

Climate transition criteria and list of companies considered to be in transition

Decided 25 September, fully implemented 10 October 2019

Climate transition criteria

In order to support the low-carbon transition and the Paris Agreement's objective to limit global warming well below 2 degrees Celsius, Länsförsäkringar AB (LFAB) has decided to introduce new criteria to identify "companies in transition". These criteria are applied by Länsförsäkringar AB's Asset Management Department ("Kapitalförvaltningen") and the Mutual Fund Company ("Länsförsäkringar Fondförvaltning AB") on direct investments in listed equities as well as corporate bonds.

Criteria based on revenue shares alone can in certain cases disqualify companies that are in the process of transitioning, for example companies that are shifting towards a more sustainable energy mix and a reduction of climate impact in line with the Paris Agreement. Our criteria for identifying companies in transition should be seen as complementary to our exclusion criteria. As a starting point, we apply these transition criteria on certain companies with exposure to fossil fuels.

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

LFAB may consider retaining companies with between 5-20 % of revenue from thermal coal power generation, if they fulfill any of the following criteria:

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

Companies retained in the investment universe

As a starting point, the climate transition criteria are applied to companies with between 5-20 % revenue from thermal coal power generation¹. The list of companies considered to be in transition includes both those within and outside of MSCI ACWI, LFAB's reference index. Even though the companies are retained in the investment universe, this does not automatically imply that LFAB's Asset Management Department and/or Mutual Fund Company invest in these companies.

Company name	Qualification criteria
China Longyuan Power Group Corporation Ltd. - H Shares	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation

¹ Figures on revenue share are based on company information from Trucost's database as per September 2019.

Drax Group	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Enel Generacion Chile S.A.	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Enel SpA	Has a third-party approved "Science based target" in relation to the Paris Agreement
Energias de Portugal SA	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
ENGIE Brasil Energia S.A.	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Entergy Corp	Assessment by Transition Pathway Initiative that the company is operating within 2-degrees scenario
Federal Hydrogenerating Co (RusHydro)	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
Fortum Oyj	Assessment by Transition Pathway Initiative that the company is operating within 2-degrees scenario
IDACORP Inc	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation
NRG Energy	Has a third-party approved "Science based target" in relation to the Paris Agreement
OCI Company Ltd	Revenue share from renewable energy exceeds the revenue share from fossil fuel power generation