and their representation on Länsförsäkringar AB's Board are also important components. The duties of the

Balance between local and shared

The Länsförsäkringar Alliance has developed a balance between the small and the large-scale. Cooperation between the regional insurance companies through Länsförsäkringar AB has emerged from a decentralised perspective, not the other way round. The local companies decided to cooperate to achieve economies of scale and to concentrate on the most important issues: meetings with customers and developing close customer relationships.

Certain elements of the Länsförsäkringar Alliance are conducted on a large-scale to generate economies of scale, for example, product development and IT systems. Other areas are better suited to being conducted on a smaller scale, such as personal customer meetings. Success is found in balancing these elements. The basis for cooperation in the Länsförsäkringar Alliance is that as much of the operations as possible are conducted by the local companies and essentially all customer contact is to take place at this level. For Länsförsäkringar, the core concept is to meet and get to know customers, and this is best achieved on a small scale. Economies of scale arise in the cooperation between the regional insurance companies that takes place through Länsförsäkringar AB and its subsidiaries. Experience shows that local decision-making authority combined with joint strength creates substantial added value for customers.

Governance of risk-taking and capital use

Länsförsäkringar AB's business activities are conducted to generate a profit so that the company can pay returns on equity at market levels. All capital that is not required for Länsförsäkringar AB's operations is returned over time to the owners in the form of dividends. The Group's capital situation in relation to its combined risks forms the basis of decisions on dividend payments. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking to justify a minimum credit rating of A.

The regional insurance companies are extremely well consolidated and thus are highly capable of contributing capital to the Group. Accordingly, the Länsförsäkringar AB Group's capital strength is assessed not only based on its own situation but also includes the capital strength of the regional insurance companies. Rating agencies and other stakeholders take this approach.

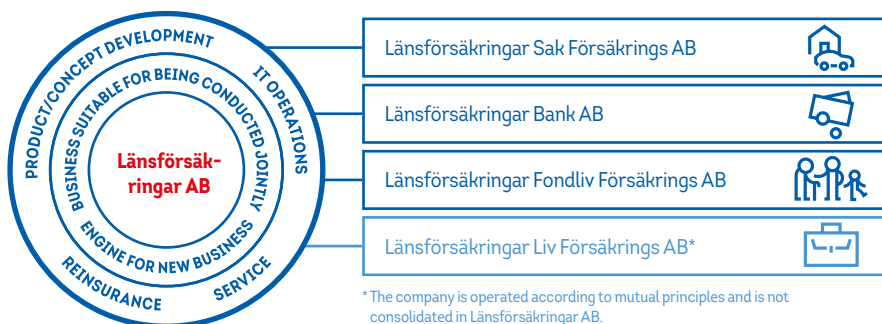
Owner control of Länsförsäkringar AB



General Meeting are formally governed by law and the Articles of Association. The duties of the consortium are governed in the regional insurance companies' consortium agreement. The Chairman of the consortium is appointed by the regional insurance companies.

Länsförsäkringar AB's Board is elected by the General Meeting, which comprises representatives of all shareholders. The Board is elected based on a process controlled by the owners through a Nomination Committee appointed by the General Meeting. The Nomination Committee's composition, mandate period and so forth are governed in the Articles of Association. The Chairman of the consortium is responsible for the process of renewing the Nomination Committee.

Länsförsäkringar AB



* The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on, thus implementing the owners' assignments. The regional insurance companies' mandate to Länsförsäkringar AB's Board is decided in the consortium and is documented in the Länsförsäkringar Alliance's governance documents. At the same time, Länsförsäkringar AB's Board has a major responsibility for safeguarding the capital invested in Länsförsäkringar AB by the regional insurance companies. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.

Joint business

Companies and offering



Länsförsäkringar Sak Group

Länsförsäkringar Sak is responsible for the non-life insurance operations, including pet and crop insurance, which have been assigned to Länsförsäkringar AB by the regional insurance companies. 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. Pet-insurance operations are conducted in the subsidiary Agria Djurförsäkring. Länsförsäkringar Sak manages the Länsförsäkringar Alliance's joint reinsurance cover and internal Alliance reinsurance with a number of pool solutions, and underwrites some internationally assumed reinsurance.

Earnings 2018

Operating profit amounted to SEK 460 M (1,028). Of the Länsförsäkringar Alliance's total premiums earned of SEK 26.8 billion, premiums earned from Länsförsäkringar Sak accounted for SEK 5.9 billion.

Combined ratio

94%



Länsförsäkringar Bank Group

Länsförsäkringar Bank offers banking services to private individuals, agricultural customers and small businesses. Sales and customer service are carried out through the branches of the regional insurance companies and via digital channels and by telephone. Deposits and certain lending operations are conducted in Länsförsäkringar Bank, while most of the lending and funding operations are conducted through the subsidiary Länsförsäkringar Hypotek. The subsidiary Länsförsäkringar Fondförvaltning offers mutual funds. The subsidiary Wasa Kredit offers financing services to corporate customers and private individuals – primarily leasing, renting and hire purchase. Länsförsäkringar Bank is the fifth largest retail bank in Sweden.

Earnings 2018

Operating profit amounted to SEK 1,510 M (1,599) impacted by non-recurring costs of SEK 407 M. Net interest income rose 13% to SEK 4,497 M (3,996).

Increase in business volumes to SEK 561 billion

+8%

A successful Länsförsäkringar AB – what does that mean to us?



“A successful Länsförsäkringar AB – characterised by innovation, sensitivity and curiosity – gives us the basis to be a leader in our local market. Our joint development activities are central to offering relevant solutions for a secure life with no incidents – now and in the future.

Ulrica Hedman
President of Länsförsäkringar Uppsala



“A successful Länsförsäkringar AB is a prerequisite for successful regional insurance companies. And vice versa. By being successful in its deliveries to the regional insurance companies, we can create further value for our customers locally. In all 23 parts of the country.

Jens Listerö
President of Länsförsäkringar Blekinge



Länsförsäkringar Fondliv Försäkrings AB

Länsförsäkringar offers pension savings, primarily occupational pensions. Fund management, guarantee management and personal-risk insurance are offered through Länsförsäkringar Fondliv. Länsförsäkringar Fondliv is a leader in the unit-linked insurance market for individual occupational pensions, commanding a market share of 18% measured in premium income. Länsförsäkringar's fund range comprises 38 of its own funds and about 52 external funds.

Earnings 2018

Operating profit increased to SEK 673 M (600). Premium income amounted to SEK 9,010 M (9,133).

Managed assets

SEK **126** bn



“ It is a privilege to be able to work in the context of a shared focus on creating security and opportunities for our customers, who are also our owners. Our development is based on sustainable and innovative value creation. Länsförsäkringar AB's tremendous work is the key to success in this endeavour.

Beatrice Kämpe Nikolausson
President of Länsförsäkringar Kronoberg



Länsförsäkringar Liv Försäkrings AB

Länsförsäkringar Liv, which is closed for new business, manages traditional life assurance that was taken out before it was closed in 2011. Länsförsäkringar Liv conducts traditional life assurance for its customers divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Customers with insurance policies under Old Trad have had the opportunity to transition their existing insurance to New Trad since 2013. Customers with New World and Insured Pension have also received the offer to transition to New Trad since 2018.

Earnings 2018

Profit amounted to SEK 609 M (3,121). Länsförsäkringar Liv's earnings are not consolidated in Länsförsäkringar AB since the company is operated according to mutual principles.

Managed assets

SEK **109** bn



“ Länsförsäkringar AB and the regional insurance companies – the best of both worlds. The regional insurance companies' local presence, personal customer contact and business acumen. Länsförsäkringar AB adds coordination, specialist expertise and more business lines. Local and shared – in genuine cooperation.

Ricard Robbstål
President of Länsförsäkringar Göteborg och Bohuslän

Drivers and trends

Our business environment Drivers and trends in our business environment affect future customer requirements and thereby Länsförsäkringar's operations, business model and development needs. This presents many challenges but Länsförsäkringar has favourable conditions to optimally meet evolving needs, primarily based on its broad customer base, local knowledge, a long-term approach and highly skilled employees.

The customers' needs in focus

More and more customers are seeking security from a supplier that they have confidence in, making the brand a key cornerstone of the customer experience. To deliver products and services that meet customer expectations, the supplier must understand customer needs and behaviour, and base development activities and customer contact on customer insight. Länsförsäkringar has favourable conditions to best meet customer needs, primarily founded on a broad customer base, local knowledge and a unique business model that supports both local and digital customer meetings. Länsförsäkringar's starting point is always the customer and all communication is based on customer data and thus on knowledge. Länsförsäkringar's award-winning bank app adds immense customer value.

The sharing economy that is emerging involves using resources sustainably and economically. There is also a desire to remove “the middle man” and technology is enabling new consumption models. Sharing a taxi, home, car or ideas and borrowing what you can are becoming increasingly common to maximise comfort and flexibility at minimal cost. These new emerging needs present new business opportunities for banking and insurance. Länsförsäkringar must be innovative and collaborate within the Länsförsäkringar Alliance – the customer experience must always be local and close, whereas development can be carried out jointly.



Priority issues for our stakeholders

A stakeholder dialogue was conducted in 2018 to identify our stakeholders' expectations of Länsförsäkringar AB's sustainability efforts.

“ Provide information about sustainable claims adjustment and how customers can avoid claims and accidents.

Customer

“ Promote the creation of security for customers. Coordination of the group's claims-prevention activities and responsible investments are important areas.

Owner



For further information on the stakeholder dialogue, see page 131.



Technology

Rapid technological progress brings with it new banking and insurance solutions and new business opportunities. Traditional competition is being continuously challenged by new and innovative companies.

For the insurance industry, technological development creates opportunities for greater relevance, improved risk assessment, individualised products, claims-prevention services and predictive analysis for preventing claims.

Länsförsäkringar's development activities must be innovative, with rapid product development and testing capacity, in order to deliver new services demanded by its customers. In 2018, Länsförsäkringar carried out several pilot projects in health, claims prevention, security and crime prevention.

Länsförsäkringar's continued development of robotics and automation enhances efficiency. New technology also makes it possible to process customer data together with social data to learn more about customers and the market, with Länsförsäkringar's broad customer base and product offering providing a major advantage.



Climate

Climate change – the result of higher carbon emissions – causes global warming. A warmer climate, which leads to extreme weather conditions such as hurricanes, torrential rain and drought, will have major socio-economic consequences; the forest fires and drought in Sweden in the summer of 2018 are evidence of this.

Climate risk is the area of sustainability that presents the greatest challenge for Länsförsäkringar. For the insurance industry, global warming can lead to significant claims costs. That is why environmental claims-prevention activities are extremely important for Länsförsäkringar. Länsförsäkringar AB participates in a UN initiative with other insurance companies to prepare tools for climate risk analysis.

Climate change also affects banks, for example, in respect of property values, thus also affecting lending from the banks. A climate risk scenario analysis of Länsförsäkringar Bank's mortgage portfolio estimating expected credit losses in various scenarios was carried out in 2018. A similar scenario analysis of parts of the investments was performed in the life-assurance portfolio.



Regulations

Regulatory development will continue to have a significant impact on banks and insurance companies over the next few years. Examples of new major regulations introduced in 2018 include MiFID II, the General Data Protection Regulation (GDPR), PSD II and the Insurance Distribution Directive (IDD). IORP II and the Fifth Anti-Money Laundering Directive will be incorporated into Swedish law in 2019 and 2020, respectively. Work is in progress at EU level to produce legislation for a sustainable financial market. Länsförsäkringar welcomes this development since it seeks to harmonise standards and sustainability assessment criteria.

Harmonising legislation within the EU also adds to complexity. Extensive rules are often implemented in the form of both directives and EU regulations. In addition, guidelines are published by European supervisory authorities while the Swedish Financial Supervisory Authority issues regulations and general guidelines.

Länsförsäkringar is well-positioned to meet the changes under the regulations. It is of the utmost importance that consumers are protected.

“ In the insurance industry, I believe that personal health will be decisive – both for us employees and for our customers.

Employee

“ Customers want niche savings products that are best-in-class in sustainability. They want to see measurable goals for how their investments make a positive difference.

Broker

“ Climate issues are central. It is important to not only work on making continuous improvements but also to adjust investments to achieve the two-degree climate target.

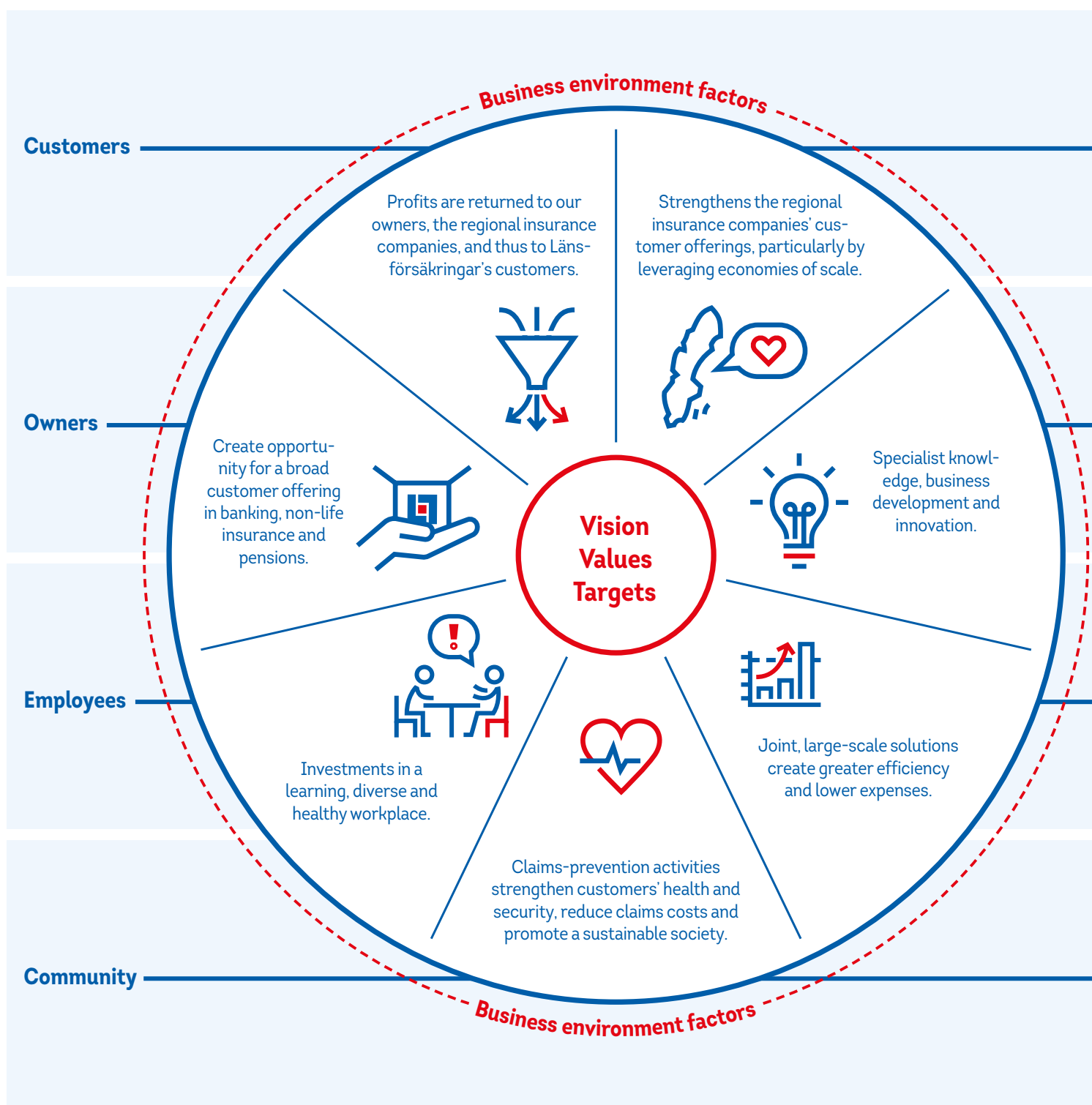
Civil society organisation

How we create value

How we create value With a clear focus on giving our owners – the 23 regional insurance companies – the best conditions for developing locally, Länsförsäkringar AB creates value for both its own operations and for our stakeholders.

For our stakeholders →

... we create value →

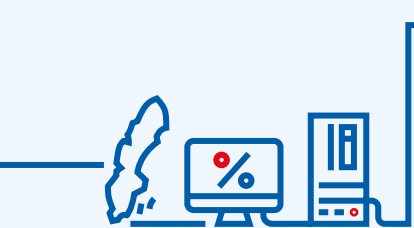


...socially, environmentally →



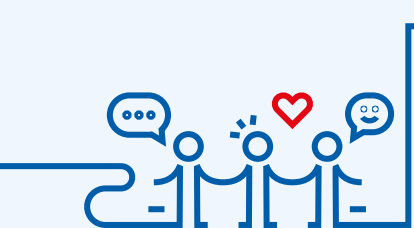
Customers

- High service level and competence.
- Comprehensive offerings create security.
- Competitive prices and strong total return.
- Claims-prevention activities reduce incidents.



Owners

- Create opportunity for regional insurance companies to offer a broad, comprehensive customer offering in banking, insurance, pensions and real-estate brokerage.
- Shared business solutions.
- High dividend for owners.



Employees

- Attractive workplace.
- Healthy work environment.
- Strong opportunities for skills development.
- Strong career opportunities.



Community

- Core business that creates social benefit and strengthens customers' long-term financial security.
- Claims-prevention activities – a gain for the environment.
- Preventive efforts reduce illness and costs to society and employers.
- Support research into social challenges, mental illness and animal health.

...and financially

Bonuses and discounts for customers

SEK **825** M

Claims payments to customers

SEK **4.7** bn

Salaries and pensions for employees

SEK **2.2** bn

Payments to suppliers

SEK **2.5** bn

Contributions to research

SEK **50** M

Vision, values and targets

Vision, values and targets Länsförsäkringar AB's activities are guided by a vision and value-based planning of operations. This serves as a guiding principle for all operations in the Group in order to achieve set targets. Länsförsäkringar AB helps to fulfil the Länsförsäkringar Alliance's shared brand promise of simplifying everyday life for customers and contributing to a secure future.

Vision

This vision must always be our key objective. The aim of all general and long-term work is that together we create security and opportunities for our customers and society in general.

*Together we
create security and
opportunities*

Core values

These values form the basis of our corporate culture and describe how we are to treat each other, our customers and our stakeholders. They inspire us in our work and help us to enhance customer value every day.

*Commitment
Trust
Openness
Professionalism*

Targets

Länsförsäkringar AB's targets are always based on its mission of helping our owners, the 23 regional insurance companies, create the best value for customers. These targets are based on Länsförsäkringar's joint strategies and important changes in our business environment. To achieve the targets, Länsförsäkringar AB must remain the best partner for the regional insurance companies and support them in delivering the best customer experience. Länsförsäkringar AB must also continue to be a strong, fast and agile implementer.

The market's most satisfied customers. Long-term profitable growth in joint business. Sustainability throughout the operations.



The market's most satisfied customers

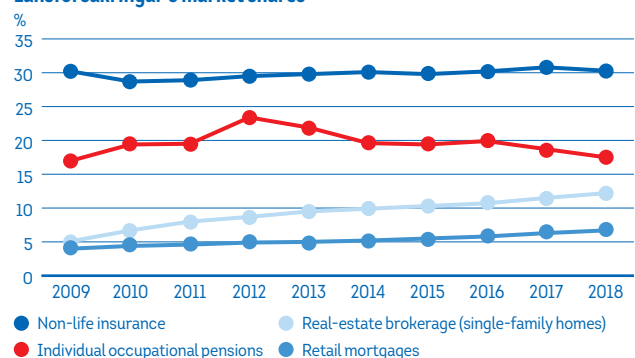
“ *Länsförsäkringar will be customers' first choice for financial services.*

To meet customer expectations and needs, Länsförsäkringar must offer its customers a secure, total financial solution for banking, insurance, pensions and real-estate brokerage.

Outcome 2018

- According to the Swedish Quality Index's 2018 customer satisfaction surveys, Länsförsäkringar has Sweden's most satisfied customers in banking, non-life insurance, private pensions and real-estate brokerage.
- Kantar Sifo's 2018 reputation survey showed that Länsförsäkringar has the highest reputation in the finance industry.
- Länsförsäkringar's satisfied customers and high reputation have led to a clear market-leading position in non-life insurance in Sweden for more than 20 years and a continued strong customer inflow to the banking business and real-estate brokerage.

Länsförsäkringar's market shares





Long-term profitable growth

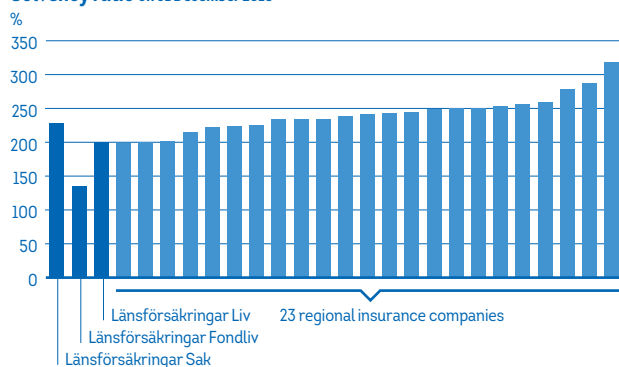
“Satisfied customers are the foundation of long-term profitable growth.”

Long-term profitable growth in the customer-owned regional insurance companies is important for meeting future challenges, assuming social responsibility and supporting sustainable development.

Outcome 2018

- Länsförsäkringar's solid growth continued for all business lines in 2018.
- Based on the healthy 2018 earnings, the regional insurance companies will pay back a total of SEK 825 M in bonuses and discounts to their owners – the customers.
- The regional insurance companies, the Länsförsäkringar AB Group and each subsidiary remained well-capitalised in 2018.

Solvency ratio on 31 December 2018



Sustainability in the operations

“Sustainability involves generating greater value for customers and contributing to the sustainable development of society.”

Länsförsäkringar can reduce its sustainability risks and also contribute to the positive development of society and create business value by incorporating sustainability throughout the operations.

Outcome 2018

- Investments in green bonds increased during the year to SEK 3.1 billion at year-end. The investments are earmarked for climate-smart projects.
- Länsförsäkringar Fondförvaltning launched a Nordic Ecolabelled Sweden fund and a fossil-smart fund.
- The sustainability requirements for external fund managers were tightened.
- Länsförsäkringar contributed to research financing into such subjects as mental illness and unprotected road-users.
- Agria's research fund turned 80 years and donated slightly more than SEK 9.5 M to research into animal health in 2018.



THE GLOBAL GOALS
For Sustainable Development



Read more about Länsförsäkringar AB's sustainability work on pages 14–32 and 129–139.

Sustainable business

Sustainability is about generating greater value for customers and, at the same time, contributing to the sustainable development of society. Länsförsäkringar AB's sustainability work is based on the vision of "Together we create security and opportunities." By integrating sustainability into the business, Länsförsäkringar AB can increase business value and contribute to a sustainable society.

Länsförsäkringar AB can reduce its sustainability risks, increase customer value and also contribute to the positive development of society and create business value by taking economic, social and environmental aspects into consideration in business development and business decisions. Länsförsäkringar is a signatory to the principles of the UN Global Compact.

Key sustainability topics

Länsförsäkringar AB carries out regular analyses of risks and opportunities as well as 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 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 commitment.

New materiality analysis performed

A new materiality analysis was performed in autumn 2018 and aimed to prioritise the most important sustainability topics for Länsförsäkringar based on the business's impact on the environment and society. As part of the analysis, various stakeholder groups were engaged to enhance understanding of key stakeholders' expectations of Länsförsäkringar AB's sustainability activities. The update of the key sustainability topics will govern the sustainability content of reporting in 2019.

As owners and recipient of deliveries from Länsförsäkringar AB, the regional insurance companies hold a unique position among stakeholders. Customer meetings are managed locally by the regional insurance companies. Länsförsäkringar AB's task is to conduct joint banking and insurance operations, pursue strategic development activities and provide service in areas that generate economies of scale and enhance efficiency.

Climate risk – the greatest challenge

Climate risk is the area of sustainability that presents the greatest challenge for Läns-

UN Sustainable Development Goals

Länsförsäkringar AB worked together with the 23 regional insurance companies in 2018 to identify which of the UN Sustainable Development Goals (SDGs) Länsförsäkringar AB can positively contribute to and that Länsförsäkringar can work towards to reduce its negative impact. This process was based on Länsförsäkringar AB's material sustainability topics, level of engagement, identified risks and opportunities.



More information about Länsförsäkringar's work on the UN SDGs can be found on pages 130–131.

försäkringar. Climate change – the result of higher carbon emissions – causes global warming. A warmer climate will have major socio-economic consequences, and lead to extreme weather conditions such as hurricanes, torrential rain and drought. The adverse effects for insurance companies and banks are obvious.

As stated in the sustainability policy, the Board of Länsförsäkringar AB has identified climate risk as the top priority. Länsförsäkringar AB strives to limit and reduce the risk of climate impact through its activities in several of the priority sustainability topics: dialogues to influence companies and investments in the area of responsible investments, claims-prevention activities and sustainability requirements on damage repair in the insurance offering, sustainability requirements on purchases, donations to financing research into climate impact, engagement and claims-prevention activities in long-term environmental efforts and social commitment.

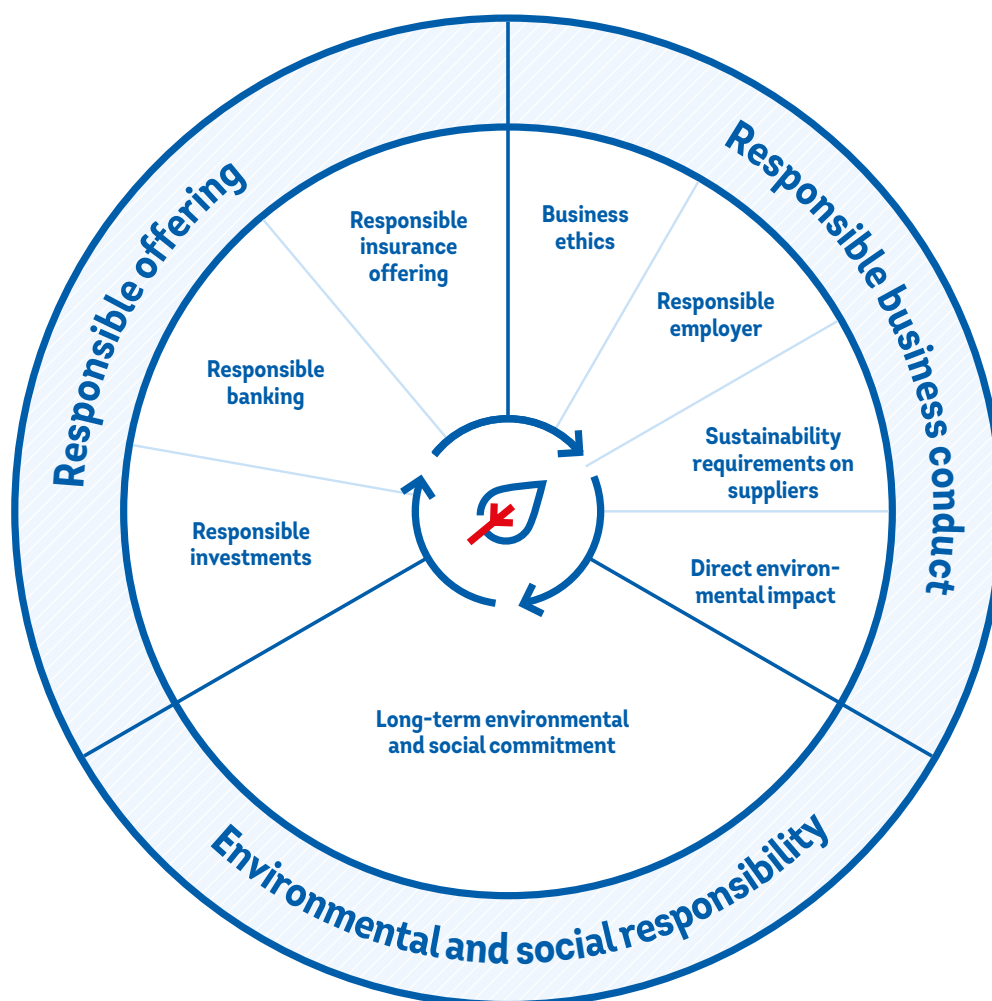
“The local, customer-owned business model creates a solid basis for long-term social responsibility.”



During the year, we were named the most sustainable brand in banking by Swedish Sustainability Ranking and in insurance by Sustainable Brand Index. With our local presence across Sweden we contribute to research into the challenges faced by society and local social initiatives.

Christina Kusoffsky Hillesöy, Head of Sustainability at Länsförsäkringar AB

Materiality analysis and priority sustainability topics



Responsible offering

Responsible investments

Investments that incorporate sustainability and generate high returns.

Responsible banking

Lending and payments that incorporate sustainability.

Responsible insurance offering

Insurance services focusing on claims prevention and health promotion efforts.



Responsible business conduct

Business ethics

A corporate culture with a high level of ambition regarding business ethics.

Responsible employer

Working on diversity and equality, skills development, health and work environment with the aim of attracting and retaining skilled employees.

Sustainability requirements on suppliers

Sustainability requirements in the supply chain.

Direct environmental impact

Actions to reduce the operation's direct environmental impact.



Environmental and social responsibility

Long-term environmental and social commitment

Research into society's security challenges and engagement to reduce risks of natural catastrophes due to climate change in society. Engagement to reduce mental illness in society.



Responsible investments



Länsförsäkringar AB invests customers' savings and offers both its own and external funds. Active corporate governance, international conventions, partnerships and integration of sustainability topics into asset management form the basis of responsible investments.

The basis of the investment philosophy is a conviction that the best investments over time are those made in well-managed companies that apply a systematic and integrated approach to sustainability. These are also the companies that will best be able to manage risks in and identify solutions to local and global social challenges.

Risks and opportunities

Länsförsäkringar AB's investments have an indirect impact on people, society and the environment through the operations of the individual companies. Länsförsäkringar endeavours to reduce its indirect impact through a systematic process for manager selection procedures, investment analyses, choice of investments, company analysis and dialogue.

By encouraging companies to follow the UN Global Compact's principles on responsible business, Länsförsäkringar helps reduce their negative impact on people, society and the surrounding environment.

Länsförsäkringar sees financial risks inherent in global warming. Climate change can impact companies by altering market conditions and through physical climate change. From a reverse perspective, there are investment opportunities in companies that restrict climate change and apply climate-adjustment solutions.

Investment opportunities are identified by integrating sustainability topics into investment analyses and decisions. The aim is to contribute to the sustainable development of society within the framework of established asset management targets. Länsförsäkringar can contribute to several SDGs through its investment and engagement.

Sustainability integration strategy

The strategy for integrating sustainability into investments comprises five focus areas:

- Active corporate governance
- Engagement
- Manager selection procedures with sustainability requirements
- Sustainable investments and savings
- Reduce climate risks in investments

Investments are managed by Länsförsäkringar Fondförvaltning (the fund company), which manages Länsförsäkringar's own funds and the Asset Management unit manages investments for the life-assurance and non-life insurance portfolios ("institutional portfolios").

Active corporate governance

Corporate governance includes company dialogues on sustainability topics, active participation in nomination committees to influence board compositions and voting at general meetings. The aim is to increase the diversity of boards. The fund company mainly votes at general meetings of the companies included in its own funds, and in which it has a substantial holding or where it is important to vote for other reasons.

Engagement

Engagement on sustainability takes place to encourage companies to act responsibly. Engagement takes place reactively after an incident has occurred and proactively for preventive purposes.

Work related to responsible investments is based on the UN Global Compact's principles and international conventions on the environment, human rights, labour, corruption and controversial weapons. A consulting firm is engaged to assess and analyse listed company holdings based on these conventions. Starting from these analyses, Länsförsäkringar AB strives to engage in dialogue with companies that breach these conventions. The aim is that the analysed company will stop committing breaches and take measures to prevent similar incidents from being repeated. If the dialogue does not achieve the desired results, the holdings in the company may, as a last resort, be divested.

A challenge is that listed companies in developed countries tend to be more transparent than companies in emerging markets, meaning that suspicions of breaches of convention are not always addressed. The same challenge exists for certain classes of assets, such as certain credit bonds and unlisted assets. Non-governmental organisations and the media play a key role in monitoring

companies. The analysis process compiles reporting from various sources, including such non-governmental organisations.

Companies are engaged in preventive dialogues to ensure that they are managing their sustainability risks, which can be identified by analysing portfolio holdings.

Länsförsäkringar AB is actively involved in several investor initiatives on various sustainability topics and industries. Engagement is given greater impetus and efficiency through partnerships with other investors.

Manager selection procedures with sustainability requirements

The fund company's Swedish assets are managed by internal managers. Other investments are managed by external managers through funds and discretionary mandates. The investment philosophy is based on using leading managers with different investment styles. Sustainability requirements are included in the procurement of new managers and their work is graded based on various criteria. The aim is to select external managers that integrate sustainability into their asset management and corporate governance. Managers are evaluated every year to ensure that they continuously improve their work on integrating sustainability into asset management.

Sustainable investments and savings

The fund company's Swedish equities and fixed-income funds are managed internally and a sustainability analysis is an integrated part of the investment process. A challenge is that many small companies have not made as much progress in sustainability as large companies and external analysis is often not found. Länsförsäkringar performs its own sustainability analyses and collects information from companies using a standardised questionnaire supplemented with its own analysis of reporting, follow-up meetings and external analysis where available. The companies are assigned a sustainability rating. The aim is for all fund holdings to have a sustainability rating, with the majority of holdings being in companies with the highest

possible rating. Investments can be made in companies with lower ratings provided that they make improvements.

The sustainable investments in the institutional portfolios include bonds that finance climate and environment-related projects. Demand for green bonds outstrips supply, thus limiting the possibility of increasing the share of investments in green bonds at the desired rate.

Reduce climate impact in investments

Länsförsäkringar sees 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 companies and energy companies that derive more than 20% of sales from thermal coal are divested from own funds and discretionary mandates. At year-end 2018, 134 coal companies had been divested.

The carbon footprint of equities investments is measured and reported on the website.

Activities and targets in 2018

Integrating sustainability into investment operations was a focal point in 2018. The corporate governance policy was updated

and new internal processes for increasing the integration of sustainability into asset management was set.

Active corporate governance

In 2018, Länsförsäkringar voted at 60 general meetings. The percentage of women on the boards of the companies in which Länsförsäkringar is a member of the nomination committee was 38%.

Engagement

Länsförsäkringar signed on to three new climate-focused investor initiatives in 2018: a climate initiative targeting the largest global emitters, one initiative focusing on oil and gas companies and one on deforestation. Länsförsäkringar also joined an initiative focusing on sustainable food and antibiotics in the meat industry. Furthermore, Länsförsäkringar supports Access to Medicine, an organisation that seeks to improve access to medicine for people around the world.

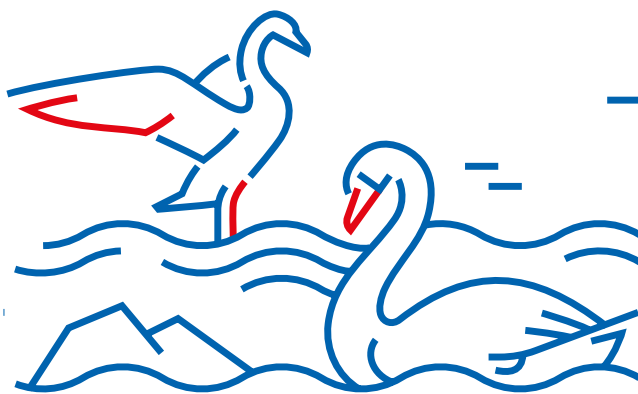
Manager selection procedures with sustainability requirements

The requirements on external fund managers in procurements, and regular follow-up of

existing managers, were tightened during the year. A minimum level was introduced, meaning that managers rated below the minimum level are placed on a watch list for 12 months and engaged in dialogue. Managers who do not make any improvements risk having their contracts terminated. If the fund is recommended on Länsförsäkringar's fund platform and no improvement is made, the fund is moved to the extended fund range. Nine funds were transferred from the recommended range in 2018 and two managers were put on the watch list due to shortcomings in their sustainability activities.

Sustainable investments and savings

In 2018, Länsförsäkringar launched a fossil-smart fund and a Nordic Ecolabelled Sweden fund. In addition to these two funds, the external fund platform was expanded with two externally managed sustainability funds: a green bond fund and a sustainable emerging markets fund. The share of investments in green bonds in the institutional portfolios in 2018 increased from SEK 1.5 billion to SEK 3.1 billion, thereby achieving the target for 2018 of SEK 3.0 billion.



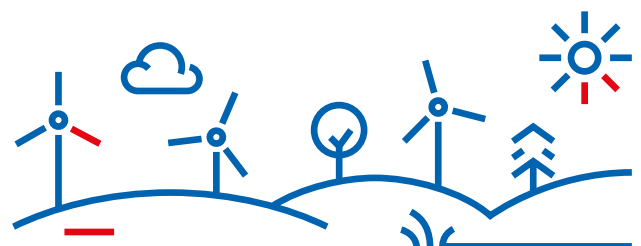
Nordic Ecolabelled fund

The Länsförsäkringar Sverige Aktiv equities fund was awarded the "Swan" Nordic Ecolabel in 2018. It means that the fund meets the Nordic Ecolabel's investment requirements, which include not investing in weapons, tobacco, fossil fuels or companies that violate conventions. At least 50% of the companies selected by the fund have the highest sustainability rating. The fund also fulfils the requirements of corporate governance in the form of voting at general meetings and engagement with companies on their sustainability efforts.



Sustainability fund keeps green light

The Länsförsäkringar Global Hållbar came top three of the most sustainable global equities funds in Söderberg & Partners' 2018 survey of sustainability of Swedish funds.



Fossil-smart fund

Länsförsäkringar FossilSmart was launched in 2018, a global equities fund that excludes companies that produce fossil fuels and has a majority of companies with low carbon emissions in each sector.



Responsible offering

Reduce climate risks in investments

A climate-scenario analysis of the institutional investment portfolios was performed in 2018 supported by the "2 degrees initiative" think tank, focusing on the current sector composition of the equities and credit portfolio. The weight of the sectors was compared with future scenarios and the target of limiting global warming to 2 degrees. For fossil fuels, the portfolio composition was in line with or well below the 2 degree target. There were mixed results for the power supply sector, with gas companies meeting the target while renewable energy had a lower weight than is predicted to be necessary for attaining the climate goal.

Climate risks in companies in two US credit portfolios were analysed. Such analyses are challenging due to a lack of data. Of about 300 companies analysed, carbon data was reported in the external analysis system for one-third of the companies. Of this third, ten companies accounted for slightly more than 50% of the carbon footprint in the credit portfolios. In 2018, Länsförsäkringar signed on to the Climate Action 100+ initiative to engage with the 100 largest important greenhouse gas emitters, a couple of which are found in the credit portfolios.

Activities and targets in 2019

Integrating sustainability into asset management will continue, for example, by raising requirements on external managers of listed and unlisted assets as well as internally managed interest-bearing assets. The carbon footprint for investments will be expanded to include fixed income, as well as

equities. The aim is also to increase the share of investments in green bonds and extend the investment orientation to include other sustainable bonds than merely green bonds. The institutional portfolios will be subject to a more extensive climate scenario analysis.

Increased regulation

Requirements to integrate sustainability topics and transparency will increase. The EU is currently working on proposals for an Action Plan on Sustainable Finance unveiled at the start of 2018. Länsförsäkringar welcomes this development since it seeks to harmonise standards and sustainability assessment criteria.

From 2018, fund managers are now legally required to report how they integrate sustainability into their funds. The fund company reports sustainability activities for Länsförsäkringar's own funds following the template prepared by the Swedish Investment Fund Association approved by the Swedish Financial Supervisory Authority.

Governance documents and governance

The sustainability policy and corporate governance policy provide guidance in conducting corporate governance and the principles to be followed in the management of investments. Policies, targets and activities are revised every year.

The fund company and the Asset Management unit work together on corporate governance engagement. This work is regularly reported in various forums to coordinate, develop and monitor targets and activities.

2018 investments

Investments in green bonds

SEK **3.1** bn

Sustainability dialogues held with

140 companies

Number of divested companies due to climate risk or contraventions of Länsförsäkringar's corporate governance policy

174 companies

Länsförsäkringar voted at

60 general meetings

Activities related to responsible investments

| | 2018 | 2017 | 2016 |
|---|------|------|------|
| Number of reactive ¹⁾ company dialogues on sustainability pursued by the ethics consultant on Länsförsäkringar AB's behalf ²⁾ | 123 | 119 | 107 |
| Of which number of reactive company dialogues on sustainability in which Länsförsäkringar AB was involved | 21 | 15 | 30 |
| Number of preventive dialogues on sustainability | 17 | 17 | 19 |
| Number of blacklisted companies regarding sustainability ³⁾ excluding coal companies | 40 | 33 | 27 |
| Number of coal companies excluded ⁴⁾ | 134 | 130 | 78 |
| Number of general meetings at which votes were cast ⁵⁾ | 60 | 50 | 36 |
| Participation in nomination committees | 16 | 16 | 13 |

¹⁾ Reactive company dialogues refer to dialogues with companies in which a sustainability incident has occurred.

²⁾ The consulting firm engaged conducts dialogues with companies that appear in the firm's ethics filter on behalf of Länsförsäkringar AB and other companies. Several of Länsförsäkringar AB's external fund managers also maintain ongoing dialogues with companies on sustainability topics.

³⁾ Pertains to blacklisting direct ownership of shares and credit bonds.

⁴⁾ Refers to energy and mining companies that derive more than 20% of their income from thermal coal.

⁵⁾ Refers to annual and extraordinary general meetings.

Analysis and carbon footprint 2018

| | |
|---|-----|
| % of total capital in institutional portfolio based on sustainability analysis | 67% |
| % of total capital in the fund company's funds based on sustainability analysis | 90% |
| % of total capital in institutional portfolio with a measured carbon footprint | 16% |
| % of total capital in the fund company's funds with a measured carbon footprint | 46% |

Responsible banking

Länsförsäkringar Bank is an important part of the financial system. By pursuing responsible lending, the bank can increase customer value and financial stability. Greater availability of banking services is also a key element for the sustainable development of society.

For Länsförsäkringar, responsible banking involves contributing to the financial stability of society by limiting credit risk and making banking services available to society. Sustainability risks are part of credit scoring. The bank offering includes lending, payments and savings.

Risks and opportunities

Most of Länsförsäkringar Bank's lending takes place using property as collateral. Climate change will probably affect the value of certain properties. Through its lending, the bank finances various operations of small businesses and agriculture which may involve social and environmental risks, meaning that the bank has indirect exposure to such risks. Opportunities also exist in lending to finance properties and operations that meet future sustainability requirements. The bank's issuance of bonds presents opportunities for using green and social bonds towards steer capital to sustainability-related purposes.

Low sustainability risks in lending

Länsförsäkringar Bank's loans are granted in Sweden and in SEK. The geographic spread of lending to retail and corporate customers is well-diversified, with low average lending per customer. Lending to companies mainly comprises small businesses that are deemed to have limited environmental and social

risks. Accordingly, the business model for lending has relatively low sustainability credit risks.

The foundation of lending is the credit policy and the credit instructions that include criteria for acceptable risk and identify high-risk areas in sustainability that require special consideration. Strict requirements are imposed on customers' repayment capacity and the quality of collateral.

Environmental risks and environmental responsibility for agriculture and companies are regulated by the extensive external rules of a variety of supervisory authorities. Environment-related risks are addressed in the loan application process based on, for example, licensable and non-licensable operations and a comprehensive assessment of the company's operations. Assessments of industry, operations, employment forms for personnel and temporary employees, and other relevant information gathering can form the basis of further checks in analyses of human-rights risks, labour law, corruption or other criminal activities.

Länsförsäkringar Bank publishes a sustainability overview every year to clarify the bank's loans to companies. The sustainability overview is an industry initiative produced by Länsförsäkringar Bank, other Swedish banks and the Swedish Bankers' Association.

Responsible lending

Länsförsäkringar Bank's loans are based on standardised, centrally established credit regulations and most credit decisions are made locally. In the business model between Länsförsäkringar Bank and the regional insurance companies, there is a strong incentive to maintain high credit quality. The high credit quality of the loan portfolio is the result of the low risk appetite and credit regulations combined with loan application process and advisors' local customer and market knowledge.

The credit regulations impose strict requirements on customers' repayment capacity and the quality of collateral. In con-

nection with the loan application process, the repayment capacity of borrowers is tested using "left to live on" calculations. These calculations apply a significantly higher interest rate than the actual rate. Both the loan portfolio and value of the collateral are continuously monitored and quality assured.

Mortgage repayments are a key tool in ensuring that households have stable and secure finances. Länsförsäkringar encourages all customers to make repayments by presenting a recommended repayment plan, as well as an alternative plan, at all customer meetings where mortgages are discussed. Even customers that do not fall under the repayment requirements are encouraged to pay off their mortgage.

Stricter repayment requirements on new mortgages for customers with debt ratios of more than 450% were implemented in March 2018.

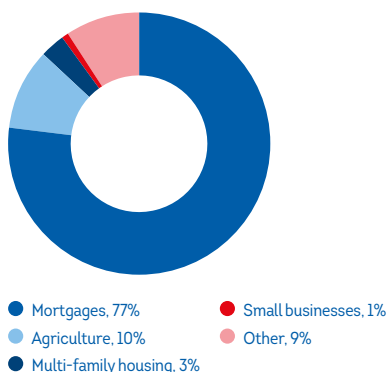
Funding at low credit risk

Länsförsäkringar Bank's main financing sources are deposits and funding through covered bonds. These covered bonds have the highest credit rating from Moody's and S&P Global Ratings, which indicates a low credit risk.

Local branches and digital services

With the 23 regional insurance companies, Länsförsäkringar's customers have access to branches throughout Sweden. Länsförsäkringar also offers digital banking services. As well as serving customers who actively choose digital meeting places, digital banking services are offered to customers who have not previously been able to come to a branch due to long distance or disability, or who require service outside normal office hours. 63% (61) of bank customers use Länsförsäkringar's mobile app or Internet bank. Such digitisation also reduces the impact on the environment since it reduces the volume of paper print-outs to customers. The percentage of digi-

Loan portfolio 31 December 2018





Responsible offering

tally distributed customer documents amounted to 72% (73) in 2018.

Activities and targets in 2018

A sustainability coordinator was appointed at the bank in autumn 2018 to ensure that the bank's sustainability activities are coordinated and developed.

An investigation into whether Länsförsäkringar Bank can offer green loans was initiated. Green loans mean that customers can receive an interest-rate discount if they finance their home in various forms of environmentally certified properties or finance activities that promote a change to a more environmentally friendly society. This will be continued in 2019.

The share of green bonds that the bank invested in increased to slightly more than SEK 900 M (600) at year-end.

Climate scenario analysis

A climate scenario analysis of the mortgage portfolio was performed in 2018 based on TCFD's¹⁾ recommendations. The UN Intergovernmental Panel on Climate Change's (IPCC)

scenarios for levels of greenhouse gases in the atmosphere were used. Increases in temperature and sea levels were estimated based on the scenarios. These estimates are based on the Swedish Meteorological and Hydrological Institute's (SMHI) forecasts and were prepared together with Länsförsäkringar's natural catastrophe specialists. The estimates in this model has some impact on households' disposable income and thus their repayment capacity. Increases in sea levels also affect the market value of properties. The model can be used to estimate expected credit losses in different scenarios and time horizons.

Activities and targets in 2019

Work will start on producing guidelines to clarify and facilitate the management of sustainability risks in lending. The possibility of offering green loans will be reviewed.

Increased regulation

Requirements to integrate sustainability topics, climate scenario analyses and transparency will increase. The EU is currently

working on proposals for a sustainable finance. Länsförsäkringar welcomes this development since it seeks to harmonise standards and sustainability assessment criteria.

Governance documents and governance

The sustainability policy, credit policy and credit instructions are the foundation of sustainability in lending.

The bank has a sustainability team responsible for establishing and monitoring planned sustainability-related activities. This team comprises the President of Länsförsäkringar Bank, Sustainability Manager at Länsförsäkringar Bank, Head of Sustainability at Länsförsäkringar AB and the Presidents of Länsförsäkringar Bank's subsidiaries: Länsförsäkringar Hypotek, Länsförsäkringar Fondförvaltning and Wasa Kredit. The team meets four times a year.

Its work is reported to the bank's management group and Länsförsäkringar AB's Sustainability Committee.

¹⁾ Task Force on Climate-related Financial Disclosures

Länsförsäkringar Bank has the most satisfied bank customers

For the fifth consecutive year, Länsförsäkringar Bank topped the Swedish Quality Index's survey of most satisfied retail customers in the industry. Together with independent savings banks, Länsförsäkringar also has the most satisfied corporate customers.



Partnership with ECPAT

Länsförsäkringar Bank is a member of the Swedish Financial Coalition against Sexual Exploitation of Children, which works together with ECPAT and the police. The aims of the Financial Coalition are to prevent the Swedish payment system from being utilised for the purchase of documented child sexual abuse and ultimately stopping child sexual abuse.

Tops Swedish Sustainability Ranking in Banking and Finance category

Länsförsäkringar topped Sweden's largest sustainability customer survey, the Swedish Sustainability Ranking, in the Banking and Finance category, as ranked by the Swedish public. The survey is carried out by researchers at Stockholm Business School.





Responsible insurance offering

Responsible insurance centres on security for customers and society. Länsförsäkringar AB can contribute to a sustainable society through its broad insurance offering, claims-prevention activities and responsible damage repairs.

Länsförsäkringar AB supplements the regional insurance companies' offering with specialist products to meet customer needs and by starting new business that can be channelled out to these companies. By doing so, the regional insurance companies can offer customers a broad range of insurance for people, animals and property and ensure effective reinsurance coverage. This work is conducted by Länsförsäkringar Sak, which is divided into three business areas: Reinsurance and Special Insurance, Health and Agria Djurförsäkring (pet and crop insurance). The target groups are private individuals, animal owners, companies and agricultural businesses.

The task of Business Area Reinsurance and Special Insurance is to strike a balance in the Länsförsäkringar Alliance's risks by managing reinsurance cover and taking out international reinsurance. This business area also conducts corporate business in the areas of liability, cargo, motor, property and credit insurance.

Risks and opportunities

Global warming and the resulting extreme weather events, such as storms, torrential rain, flooding and drought, have huge socio-economic consequences and can lead to higher claims costs for insurance companies.

Urbanisation, digitisation, migration, an ageing population, a higher rate of mental illness and lifestyle diseases are challenging the welfare system and creating new customer requirements that are fuelling demand for new insurance products and services for private individuals, companies and employers.

Society, companies and individuals stand to gain great economic and social benefits by taking preventive measures to protect their health and taking early action in the event of injury or risk of long-term sick leave.

Climate risks and natural catastrophes

Länsförsäkringar AB and the regional insurance companies conduct claims-prevention

activities and exchange expertise to reduce the risks of natural catastrophes in society. The regional insurance companies hold a large market share of forest insurance in Sweden. Länsförsäkringar has access to a comprehensive claims statistics database to continuously monitor and assess this risk.

The reinsurance business – both the business of the regional insurance companies and international business – expose the company to extreme weather conditions and climate change.

Länsförsäkringar participates in a UN initiative with other insurance companies to prepare tools for climate risk analysis.

All insurance companies need to protect their operations from costs for large individual claims and natural catastrophes. An insurance company often turns to specialist reinsurance companies in the international market to insure some of its risk. The companies in the Länsförsäkringar Alliance can naturally share risk among themselves. The regional insurance companies pay an annual reinsurance premium to Länsförsäkringar Sak based on, for example, exposure, claims history and the level of retention chosen by the company. This retention can be compared with the deductible that private individuals and companies pay for non-life insurance. Most of the reinsurance premium is retained within the Länsförsäkringar Alliance through joint procurement and internal reinsurance, and the costs for external reinsurers are thus lower and more stable, benefiting Länsförsäkringar's customers.

Claims prevention

Claims-prevention activities are central to Länsförsäkringar. Länsförsäkringar can contribute to a sustainable society through its claims-prevention activities, responsible damage repairs and early health-promoting measures. Preventing a claim is a win for the environment, society and customers.

Claims-prevention activities help reduce impact on the environment through less waste, energy, new materials, transportation and other resources – for both the claim inci-

dent itself and also for restoration and repairs. Natural catastrophes, water and fire damage claims, and motor insurance claims have the greatest impact on the environment. Together with the regional insurance companies, Länsförsäkringar AB produces claims-prevention guidelines and guidelines on how to make sustainable repairs. Reuse and recycling are key elements of this work. These claims-prevention activities also result in lower claims costs, lower insurance premiums and higher security for customers.

By providing information about common types of claims and claims-prevention measures, Länsförsäkringar can help customers to minimise risks themselves and their liability risk. Länsförsäkringar has in-depth know-how on industry-specific claims and how they can be prevented.

The product lines in Reinsurance and Special Insurance have a plan for claims-prevention measures. A customised claims-prevention programme aims to improve profitability for customers and help prevent various claims risks in motor insurance. The programme provides claims statistics, analysis, driver presentations and claims-prevention material. Inspectors are continuously trained.

Liability insurance claims lawyers write articles in industry publications on technical consultants' liability for innovations and risk-exposed solutions. In terms of sustainability, technical innovations always entail a certain risk component since proven experience cannot be relied upon, and it is thus important to minimise risk as far as possible and clearly explain the risks to the client.

Seller liability and real-estate broker claims can be prevented by training real-estate brokers.

Health-promotion efforts for people

Länsförsäkringar is one of the Sweden's leading players in health and health care insurance and has the vision of creating a healthier Sweden by contributing to a sustainable lifestyle, sustainable working life and a sustainable society. Mental illness is



Responsible offering

the most common cause of sick leave. Preventive and early measures at the workplace are keys to breaking this trend. Länsförsäkringar actively participates in the public debate on good health and a sustainable working life and provides supplementary security solutions to promote health and reduce sick leave.

Länsförsäkringar is involved in several pilot projects on prevention and personalised health care to increase know-how and awareness of health drivers.

Customers are offered preventive health-promotion services and personal counselling in their health care insurance. Länsförsäkringar's health care insurance also includes treatment for addiction.

Health-promotion efforts for animals

Agria is the market leader in pet insurance in Sweden, Norway and Denmark and conducts claims-prevention and health-promotion activities for animals. Agria offers advice and information to animal owners via digital channels. Agria also offers free services for digital vet consultations where customers use a videolink to talk with a vet when their animal is ill or has been injured.

The majority of horse injuries are due to lameness. The research supported by Agria increases expertise in preventing lameness and the information is now being spread through the #stoppahåltan project.

Agria has access to unique, extensive claims statistics and through its Agria Breed Profile makes this data on dog and cat breeds available to researchers, breeders and breed clubs that use the data to improve animal health and in sustainable breeding.

Agria engages with vets on ethical positions in the treatment of sick and injured animals. Agria develops insurance products that create security for animals and animal owners in close collaboration with animal-owner organisations. Special campaigns targeted at young people increase awareness of animals and the value of having a pet.

Activities and targets in 2018

Claims-prevention efforts and sustainable repairs

The new focus area "Security and crime prevention" was introduced during the year for Länsförsäkringar Alliance's entire claims-prevention activities.

The name of Länsförsäkringar's certification of car workshops was changed from Lupin to Länsförsäkringar's quality and environmental certification and requirements were tightened.

Data protection insurance

Länsförsäkringar Sak develops products to meet new insurance requirements resulting from an increasingly digitised world. Greater

digitisation leads to new risks. Business area Reinsurance and Special Insurance created a data protection policy in 2018 adapted to the needs of small and medium-sized businesses.

Health-promotion efforts for people

Communication initiatives were implemented to spread awareness of mental illness in society and at work among young people, for example, with the non-profit organisation Mind.

Länsförsäkringar provided financing for a study into the effect of lifestyle changes on health. Research projects were initiated into mental illness among young people and at work. Donations were made to the 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.

Measures to prevent illness under the framework of the health care insurance were implemented in the form of digital activities that raise awareness of physical activity, a life balance and screen time. The use of the Health Portal and preventive services in the health care insurance more than doubled to 40,000 users (19,000) in 2018.

The summer drought impacted many agricultural customers who were concerned about their harvests, animals and finances.

Länsförsäkringar industry leader at sustainability

Länsförsäkringar was named Sweden's most sustainable insurance company by Sustainable Brand Index, the largest consumer sustainability survey of both corporate and private customers in the Nordics.



Agria's research fund

Agria has financed animal research for 80 years. The aim is for research to provide a solid basis for successful breeding, better animal health and animal keeping, and enhance knowledge about the importance of pets to humans. Slightly more than SEK 9.5 M was awarded in 2018.

Länsförsäkringar offered these customers free counselling and advice on psychological and legal matters.

Through trade organisations and on its own initiative, Länsförsäkringar engaged closely with politicians and decision-makers in 2018 on the bill to introduce fringe-benefit tax on health insurance. This tax was introduced in July 2018 and impacts many small businesses and their employees, which is unfortunate. Preventive health-activities are a benefit to society.

Health-promotion efforts for animals

Agria achieved its 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.

The aim of Agria's research is better animal health. Agria has a podcast to publish the results of its research. Four episodes of the podcast were broadcast in 2018 with 28,443 listeners.

Activities and targets in 2019

Länsförsäkringar used the Meps construction calculation programme in 2018 to calculate the carbon footprint of property repairs and how it is affected by using new versus reused materials. Further studies and knowledge acquisition will take place in 2019.

Claims prevention in the focus areas of security and break-ins, fire and water dam-

age, motor insurance and natural catastrophes as well as claims-prevention measures for companies will continue. The focus on health-promotion services for people and animals will also continue.

Work on reviewing the sustainability aspects of the insurance terms and conditions in business areas Reinsurance and Special Insurance, Health and Agria will start.

Digital services remain a focus area. Digital preventive services help make life healthier. Digital health care services make it easier for customers who do not have to travel to see a doctor or vet. The target for 2019 is to retain the high number of visitors, 40,000, to the Health Portal's preventive services under health insurance. For Agria, the target is 30,000 digital consultations and half of digital-service users not needing to visit a vet.

Contributions of input and expertise on climate risk scenarios under the UN projects that Länsförsäkringar is involved in will continue in 2019.

Increased regulation

Work is in progress at the EU level to produce legislation on sustainability in the insurance industry. Proposals include demands for sustainability in advisory services and information on the management of climate risks.

Governance documents and governance

The sustainability policy and UN Principles for Sustainable Insurance (PSI) provide guidance on how to pursue and develop responsible insurance.

Sustainability is monitored by the sustainability team led by the sustainability manager for the business unit, who is also a member of the management group. The three Business Areas Reinsurance and Special Insurance, Health and Agria have Sustainability managers, who are members of the management groups of each business area. Scorecards are used to monitor sustainability activities and targets. Results are reported to the Boards of the business units and Länsförsäkringar's Sustainability Committee.

UN Principles for Sustainable Insurance (PSI)

Länsförsäkringar Sak is a signatory of PSI's four principles and strives to:

- Integrate sustainability topics into decision-making.
- Work together with customers and business partners to raise awareness of sustainability, manage risks and develop solutions.
- Work together with other stakeholders to promote action on sustainability.
- Be transparent and report on the integration of the principles.



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.





Business ethics

The banking and insurance industry is subject to strict rules and regulatory requirements aimed at ensuring financial stability and providing protection for customers. Full regulatory compliance is naturally inherent in all Länsförsäkringar's operations.

For Länsförsäkringar, a high level of business ethics and regulatory compliance are essential for safeguarding customers in the best possible way.

Risks and opportunities

Money laundering and terror financing are international problems that pose serious threats to the financial system and its institutions, and ultimately the real economy and national safety. Confidence in the financial system is quickly tarnished if financial institutions are associated with illegal assets and money laundering or used to finance terrorists or terrorist organisations. The financial industry is subject to regulations that seek to prevent and counteract the financial system being utilised for money laundering and terror financing.

The risk of corruption exists in all companies regardless of industry and country.

Anti-money laundering and terror financing

Systematic work is conducted to reduce the risk of the life-assurance and banking operations being used for money laundering, terror financing and fraud, such as building up in-depth knowledge of customers and their businesses and active transaction monitoring. Suspicions of money laundering are reported to the Financial Intelligence Unit of the Swedish National Criminal Police.

The banking and life-assurance operations have a central function that monitors and checks compliance with procedures and guidelines. 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 and contractors working in the banking and life-assurance operations must be familiar with the content of the governance documents and the relevant procedures for anti-money laundering and terror financing. Employees in the banking and life-assurance operations annually undergo

both mandatory training on the subject and receive additional training.

Anti-corruption

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 Länsförsäkringar AB'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.

Whistle-blowing function

To counteract and prevent crime in the business or related to the business, employees can contact their immediate manager or their manager's manager if they suspect any improprieties or wish to make a whistle-blowing report. 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 Code of Conduct and intranet contain information about the whistle-blowing procedure. One case of whistle-blowing was reported in 2018.

Activities and targets in 2018

Handling of personal data (GDPR) was a particular focus area due to new regulations coming into effect. Anti-money laundering and terror financing was another focus area. Training was provided in both areas.

A risk and vulnerability analysis was carried out in 2018 and showed that Länsförsäkringar AB and its subsidiaries are at low risk of being exposed to bribery.

The annual mandatory e-course on the Code of Conduct, sustainability and security was updated during the year. 84% (82) of employees completed the course in 2018.

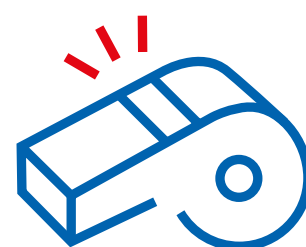
Governance documents and governance

The guiding Group-wide governance documents are the Code of Conduct for Employees, policies and guidelines on anti-money laundering and terror financing, guidelines for identifying and handling conflicts of interest, and policies on improper benefits.

The Code of Conduct for Employees is a set of rules and guidelines on business ethics that provides guidance for employees, managers and Board members in the expected standards of conduct and behaviour in their day-to-day work according to Länsförsäkringar AB's vision, values, targets, strategies and external requirements. The policy on improper benefits provides more detailed guidance on external requirements.

The annual e-course in the Code of Conduct for all employees contains teaching examples of business ethics to raise awareness and highlight the circumstances and the risks of corruption, and how employees are expected to act.

Governance and monitoring are described in more detail in the Corporate Governance section of Länsförsäkringar AB's Annual Report.





Responsible employer

Employees are Länsförsäkringar AB's most important resource. Their various specialist and professional expertise is vital to carrying out and developing the operations.

Being a responsible employer is important for Länsförsäkringar AB to attract new employees and retain existing employees. Diversity and equality, skills development, learning, health and work environment and an activity-based working are deemed the key components of a responsible and attractive employer.

Risks and opportunities

Technological advances demand that companies work actively on identifying the key skills that will be needed and skills development plans must be in place. Not being able to recruit the right skills is a business risk.

Mental illness and stress-related illnesses are on the rise in society. Digital technology and flexible working hours increase the risk of never-ending work, which presents major risks and costs for individuals, employers and society. Taking preventive action and striking a work/life balance is important to reduce such risks.

Diversity and equality

Länsförsäkringar AB's definition of diversity and inclusion are the seven grounds for discrimination and everything that makes people different and unique. The importance of an inclusive culture is considered to be critical for benefiting from diversity and welcoming different perspectives and approaches. Different ways of thinking is a key factor for success for learning and innovation, adds value to the business and strengthens competitiveness and profitability. Diversity initiatives also play an important role in being an attractive and responsible employer and broadening the recruitment pool.

A salary survey is performed every year to ensure that no gender discrimination exists for equal positions. Employees have the option of receiving supplementary salary as a complement to the state parents' allowance.

The aim of the recruitment process is to ensure a more even gender distribution in working groups and various managerial positions. The Qnet network develops and

coaches women managers as part of structured equality measures.

There is a partnership with Novare Potential, a recruitment and HR company that helps new arrivals enter the Swedish labour market. Other partnership programmes include Rapid Acceleration Management, Korta vägen and Welcome Talent.

Länsförsäkringar AB is involved in Diversity Charter that seeks to promote diversity in the business world.

The equality and diversity plan includes targets, action plans and follow-up methods for the application of the Equal Opportunity Act and Discrimination Act.

Skills development and learning

Länsförsäkringar AB endeavours to nurture the conditions for a culture focusing on a learning organisation and development. The annual process of analysing skills and staffing requirements aims to ensure future key competencies. Adaptability, self organisation and professionalism are regarded as key components. An e-coaching tool in the areas of self-management, motivation, unpredictability, health, efficiency and skills development is used to enhance employees' knowledge of change management.

A focus on self-management is an important part of a learning organisation. Länsförsäkringar as an employer encourages its employees to take the initiative to further their own skills development, for example, through coaching leadership.

Rapid technological advances in society require a dynamic, flexible and innovative workplace to meet competition. One of Länsförsäkringar AB's focus area is to define and design a suitable culture and implement this culture based on the perspectives of IT, workplace and people.

Managers continuously discuss performance, skills, work environment and health with their employees.

Länsförsäkringar AB's internal training operations develop in-house courses in life assurance, banking, non-life insurance and leadership.

Health and work environment

Länsförsäkringar AB has applied a long-term approach to health and the organisational, social and physical work environment for many years. Proactive work is undertaken to create the conditions to ensure well-being and job satisfaction among employees in a healthy work environment that allows everyone to contribute their commitment, good performance and efficiency in order to attain business targets.

Managers are responsible for addressing employee and health issues according to the systematic work-environment process, as well as equality, diversity and discrimination. Employers, managers, employees and health and safety representatives work together on work-environment issues. The organisational and social work environment is regularly monitored to prevent stress and unhealthy work loads in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4).

All employees are offered health care insurance that includes medical consultations, counselling, preventive health services and rehabilitation. Sickness absence is monitored. An agreement is in place with occupational health care services for rehabilitation support and work-related ill health, as well as ergonomic advice and regular medical check-ups. One hour of health care activities during work hours is offered every week. Länsförsäkringar AB's premises, where the majority of employees work, have a gym and the staff canteen has a focus on sustainability. Employees working at other locations are offered fitness subsidies.

Activities and targets in 2018

Diversity and equality

Several internal information meetings were arranged in 2018 to highlight the importance of diversity. Managerial courses, films and checklists on diversity were also produced.

A three-person recruitment team was employed in 2018. One of the team's task is to ensure that diversity is an integral part of the recruitment processes.



Responsible business conduct

For the seventh consecutive year, students were recruited to the Summer Graduates internal programme based on diversity.

The Equality and Diversity plan was revised at the end of 2018.

In the 2018 employee survey, 94% of employees said that they had not experienced any cases of victimisation in the workplace over the past 12 months. Länsförsäkringar AB has a clear zero tolerance policy on victimisation.

Less than 1% of employees were identified as having incorrect salaries in the 2018 salary survey. The deviations were adjusted in consultation with trade union partners.

The share of working groups with a 40/60 ratio between men and women was 29%.

Skills development and learning

In 2018, 5,266 (4,399) in-house training courses were organised for Länsförsäkringar AB employees. Employees also received training in the form of skills transfers, external courses and seminars.

Health and work environment

The Work Environment and Equality Committee performs overall monitoring of the equality and diversity plan, sickness

absence, occupational injuries and near-accidents, and the employee survey. Ten near-accidents and five minor occupational injuries in the form of accidents to or from the workplace were reported during the year.

Activities and targets in 2019

All business units and departments have diversity-related activities in the 2019 business plan. A manager training course in recruitment and diversity will be arranged. Efforts to increase the share of working groups with a 40/60 ratio between men and women will continue.

An activity-based working centring on people, IT and flexibility will start to be implemented. Activity-based workplaces are the first step in this change.

Governance documents and governance

Länsförsäkringar AB's core values, leader and employee profiles, personnel policy, Code of Conduct for Employees and the equality and diversity plan form the basis of HR. Cooperation with trade unions takes place through regular meetings and dialogue. Länsförsäkringar AB follows laws and agreements that govern the operations

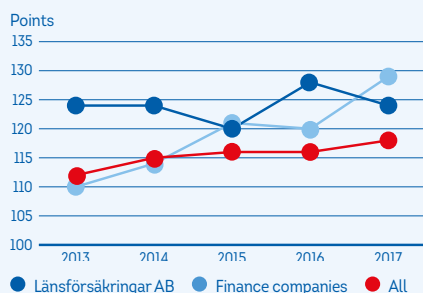
regarding the Employment Protection Act, Discrimination Act, Work Environment Act and collective and co-determination agreements. Länsförsäkringar AB follows the rules of collective agreements when employees leave the company or resign. All employees, except for Group management, have collective agreements.

The Human Resources (HR) department owns the Group-wide governance documents of remuneration policy, personnel policy, pensions, guidelines for company cars and guidelines on suitability assessments of certain decision-makers. Documented procedures and routines are also in place for the diversity and equality plan. The HR Director is responsible for structure, compliance and monitoring, while managers are responsible for implementation.

The results of the employee survey are followed up through feedback and activities at Group and department levels. Risk and impact analyses are carried out ahead of organisation changes at the company and discussions are held with trade unions.

Tangible results from long-term equality initiatives

Länsförsäkringar AB participates in the Nyckeltalsinstitutet's (Institute of Human Resource Indicators) annual Gender Equality Index JÄMIX to monitor its equality efforts. Länsförsäkringar AB came 84th out of 240 companies. Nine different indicators were measured, with Länsförsäkringar AB achieving a score of 124 points out of a maximum 180. Scores for financial companies ranged between 107 and 152.



An attractive employer

Länsförsäkringar AB's internal attractiveness as an employer is measured using an Employee Net Promotor Score (eNPS), a proven customer experience metric. Länsförsäkringar AB's eNPS for 2018 was 26, compared with 21 in 2016 and 26 in 2017. Länsförsäkringar AB has decided to benchmark its result against the 10% of highest performing companies participating in this benchmark. The highest performing companies scored 32 and 26 is considered to be a good result.

Systematic efforts in health and work environment

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 low sickness absence. The systematic work on leadership and employeeship, monthly talks between managers and employees on health, health care activities, rehabilitation support and health care insurance were considered to be factors for success.





Sustainability requirements on suppliers

Länsförsäkringar AB primarily makes purchases from service providers in the categories of IT and telecommunications, consultancy services, health and medical care, financial services, banking and investments, as well as marketing and communication.

The task of the purchasing function is to make use of Länsförsäkringar's entire purchasing power based on a total cost perspective. Services and products are purchased through procurements to find the suppliers that offer services and products of the right quality and the least environmental impact at a cost that is the most financially advantageous in the long term.

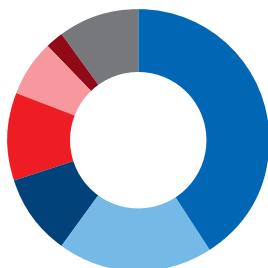
Risks and opportunities

Länsförsäkringar AB's purchases mostly comprise services. Based on responsible procurement, Länsförsäkringar can positively influence the development of society in terms of work conditions, healthy competition and a better environment. By not considering sustainability in procurement, Länsförsäkringar's purchases could indirectly contribute to improprieties in the supply chain. The largest sustainability risk is deemed to be in the area of work conditions.

Purchases mainly from service suppliers

Purchases are mainly made from suppliers in Sweden. IT purchases are made from suppliers operating in Sweden, but also other countries, such as India. 100 suppliers account for 80% of the total purchasing volumes, which allows for efficient delivery, sustainability and business follow-ups of suppliers.

Purchases in 2018, %



- IT and telecommunications, 41%
- Consultancy services, 19%
- Finance, banking and investments, 10%
- Health and medical care, 11%
- Marketing and communication, 7%
- Claims-related services, 2%
- Other, 10%



Code of Conduct part of purchasing agreements

The Code of Conduct for Suppliers has been included in purchasing agreements with all new suppliers since 2016. The Code sets requirements on human rights, labour, environment and business ethics and is based on the Ten Principles of the UN Global Compact. The policy also includes general and IT-specific security guidelines and guidelines for managing conflicts of interest.

The Code applies to both potential and existing suppliers and their sub-suppliers. Suppliers are expected to comply with the Code.

On 31 December 2018, 73% (60) of the 100 largest suppliers had signed the Code of Conduct.

Activities and targets in 2018

Sustainability risks in the 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.

Three on-site inspections of suppliers took place in 2018. More industries will be included in such visits in 2019 and the visits will be based on the results of extended use of the self-assessment form.

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

Activities and targets in 2019

Work methods will be further developed in 2019 and beyond, as part of the continued work on implementing the Code of Conduct for Suppliers. It includes assessing whether sample checks and audits with suppliers are required. Environmental and social risks related to country, line of business and company are assessed in procurement processes and meetings with major suppliers.

Governance documents and governance

The purchasing and procurement policy stipulates the rules and methods for purchasing and procurement. The Code of Conduct for Suppliers is based on the principles of the UN Global Compact and forms part of the purchasing agreement.

Each agreement manager in the operations has the main responsibility for monitoring existing suppliers.

A dedicated control group is responsible for monitoring, evaluating and managing the largest IT suppliers.



The Code of Conduct for Suppliers is available in English and Swedish at lansforsakringar.se/code-of-conduct-suppliers.



Direct environmental impact

The direct environmental impact of the operations is relatively limited and primarily comprises business travel, heating and electricity in office premises, and paper print-outs. The operations continuously enhance efficiency to reduce impact on the environment.

Länsförsäkringar AB's office properties are environmentally classified as energy-efficient and renewable electricity and district heating are used in these properties. Work methods are continuously reviewed to bring about more energy-efficient electricity consumption and heating. Continuous efforts are made to enhance efficiency in order to reduce the negative environmental impact of the office operations in several areas as regards materials, recycling and waste.

The guidelines for business travel recommend that digital meetings be used in the first instance. If travel is necessary, employees are to travel by rail rather than air if possible. Business travel involving journeys of less than 3.25 hours must always be made by rail and eco-friendly taxis are to be used.

The volume of paper-based communication to customers can be reduced by increasing digital services, thus reducing environmental impact while making information more accessible.

Activities and targets in 2018

The process of changing certification from the Sweden Green Building Council's standard to BREEAM for Länsförsäkringar AB's office property was initiated during the year. LED lighting and energy controls were installed to reduce electricity consumption.

Activities were carried out to reduce carbon emissions and included rail travel rather than car or air travel where possible and holding online meetings, video and telephone conferences instead of travelling.

Double climate compensation for Länsförsäkringar AB's 2017 emissions was paid in 2018 via Vi Agroforestry.

Carbon emissions in 2018 amounted to 989,675 kg of carbon dioxide. A specification is provided on page 133. Air travel was the largest source of carbon emissions in 2018.

Activities and targets in 2019

All departments perform activities to reduce the company's direct environmental

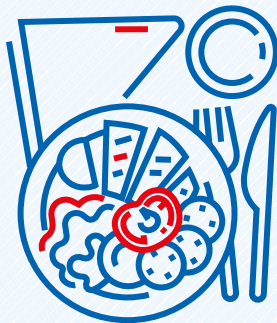
impact. Examples include a higher percentage of digital communication, reduced travel and setting environmental requirements for purchases.

Governance documents and governance

The sustainability policy outlines the foundation of Länsförsäkringar AB's climate and environmental work. The Code of Conduct for Suppliers is based on the principles of the UN Global Compact. Suppliers and their sub-suppliers are expected to comply with these principles and the Code is part of purchasing agreements. Länsförsäkringar AB supports the precautionary principle, meaning that the operations endeavour to avoid materials and methods with an unknown impact on the environment if tested alternatives are available. There are guidelines on business travel. Follow-ups take place every year and are reported to the Sustainability Committee.

KRAV-labelled food

Länsförsäkringar AB's staff canteen Länsrätten serves KRAV-labelled food. 17 volume products, such as milk, bananas and coffee, have the KRAV label. Fish is always environmentally certified or green listed, and Swedish produce is prioritised ahead of goods that need to be transported from further away. Red meat is not served on one day of the week. The restaurant has a defined strategy of reducing food waste and serving vegetarian alternatives. Food waste is put through a grinder and is used for biogas.



Reusing computers

The Länsförsäkringar Alliance partners with a company that recycles the computers used in Länsförsäkringar. 100% of computers were reused in 2018 through resale.



Climate positive action - planting trees

Länsförsäkringar AB climate compensates via Vi Agroforestry to a project in Tanzania that combines planting trees and sustainable agriculture. The projects helps bind carbon dioxide and creates jobs by planting crops.





Long-term environmental and social commitment



Länsförsäkringar AB and the regional insurance companies have supported independent scientific research into security challenges for society for many years. By making this research available to all, Länsförsäkringar can help benefit society.

Research as part of social commitment

Länsförsäkringar is driven by the concept of creating security for customers and society at large. Länsförsäkringar has been financing research into social, financial and physical security at Swedish colleges and universities since the 1970s. By making the research results available in the public domain, Länsförsäkringar contributes to knowledge-based development of security in society.

Risks and opportunities

Urbanisation, digitisation, a sharing economy and climate change give rise to risks and opportunities. Greater concentrations in society give rise to risks. Another important research area is climate change adaptation where new expertise is needed to both understand the changes and manage them. Research into home security and road safety are other priorities. A key future issue is road safety to reduce the risk of accidents involving the higher number of cyclists in cities.

Research focus areas

The focus of research is security for customers and society. Länsförsäkringar AB and the regional insurance companies award annual grants to Länsförsäkringar's Research Fund to identify and study current and future security challenges for society.

The objective of the research is to generate new expertise to prevent and understand claims. Research also contributes to furthering understanding of how the development of society will affect the future. Five focus areas are prioritised: Tomorrow's society, road safety, climate change, mutual business models and secure homes.

Research focuses on the Research Fund's calls for proposals, and scientists at Swedish universities, colleges and independent Swedish research institutions can apply for

grants. These subsidies are awarded to projects at a qualified scientific level that are relevant to the subject of security and Länsförsäkringar's operations. Länsförsäkringar uses research results in its own business development and in discussions with customers and various stakeholders in society.

The Research Fund awarded SEK 40 M in 2018.

Research projects completed in 2018

The following research projects presented their final reports during the year.

Consequences of property owners' risk behaviour for the insurance industry

The topic of this research was property owners' views of climate change risks based on their age, gender, form of housing and geographic location, and their own and others' responsibility for managing such climate risks. The results are relevant to municipalities, county administrative boards and the insurance industry.

Unprotected road-users

Cities across Sweden are being restructured from car cities to biking cities to reduce carbon emissions, promote health and reduce road congestion. The results of the final report will be used in, for example, the "Joint Strategy on Safe Use of Bikes and Mopeds on the Road" – a joint initiative that includes the National Society for Road Safety, Police, Swedish Transport Administration, Swedish Transport Agency, Swedish National Road and Transport Research Institute, Swedish Association of Local Authorities, Länsförsäkringar and others.

Climate risks in construction and homes

Many of Sweden's municipalities, mainly in southern and central Sweden, are subject to climate changes, such as a higher risk of

flooding. The research studied the occurrence and consequences of torrential rain in Swedish counties between 2010 and 2017, meaning that an overall picture of how the various parts of Sweden have been affected by the climate, such as higher frequency of torrential rain, is now available for the first time. The results are relevant to municipalities, county administrative boards and companies.

Mutual companies

The research project has now analysed how the government's view of the mutual corporate form has changed over time and how mutual insurance companies performed in relation to insurance companies in the limited liability form. The results were communicated to civil society organisations for customer and member-owned companies, higher education institutions and the Swedish Financial Supervisory Authority.

New focus area of digitisation

Research projects into digitisation were commenced in 2018, focusing on the interplay between technology, society and the insurance industry in the digital conversion. Insurance companies are dependent on their ability to make predictions. They must be able to assess various dimensions of future risk based on previous events collated in statistical data and then used to make predictions in various risk environments.

Governance documents and governance

Research applications are studied by a committee comprising members with experience from the business sector and academia. The board of the research fund awards financing. This board and the external auditors are responsible for compliance with policy documents and guidelines.

| Research field | Ongoing research projects and tests | Start-up: |
|--|---|--|
| Tomorrow's society: Digitisation, urbanisation, sharing economy | <ul style="list-style-type: none"> Regional growth against all odds: Driving forces for long-term growth in Nordic regions. Lund University. Regional economic development and transformation in Sweden: Then, now and tomorrow. Lund University. The geography of trust: Trust in local society in a changing Sweden. Ersta Sköndal Bräcke University College. Continuous internal audit using artificial intelligence in insurance companies. University of Gävle. Blockchains for dynamic pricing of innovative insurance products. University of Gothenburg. Transparent algorithms in the insurance industry. RISE SICS. The insurance company in digital ecosystems. University of Gothenburg. | 2017 2018 2017 2018 2018 2018 2018 |
| Road safety | <ul style="list-style-type: none"> Testing 10 winter tires for bicycles. Swedish National Road and Transport Research Institute (VTI) Linköping. | 2018 |
| Climate adaptation | <ul style="list-style-type: none"> Testing the function of 20 sealing layers. RISE in Borås. Lower climate risk in the buildings and homes of the future - lessons from past events and urban planning. Karlstad University. | 2018 2015 |
| Secure homes | <ul style="list-style-type: none"> Nudging my future self: Behavioural economics studies of the financial decisions of young people. Linköping University. Innovative electric systems in buildings – consequences for fire safety. RISE. | 2016 2018 |

Natural catastrophes

Global warming is a financial risk that is difficult to predict over time. A warmer climate, resulting in a greater risk of natural catastrophes in the form of extreme weather conditions such as hurricanes, torrential rain and drought, will entail a risk of higher payments for weather-related insurance claims, with considerable variations over years and parts of the country. In many respects, adjustment problems associated with managing financial risk and reducing the consequences of climate change present a new situation.

Länsförsäkringar takes preventive measures and exchanges know-how to reduce the risk of being affected by natural catastrophes. All of the 23 regional insurance companies have a plan for preventing natural catastrophes together with natural-catastrophe coordinators. Activities to prevent natural catastrophes include analysing the external environment and following scientific and technological developments. Länsförsäkringar provides information and trains employees, customers, authorities and decision-makers in society to steer developments towards a more robust society. Claims-prevention measures are 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.

Testing products and partnership to reduce water damage

The most common form of damage in the home is water damage. Reducing water damage is a gain for the customer and the environment. Tests by Länsförsäkringar's Research Fund showed that the 8 of 20 sealing layers in wet rooms were approved in 2016 compared with 3 of 20 in 2014. A new test was performed together with RISE and Sweden's Construction Ceramic Council in 2018. The results will be presented in 2019. With this partnership, the results of the tests can be communicated more widely throughout the construction industry in the choice of materials, assembly and product development.



Governance

Integrating sustainability into Länsförsäkringar AB's operations is a priority. Länsförsäkringar AB's sustainability work is based on the vision of "Together we create security and opportunities" and the long-term objective is that sustainability is to feature throughout the operations.

Governance of sustainability activities

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 Head of Sustainability of Länsförsäkringar AB is responsible for the function, governance and standard-setting of sustainability topics in the company.

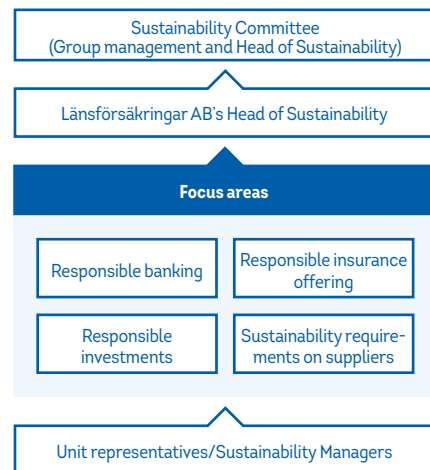
A Sustainability Committee, comprising Group management and the Head of Sustainability, meets at least four times a year to discuss, decide on and follow up priority sustainability topics.

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.

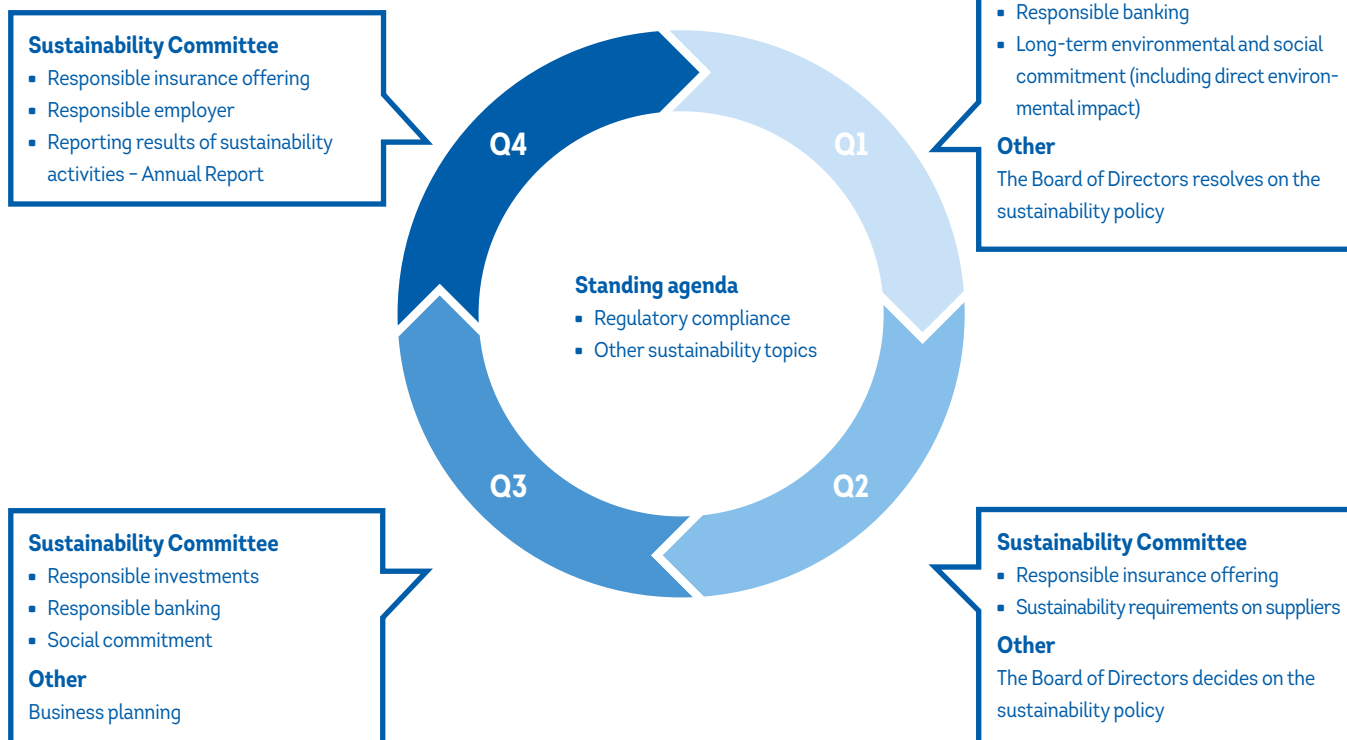
This corporate governance system includes the organisation, internal rules and systems for internal control. Internal control is based on three lines of defence:

- **The first line of defence** is the operations, which are responsible for risk management and monitoring. A deviation reporting system is in place.
- To support internal control, **the second line of defence** exists whereby Compliance is responsible for independent monitoring and control to ensure that the operations are conducted in 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.
- **The third line of defence comprises** Internal Audit, which is the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal control.



A more detailed description of corporate governance is provided in the Corporate Governance Report of Länsförsäkringar AB's Annual Report.

Annual sustainability agenda



Enhanced monitoring of sustainability activities

The target for 2018 was to set clear goals for sustainability activities and to enhance monitoring. Four sustainability teams were formed to coordinate this work:

- Responsible bank offering
- Responsible insurance offering
- Responsible investments
- Purchasing (sustainability requirements on suppliers)

In addition to the Head of Sustainability of Länsförsäkringar AB, sustainability managers and managers from the bank, insurance, fund management and asset management are members of the teams. The sustainability teams aim to ensure that information is exchanged and that activities and targets are monitored.

From autumn 2018, sustainability activities are reported to the Sustainability Committee following a annual sustainability agenda.

Sustainable goals in business plans

In 2018, all business units and departments at Länsförsäkringar AB set sustainability

activities and goals regarding diversity and lower environmental impact in their 2019 business plans. Goals and activities are also established for a sustainable customer offering.

UN initiatives provide sustainability framework

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

Governance documents

The sustainability policy includes Länsförsäkringar AB's material sustainability topics and aims to provide managers and employees with guidance in their daily sustainability work. The policy also outlines environmental considerations and the precautionary principle. The sustainability pol-

icy was updated in 2018 to clarify the link to the UN initiatives signed by Länsförsäkringar AB, the link to internal guidelines and governance documents and the responsibility for sustainability in the operations.

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 that includes the Code of Conduct, security and sustainability every year.

Alongside the sustainability policy, Länsförsäkringar AB also has other governance documents and guidelines that describe sustainability governance and focus, divisions of responsibilities, targets, activities and monitoring.

Monitoring

Self-assessments and operational procedures are applied for the ongoing monitoring of compliance with these governance documents. Policies and guidelines are revised annually.

A whistle-blowing function is available to prevent crime or suspected crime in the business.

Governance documents

Responsible offering

Owned by

| | |
|--|--------------------------------------|
| Sustainability policy | Director of Corporate Communications |
| Corporate governance policy | Head of Asset Management |
| Credit policy and credit instructions | Credit Manager |
| Policy on anti-money laundering and terror financing | Head of Anti-Money Laundering Bank |

Responsible business conduct

Owned by

| | |
|--|--------------------------------------|
| Sustainability policy | Director of Corporate Communications |
| Code of Conduct for Employees | Head of Compliance |
| Personnel policy | HR Director |
| Equality and diversity plan | HR Director |
| Purchasing and procurement policy | Head of Purchasing |
| Code of Conduct for Suppliers | Head of Compliance |
| Guidelines on identifying and managing conflicts of interest | Head of Compliance |
| Policy on improper benefits | Head of Compliance |

Long-term environmental and social responsibility

Owned by

| | |
|-----------------------|--------------------------------------|
| Sustainability policy | Director of Corporate Communications |
|-----------------------|--------------------------------------|



More information about Länsförsäkringar's sustainability work is available on pages 129-139. The GRI index, Annual Report index, UN Global Compact index, stakeholder dialogue, Länsförsäkringar's work on the UN SDGs, statistics and performance indicators are presented here.

About the Sustainability Report

Länsförsäkringar AB's sustainability report is prepared annually and is an integrated part of the company's annual report. The 2018 report has been prepared in accordance with the Core level of the GRI Standards 2016. The Sustainability Report also contains the company's reporting according to Chapter 6, Section 11 of the Swedish Annual Accounts Act (ÅRL), as well as the company's Communication on Progress to the UN Global Compact.

Accounting period and scope

Unless otherwise stated, the Sustainability Report pertains to Länsförsäkringar AB and its subsidiaries, Länsförsäkringar Sak, Agria, Länsförsäkringar Gruppliv, Länsförsäkringar Liv, Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondliv. Information and data applies to the period from 1 January to 31 December 2018. The previous Sustainability Report was published on 13 March 2018.

Materiality analysis

The Sustainability Report describes how Länsförsäkringar AB works with its most significant issues and the impact of its operations on society, humans and the environment. It also describes how Länsförsäkringar AB works on sustainability

risks and how sustainability topics are an integrated part of the business model.

The sustainability topic of regulatory compliance changed name in 2018 to business ethics but encompasses the same topic content as in 2017.

In 2018, a materiality analysis was carried out that will form the basis for continued work on sustainability topics. The results from the new materiality analysis will be fully reported in the 2019 Sustainability Report. An important part of the materiality analysis was the stakeholder dialogue with Länsförsäkringar's most important stakeholders, which took place in the autumn of 2018. The following stakeholders responded to a questionnaire and were interviewed in depth:

- Regional insurance companies (owners and customer managers)

- Employees
- Customers (brokers and corporate customers)
- Civil society organisations
- Asset managers

The stakeholders' expectations of Länsförsäkringar AB regarding sustainability topics were taken into account when the internal working group prioritised sustainability topics. Group management validated the results in December 2018. In 2019, governance and measures will be prepared for these significant issues.

Data and figures

Information about how the data has been collated is provided in the GRI-index.

Sustainability topic

Responsible investments

Responsible banking

Responsible insurance offering

Business ethics

Responsible employer

Sustainability requirements on suppliers

Direct environmental impact

Long-term environmental and social commitment

Material impact

External

External

External

Internal and external

Internal

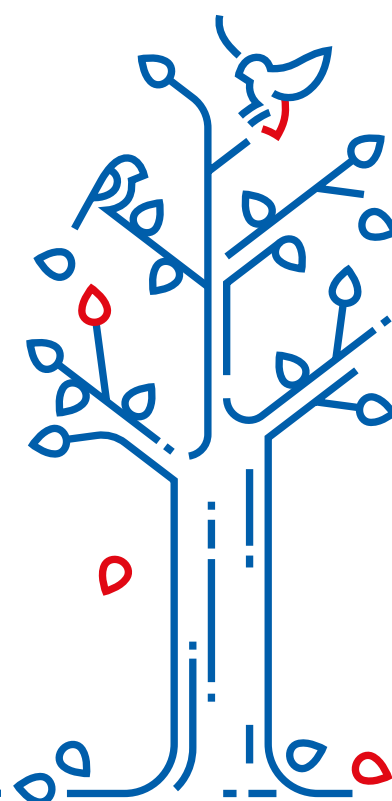
External

External

Internal and external

Questions about the 2018 Sustainability Report

Questions about Länsförsäkringar AB's 2018 Sustainability Report can be directed to the company's Head of Sustainability, Christina Kusoffsky Hillesöy, via e-mail: christina.hillesoy@lansforsakringar.se



Index Sustainability Report

The sustainability report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act (ÅRL) encompasses Länsförsäkringar AB and its subsidiaries Länsförsäkringar Sak, Agria, Länsförsäkringar Gruppliv, Länsförsäkringar Bank, Länsförsäkringar Fondförvaltning, Länsförsäkringar Hypotek, Wasa Kredit and Länsförsäkringar Fondliv. Länsförsäkringar Liv submits its own sustainability report. The sustainability disclosures can be found by following the pages references below.

| | Explanation | Page reference |
|--|---|----------------|
| Overall | Business model | 4-7, 10-11 |
| | Organisation and monitoring | 31-32 |
| | Key impacts, risks and opportunities | 9, 14 |
| Social and personnel-related issues | Policy on social and personnel-related issues | 31-32 |
| | Social and personnel-related issues risks and risk management | 21-27, 29-30 |
| | Social and personnel-related issues goals and outcomes | 132-133 |
| Climate and environmental issues | Climate and environmental policy | 32 |
| | Climate and environmental risks and risk management | 14, 16-17, 19 |
| | Climate and environmental goals and outcomes | 16-23, 133 |
| Respect for human rights | Human rights policy | 18, 27 |
| | Human rights risks and risk management | 16, 19, 27 |
| | Human rights goals and outcomes | 17-18, 27 |
| Combating corruption | Anti-corruption policy | 18, 24 |
| | Anti-corruption risks and risk management | 16, 19, 24 |
| | Anti-corruption goals and outcomes | 17-18, 24 |

UN Sustainable Development Goals

Examples of how Länsförsäkringar AB works with the SDGs and where it believes it can make a difference and contribute to a sustainable development.



Goal 3

Good health and well-being

Research into health and road-traffic accidents, preventive health services and rehabilitation, road safety claims-prevention measures.



Goal 5

Gender equality

Promoting equality and diversity (SDG 10) through the work of the Nomination Committee, in recruitment processes and in dialogues with companies and suppliers.



Goal 8

Decent work and economic growth

Work conditions in Länsförsäkringar's own operations. Dialogue on work conditions with companies in investment operations and with suppliers. Digital offerings that make financial services more available.



Goal 9

Industrial innovation and infrastructure

Engagement and investments in companies that supply sustainable innovations, product and services.

Stakeholder dialogue

Länsförsäkringar AB and regional insurance companies affect millions of people through their operations. More than 3.9 million customers in the Länsförsäkringar Alliance, more than 2,000 suppliers in Länsförsäkringar AB and 1,900 employees in Länsförsäkringar AB all have an idea of what Länsförsäkringar is. Stakeholder dialogue are a chance for Länsförsäkringar to discuss and ascertain stakeholders' expectations. In 2018, a targeted sustainability dialogue was held with key stakeholders.

| Priority stakeholders | Communication channels | Issues | Activities in 2018 |
|--|--|---|--|
| Owners and Board | Reporting, Board meetings, various forums and consulting bodies and AGM. | Mission of operations, product development, policies and guidelines, risks and long-term objectives. | Ongoing dialogue on sustainability topics and objectives. Targeted dialogues. |
| Customers | Customer surveys, customer meetings and questionnaires. | Availability, service and quality, responsible investments, environmental and social responsibility integrated into offering, transparency and a tool to select sustainable products. | Tools for selecting sustainable funds on the fund platform – sustainability globes, sustainability scores, sustainability profile and carbon measurements. Expanded range of sustainable funds. Interviews with corporate customers and brokerage companies about Länsförsäkringar's sustainability efforts. |
| Employees | Employee surveys, employee appraisals, meetings, dialogue and training. | Work environment and health, skills development and diversity. | Skills development in the form of training and lectures. Employee survey. Monthly manager-employee reviews. Flexible workplace projects. |
| Suppliers | Procurement, self-assessment questionnaires and meetings. | Environmental and social responsibility, sustainability risks in the supply chain. | Dialogue meetings on sustainability topics, site visits and risk surveys of the largest sustainability risks. Developing a risk assessment model and self-assessment form. |
| Partners, trade organisations and civil society organisations | Partnerships, meetings, questionnaires and exchanging know-how. | Industry-wide challenges within environmental and social responsibility, responsible investments, responsible lending, transparency, climate change. | Greater transparency concerning responsible investments in the corporate governance report. Updated the sustainability overview for Länsförsäkringar Fondförvaltning and for lending in Länsförsäkringar Bank. Provided sustainability research results. Conducted dialogues with civil society organisations about their expectations for Länsförsäkringar AB's sustainability efforts. |
| Authorities | Reporting and meetings. | Responsible offering, transparency and climate risks. | Dialogue on natural catastrophes and climate risks. |
| Investors | Reporting, meetings and responded to questionnaires. | Responsible offering, common social challenges, environmental and social risks, and transparency. | Greater transparency on sustainability, stakeholder dialogue, responded to questionnaires. |



Goal 11

Sustainable cities and communities

Engaging policy makers on sustainable urban planning, investing in environmentally certified properties, supporting research into sustainable, safe communities.



Goal 12

Responsible consumption and production

Setting demands for materials, recycling and reuse for damage repairs, encouraging suppliers and companies in investment operations to report on sustainability.



Goal 13

Climate action

Research into climate impact, dialogue with customers and policy-makers on climate issues, divesting investments in coal companies, investing in green bonds, dialogue with companies on climate issues.



Goal 16

Peace, justice and strong institutions

Dialogue with companies regarding anti-corruption, anti-money laundering and preventing terror financing in banking and insurance operations.

Statistics and key figures

Employee statistics Länsförsäkringar AB Group including Länsförsäkringar Liv

Employee response to employee survey¹⁾

| % | 2018 | 2017 | 2016 |
|---|------|------|------|
| Believe that diversity in working groups is valued | 83 | 84 | 81 |
| Believe that Länsförsäkringar AB is an equal opportunity workplace | 87 | 87 | 85 |
| Believe that they receive regular feedback from their manager | 81 | 82 | 83 |
| Believe that one's own skills are developed in line with changing work requirements | 78 | 79 | 77 |
| Believe that they have a reasonable stress level in their work | 70 | 70 | 64 |
| Believe that they have a good work/life balance | 81 | 81 | 80 |

¹⁾ The response rate for the employee survey was 96% in 2018, 95% in 2017.

Employees

| Number | 2018 | 2017 | 2016 |
|--|-------|-------|-------|
| Permanent employees | 1,910 | 1,847 | 1,759 |
| of whom, men | 816 | 777 | 730 |
| of whom, women | 1,094 | 1,070 | 1,029 |
| Permanent employees recruited during the year | 210 | 247 | 185 |
| Permanent employees who have left and now work at another company in the Länsförsäkringar Alliance | 5 | 9 | 13 |
| Permanent employees who left during the year | 176 | 170 | 125 |

Employee turnover

| % | 2018 | 2017 | 2016 |
|---------------------|------|------|------|
| Permanent employees | 9.5 | 9.7 | 7.2 |

Employee age range

| Number | 2018 | 2017 | 2016 |
|--------------------|------|------|------|
| 0-30 years of age | 178 | 209 | 184 |
| 31-40 years of age | 464 | 460 | 454 |
| 41-50 years of age | 602 | 634 | 594 |
| 51-60 years of age | 547 | 463 | 439 |
| 61- | 122 | 81 | 88 |
| Average age, women | 44 | 44 | 44 |
| Average age, men | 44 | 44 | 44 |

New employees recruited during the year

| Number | 2018 | | 2017 | | 2016 | |
|--------------------|------------|-----------|------------|------------|------------|-----------|
| | Women | Men | Women | Men | Women | Men |
| 0-30 years of age | 27 | 19 | 35 | 32 | 23 | 17 |
| 31-40 years of age | 32 | 39 | 31 | 45 | 27 | 35 |
| 41-50 years of age | 31 | 28 | 41 | 35 | 41 | 22 |
| 51-60 years of age | 21 | 10 | 12 | 12 | 13 | 7 |
| 61- | 0 | 3 | 3 | 1 | - | - |
| Total | 111 | 99 | 122 | 125 | 104 | 81 |

All employees are full-time employees regardless of whether they work full or part-time. Employees who have children under the age of 12 can work part-time according to the industry's collective agreement.

Manager age range

| Number | 2018 | | 2017 | | 2016 | |
|--------------------|------------|------------|------------|------------|------------|-----------|
| | Women | Men | Women | Men | Women | Men |
| 0-30 years of age | 2 | 0 | 3 | 2 | 1 | 4 |
| 31-40 years of age | 19 | 19 | 21 | 20 | 23 | 21 |
| 41-50 years of age | 61 | 57 | 56 | 56 | 46 | 55 |
| 51-60 years of age | 47 | 40 | 35 | 27 | 33 | 29 |
| 61- | 3 | 8 | 1 | 5 | - | 5 |
| Total | 132 | 124 | 116 | 110 | 103 | 14 |
| Total | 256 | | 226 | | 217 | |

Average age of managers

| Year | 2018 | 2017 | 2016 |
|-------|------|------|------|
| Women | 47 | 46 | 46 |
| Men | 47 | 47 | 46 |

Sickness absence

| % | 2018 | 2017 | 2016 |
|--|------|------|------|
| Total sickness absence as a percentage of ordinary working hours | 3.0 | 3.0 | 3.1 |

Gender distribution among managers

| % | 2018 | | 2017 | | 2016 | |
|---------------------------------|-------|-----|-------|-----|-------|-----|
| | Women | Men | Women | Men | Women | Men |
| Group management | 62 | 38 | 57 | 43 | 50 | 50 |
| Heads of department | 47 | 53 | 53 | 47 | 48 | 52 |
| Group managers and team leaders | 52 | 48 | 50 | 50 | 47 | 53 |

Gender distribution among management and Board

| Number | 2018 | | 2017 | | 2016 | |
|--------------------------------------|-------|-----|-------|-----|-------|-----|
| | Women | Men | Women | Men | Women | Men |
| Group management including President | 8 | 5 | 5 | 5 | 4 | 6 |
| Management teams ¹⁾ | 31 | 35 | 33 | 36 | 25 | 37 |
| Board members ²⁾ | 23 | 47 | 22 | 49 | 28 | 38 |

¹⁾ Includes union representatives.

²⁾ Regular members including union representatives.

Carbon emissions in the operations

Sources of carbon emissions¹⁾

| | 2018 | | 2017 | | 2016 | |
|---|-------------------------------|-----------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | CO ₂ emissions, kg | Consumption MWh | CO ₂ emissions, kg | Consumption MWh | CO ₂ emissions, kg | Consumption MWh |
| District heating – properties and offices ²⁾ | 103,445 | 1,515 | 121,310 | 1,619 | 85,708 | 1,343 |
| Electricity consumption – operations | 38,369 | 3,762 | 36,003 | 3,530 | 33,436 | 3,278 |
| Electricity consumption – properties | 11,639 | 1,141 | 11,150 | 1,093 | 10,983 | 1,077 |
| Paper print-outs | 3,148 | 7,301 | 4,607 | 13,243 | 4,956 | 26,221 |
| Total | 156,601 | 13,719 | 191,122 | 6,255 | 107,692 | 5,138 |

Sources of carbon emissions³⁾

| | 2018 | | 2017 | | 2016 | |
|---|-------------------------------|------------------|-------------------------------|------------------|-------------------------------|------------------|
| | CO ₂ emissions, kg | Km travelled | CO ₂ emissions, kg | Km travelled | CO ₂ emissions, kg | Km travelled |
| Flights | 648,814 | 5,675,482 | 620,426 | 5,284,022 | 556,816 | 4,465,921 |
| Company car journeys | 152,599 | 1,315,508 | 153,685 | 1,399,053 | 177,198 | 1,510,907 |
| Private car journeys | 31,657 | 257,377 | 32,635 | 265,322 | 29,257 | 230,368 |
| Rail journeys | 3 | 1,059,863 | 2 | 978,943 | 3 | 941,507 |
| Total | 833,074 | 8,308,050 | 806,748 | 7,927,340 | 763,274 | 7,148,703 |
| Total carbon emissions in operations | 989,675 | | 997,870 | | 898,357 | |
| Total carbon emissions per employee | 518 | | 540 | | 511 | |

¹⁾ Scope 2 under the GHG Protocol.

²⁾ Degree day adjusted figures used to calculate district-heating usage.

³⁾ Scope 3 under the GHG Protocol.

Our partnerships

Sustainability at Länsförsäkringar

PSI – Principles for Sustainable Insurance

A UN initiative of principles on integrating sustainability into insurance offerings. Länsförsäkringar Sak has been a member since the end of 2016.

AMICE – Association of Mutual Insurers and Insurance Cooperatives in Europe

A body of European insurance companies that exchanges information and experience among its members on topics including sustainability. Länsförsäkringar is an active member.

Eurapco

An alliance of eight insurance companies working in 18 countries with 40 million customers. The members exchange information and experience. Länsförsäkringar is an active member of several committees.

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 40 years, has a global partnership on economic, political and social issues in the insurance industry. Länsförsäkringar is a signatory.

ICMIF – International Cooperative and Mutual Insurance Federation

A body of mutual insurance companies that exchanges information and experience among its members on topics including sustainability.

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 corporate customers that have foreign operations but local insurance solutions.

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.

Investment partnerships

PRI – Principles for Responsible Investments

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

Access to Medicine Foundation

A foundation founded by the British and Netherlands governments together with the Bill & Melinda Gates Foundation. The foundation seeks to improve access to medicine for people around the world. Every other year it produces an index that shows the actions pharmaceutical companies are taking to improve conditions for people without access to basic medicine. Länsförsäkringar supports this initiative.

CDP

A civil society organisation that collects global environmental information from companies. The initiative is supported by over 800 institutional investors worldwide. Through dialogue with companies and by supporting the CDP's work, investors want to increase transparency and promote environmental reporting, and encourage companies to work actively to reduce their environmental impact. Länsförsäkringar supports the CDP.

GES – Global Engagement Service

A common cooperative platform for active owners. Länsförsäkringar AB actively participates in this forum together with institutional investors all over the world to influence companies to act responsibly. Part of Sustainability from 2019.

Swedish Investment Fund Association

A trade organisation whose purpose is to look after the collective interests of fund management companies and fund savers alike. Länsförsäkringar Fondförvaltning is an active member.

Sustainable Value Creation

"Sustainable Value Creation" is a collaborative project comprising 17 of Sweden's largest institutional investors. The project aims to highlight the importance of working with sustainability topics in a structured manner. Länsförsäkringar is an active member.

Institutional Owners Association

The Institutional Owners Association for Regulatory Issues in the Stock Market is a partnership between pension funds, AP national pension funds, insurance companies and fund companies. The association develops best practice in corporate governance and the Swedish Corporate Governance Code. Länsförsäkringar Fondförvaltning is an active member.

Montreal Pledge

Länsförsäkringar AB has signed the PRI Montreal Pledge, an initiative whereby investors pledge to measure and publicly disclose the carbon footprint of their investment portfolios. The Montreal Pledge is supported by both PRI and the United Nations Environment Programme Finance Initiative (UNEP FI).

Swesif – Sweden forum for sustainable investments

An independent network forum for organisations that work for or with sustainable investments in Sweden. Swesif's goal is to increase knowledge and interest surrounding sustainable investments.

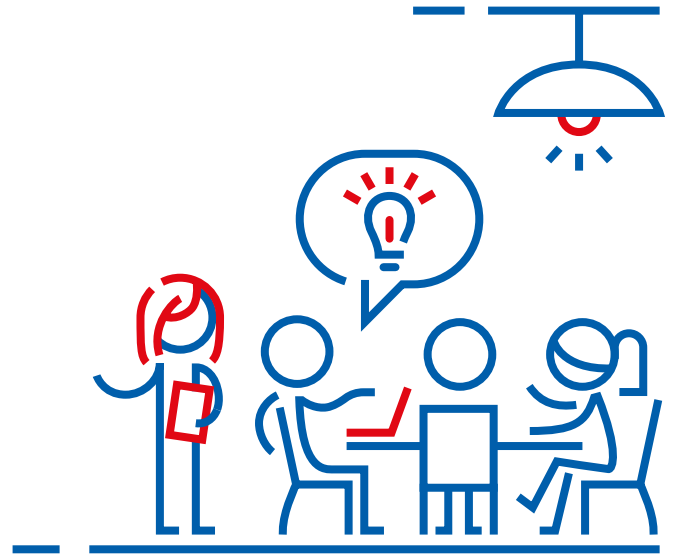
Partnerships in banking

Swedish Financial Coalition against Commercial Sexual Exploitation of Children

A partnership between banks and Ecpat to prevent the Swedish payment system from being abused for the purchase of child pornography and trafficking of children for sexual purposes, and also to influence public opinion on such criminal activity. Länsförsäkringar is a member of the Financial Coalition.

Swedish Bankers' Association

An association of banks in Sweden whose tasks include spreading knowledge about banks and their role for growth and welfare in society. Länsförsäkringar is a member of the board and the Sustainability Committee.



Other partnerships

Global Compact

A UN initiative for responsible business conduct with ten principles on human rights, labour, environment and anti-corruption. Länsförsäkringar AB is a signatory.

Diversity Charter Sweden

A non-profit organisation that seeks to promote diversity in workplaces. Its members are companies and organisations that actively work on diversity and apply an inclusive approach to their own businesses. Länsförsäkringar is a member.

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.

SNS – The Centre for Business and Policy Studies

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.

Task Force on Climate-related Financial Disclosures (TCFD)

TCFD was founded in 2015 by the Financial Stability Board. It is intended to support companies' efforts to provide qualitative sustainability information to the finance sector's stakeholders and supervisory authorities. The framework consists of four areas: Governance, Strategy, Risk management and relevant data. Länsförsäkringar supports TCFD.

Auditor's opinion regarding the statutory report

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

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2018 as indicated on page 130 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 sustainability 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 27 March 2019
KPMG AB

Mårten Asplund
Authorized Public Accountant

Global Reporting Initiative

The report is based on the 2016 GRI Standards, except for disclosures on Occupational Health and Safety which follow the updated version from 2018.

| GRI Standard | GRI Page reference | GRI Comments | UN Sustainable Development Goals | UN Global Compact |
|--|--|-------------------------------------|---|-------------------|
| General disclosures | | | | |
| Organisation profile | | | | 1-10 |
| 102-1 | Name of the organisation | Inside cover | | |
| 102-2 | Activities, brands, products, and services | Inside cover | | |
| 102-3 | Location of headquarters | | Stockholm | |
| 102-4 | Location of operations | Inside cover | | |
| 102-5 | Ownership and legal form | Inside cover | | |
| 102-6 | Markets served | Inside cover | | |
| 102-7 | Scale of the organisation | Inside cover | | |
| 102-8 | Information on employees and other workers | 132-133 | | |
| 102-9 | Supply chain | 27, 131 | | |
| 102-10 | Significant changes to the organisation and its supply chain | 14-15 | | |
| 102-11 | Precautionary principle or approach | 32 | | |
| 102-12 | External initiatives | 134-135 | | |
| 102-13 | Memberships of associations | 134-135 | | |
| Strategy | | | | 1-10 |
| 102-14 | Statement from senior decision-maker | 2-3 | | |
| 102-15 | Key impacts, risks, and opportunities | 14, 16, 19, 21, 24-25, 27, 29, 129, | | |
| Ethics and integrity/Business ethics and values | | | | 10 |
| 102-16 | Values, principles, standards, and norms of behaviour | 31-32 | | |
| Governance | | | | 10 |
| 102-18 | Governance structure | 31-32 | | |
| Stakeholder engagement | | | | |
| 102-40 | List of stakeholder groups | 8-11, 131 | | |
| 102-41 | Collective bargaining agreements | 26 | | |
| 102-42 | Identifying and selecting stakeholders | 8, 129, 131 | | |
| 102-43 | Approach on stakeholder engagement | 8-11, 131 | | |
| 102-44 | Key topics and concerns raised | 8-11, 20, 131 | Including SCI – customer satisfaction and product responsibility | |
| Reporting practice | | | | |
| 102-45 | Entities included in the consolidated financial statements | 129 | | |
| 102-46 | Defining report content and topic boundaries | 129 | | |
| 102-47 | List of material topics | 129 | | |
| 102-48 | Restatements of information | 129 | And comments in GRI table | |
| 102-49 | Changes in reporting | 129 | | |
| 102-50 | Reporting period | 129 | | |
| 102-51 | Date of most recent report | 129 | | |
| 102-52 | Reporting cycle | 129 | | |
| 102-53 | Contact point for questions regarding the report | 129 | Christina Hillesøy, Head of Sustainability | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 129 | | |
| 102-55 | GRI content index | 137-139 | | |
| 102-56 | External assurance | | The GRI report has not been externally audited. See auditors opinion regarding sustainability report on page 136. | |

| GRI Standard | | GRI Page reference | GRI Comments | UN Sustainable Development Goals | UN Global Compact |
|---|---|---------------------|--------------|----------------------------------|-------------------|
| Management Approach | | | | | |
| 103-1 | Explanation of the material topic and its Boundary | 14-15, 31-32 | | | |
| 103-1-103-3 | Management Approach | 31-32 | | | |
| Responsible offering | | | | | |
| Responsible investments | | | | 5, 8-9, 11, 13, 16 | 1-6, 7, 10 |
| 103-1 - 103-3 | Disclosures on Management Approach | 16-18, 31-32 | | | |
| Engagement and dialogue | Number of reactive company dialogues on sustainability | 18 | | | |
| G4-FS10 | Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues | | | | |
| Active corporate governance | Number of preventive dialogues on sustainability | 18 | | | |
| Active corporate governance | Number of general meetings at which votes were cast | 18 | | | |
| Active corporate governance | Participation in Nomination Committees | 18 | | | |
| Exclusions | Number of blacklisted companies regarding sustainability, excluding coal companies | 18 | | | |
| Responsible banking | | | | 8 | 7-9 |
| 103-1 - 103-3 | Disclosures on Management Approach | 19-20, 31-32 | | | |
| Climate risks in lending | Initiative to measure the climate risk in the insurance offering | 20 | | | |
| Availability | | | | | |
| G4-FS 13 | Access points in low-populated or economically disadvantaged areas by type | 19-20 | | | |
| G4-FS 14 | Initiatives to improve access to financial services for disadvantaged people | 19-20 | | | |
| Responsible insurance | | | | 3, 12-13 | 7-9 |
| 103-1 - 103-3 | Disclosures on Management Approach | 21-23, 31-32 | | | |
| Claims prevention | Initiatives for claims-prevention methods | 21-23, 30 | | | |
| Claims adjustment | Initiative to reduce use of resources and negative climate impact via claims adjustment | 21-22, 30 | | | |
| Climate risk in the insurance offering | Identification of climate risk in the insurance portfolio and new products as protection against climate risk | 23 | | | |
| Responsible business conduct | | | | | |
| 103-1 - 103-3 | Disclosures on Management Approach | Inside cover, 31-32 | | | |
| Economic performance | | | | | |
| 201-1 | Direct economic value generated and distributed | Inside cover | | | |
| 201-2 | Financial implications and other risks and opportunities due to climate change | Inside cover, 20 | | | |
| Indirect economic impacts | | | | | |
| 203-2 | Significant indirect economic impacts | Inside cover | | | |
| Sustainability requirements on suppliers | | | | 8, 12, 16 | 1-10 |
| 103-1 - 103-3 | Disclosures on Management Approach | 16-17, 27, 31-32 | | | |
| Purchasing organisation | Percentage of the 100 largest suppliers that account for 80% of the purchasing volume have signed the Code of Conduct | 27 | | | |
| Business ethics | | | | 16 | 2, 10 |
| 103-1 - 103-3 | Disclosures on Management Approach | 24 | | | |
| Anti-corruption | | | | | |
| 205-1 | Operations assessed for risks related to corruption | 24 | | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | 24 | | | |
| Direct environmental impact | | | | 12, 13 | 7-9 |
| 103-1 - 103-3 | Disclosures on Management Approach | 133 | | | |
| Emissions | | | | | |
| 305-2 | Energy indirect GHG emissions (Scope 2) | 133 | | | |
| 305-3 | Other indirect GHG emissions (Scope 3) | 18, 133 | | | |

| GRI Standard | | GRI Page reference | GRI Comments | UN Sustainable Development Goals | UN Global Compact |
|--|--|--------------------|---|----------------------------------|-------------------|
| Responsible employer | | | | | |
| Labour practices and decent work | | | | 3,5,8,10 | 3-6 |
| 103-1 - 103-3 | Disclosures on Management Approach | 25-26, 31-32 | Statistics refer to employees in Sweden | | |
| 401-1 | New employee hires and employee turnover | 132 | Statistics refer to employees in Sweden | | |
| Occupational health and safety | | | | | |
| 103-1 - 103-3 | Disclosures on Management Approach | 25-26, 132-133 | | | |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities | 26, 133 | GRI 2018. Refers to employees in Sweden | | |
| Training and education | | | | | |
| 103-1 - 103-3 | Disclosures on Management Approach | 25-26 | | | |
| 404-2 | Programmes upgrading employee skills and transition assistance programmes | 25-26 | | | |
| Diversity and equal opportunity | | | | | |
| 103-1 - 103-3 | Disclosures on Management Approach | 25-26 | | | |
| 405-1 | Diversity of governance bodies and employees | 132-133 | Statistics refer to employees, Board and management in Sweden | | |
| 406-1 | Incidents of discrimination and corrective actions taken | | No cases reported in 2018 | | |
| Environmental and social responsibility | | | | | |
| Research | Number of research projects and total amount invested in research (SEK) | 29-30 | | 3, 8, 11-13, 16 | 8-9 |

UN Global Compacts 10 Principles

Human Rights

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

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.

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.

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

Anti-Corruption

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



The UN Sustainable Development Goals (SDGs)

