

Sustainable insurance

2020

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



About Länsförsäkringar and the UN Principles for Sustainable Insurance

About Länsförsäkringar

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete offering of banking, insurance, pension and real-estate brokerage services through the regional insurance 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. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has 3.9 million customers and 7,500 employees.

About Länsförsäkringar Sak Försäkringsaktiebolag

Länsförsäkringar Sak is a member of the Länsförsäkringar AB Group and comprises Länsförsäkringar Sak Försäkrings AB (Länsförsäkringar Sak) and its subsidiaries Försäkringsaktiebolaget Agria (Agria) and Länsförsäkringar Grupplivförsäkrings AB (Gruppliv). Business activities are conducted in the Non-life Insurance business unit and the Agria business unit that are responsible for the non-life insurance operations, including pet and crop insurance, which have been assigned to Länsförsäkringar AB by the regional insurance companies.

The task is to complement the regional insurance companies' offering with specialist products to meet customer needs and to

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

About the UN Principles for Sustainable Insurance

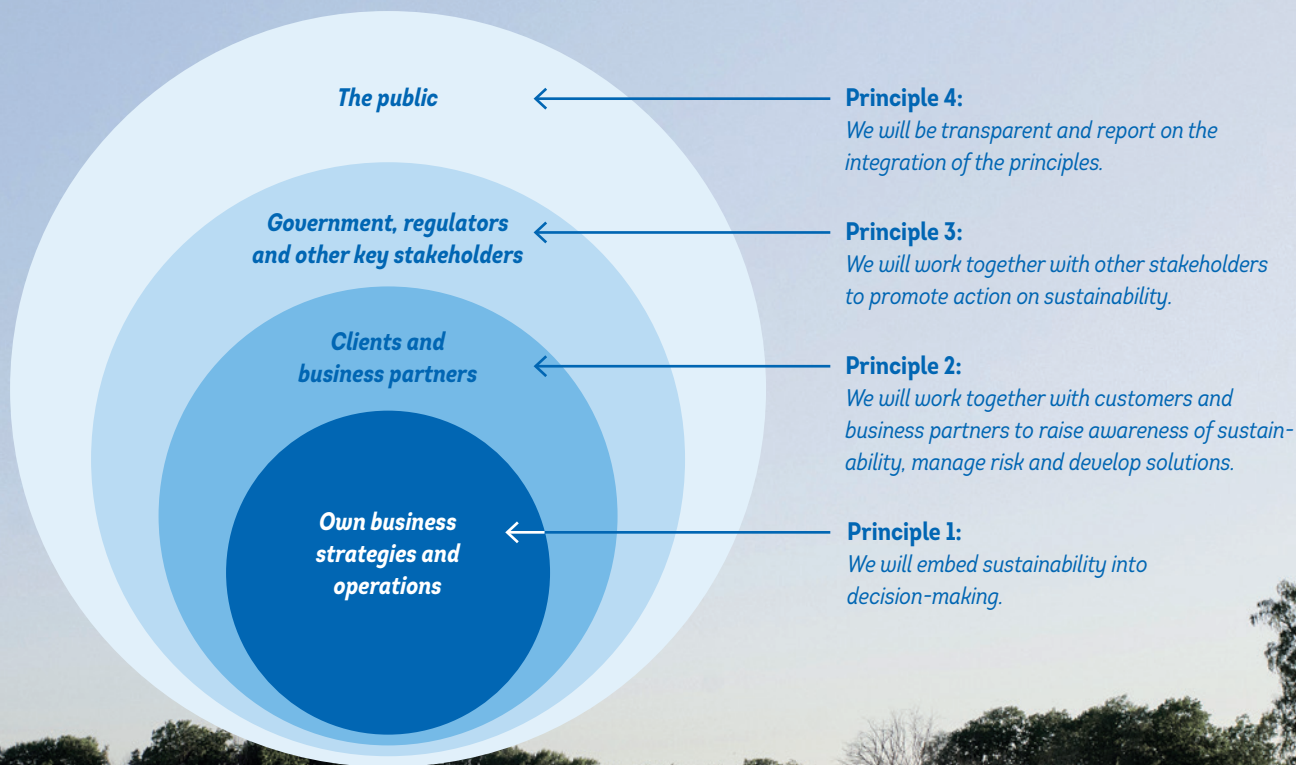
The UN Principles for Sustainable Insurance (PSI) is an initiative directed at insurance companies that consists of four principles. All companies that sign the PSI commit to reporting annually on their ongoing work, and publishing the results.¹⁾


Länsförsäkringar Sak²⁾ is the only Swedish insurance company to sign these guidelines. This report provides information on the work performed in 2020 based on the four principles combined with the sustainability report produced for Länsförsäkringar AB³⁾ of which Länsförsäkringar Sak is part.

¹⁾ unepfi.org/psi/signatory-companies

²⁾ lansforsakringar.se

³⁾ mb.cision.com/Main/152/3306926/1387224.pdf



A man in a dark long-sleeved shirt and blue jeans is fishing with a rod and reel on a rocky shore. A young girl in a white dress stands next to him, holding his hand. The background shows a calm lake, green trees, and a clear blue sky.

PRINCIPLE

1

We will embed
sustainability into
decision-making.

Sustainable business

Sustainability involves generating greater value for customers and, at the same time, contributing to the sustainable development of society. Sustainability activities are based on the vision of "Together we create security and opportunities." We carry out preventive work on climate change and natural catastrophes, and concerning promotion of health for people and animals, through carefully prepared insurance offerings, preventive efforts,

engagement and social commitment in various forms. We can reduce the company's sustainability risks, increase customer and business value and also promote the positive development of society by taking economic, social and environmental aspects into consideration in business development and in business decisions. Extensive claims prevention is central.

Sustainability governance

Länsförsäkringar AB's Board assumes the overall responsibility for governing sustainability activities and decides on the governance documents that form the basis of such work. The sustainability policy includes Länsförsäkringar AB's material sustainability topics and aims to provide managers and employees with guidance in their daily sustainability work. The policy also states that the top priority sustainability topic is climate risk, and it also outlines environmental considerations and the precautionary principle. The sustainability policy was updated in 2020 with clarifications regarding Länsförsäkringar AB's climate-smart vision and how investments contribute to the UN SDGs. 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.

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

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

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

- Code of Conduct for Employees
- Personnel policy
- Equality and diversity plan
- Remuneration policy
- Guidelines for company cars and business travel procedures
- Purchasing policy
- Code of Conduct for Suppliers
- Tax policy
- Guidelines on identifying and managing conflicts of interest
- Policy on improper benefits
- Policy on responsible investments and corporate governance
- Credit policy and credit instructions
- Policy on anti-money laundering and terror financing
- Research fund regulations

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 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 consists of 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 consists of Internal Audit, which is the Board's support for quality assurance and evaluation of the organisation's risk management, governance and internal control. Self-assessments and operational procedures are applied for the ongoing monitoring of compliance with these governance documents. Policies and guidelines are revised annually. A whistle-blowing function is available to prevent crime or suspected crime in the business.

Governance of sustainability activities at Länsförsäkringar Sak

The President of Länsförsäkringar Sak sits on Länsförsäkringar AB's Sustainability Committee, which comprises Länsförsäkringar AB's corporate management, the Head of Sustainability and the heads of Asset Management, Strategy and Change Management, Communication and Sustainability, HR, Compliance, Risk Management and Internal Audit. The Committee meets at least four times a year to discuss, decide on and follow up priority sustainability topics. The Head of Sustainability and Business Development reports on the status of the activities under responsible insurance offering to Länsförsäkringar AB's Sustainability Committee twice a year following an annual sustainability agenda.

The Head of Sustainability and Business Development is a member of Länsförsäkringar Sak's management group and re-

ports directly to the President and management. A Sustainability Manager has been appointed for Health, Agria, and Reinsurance and Special Insurance and is also a member of each management group. These managers comprise the Sak Sustainability Group, led by the Head of Sustainability and Business Development. This group works together with the President and Head of Responsible Investments, to reach consensus for efficient sustainability efforts. The group meets at least once every quarter, and Länsförsäkringar AB's Head of Sustainability also attends these meetings. An annual sustainability agenda governs the work. The Head of Sustainability and Business Development regularly reports to the Board on ongoing initiatives.

In 2020, Agria, Health and Reinsurance and Special Insurance continued to have sustainability focus groups with representatives from each department to enhance control and improve expertise.

Sustainability framework based on UN initiatives

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

UN Sustainable Development Goals

Länsförsäkringar AB has decided together with the 23 regional insurance companies which UN Sustainable Development Goals (SDGs) that the Länsförsäkringar Alliance can jointly work on. Thirteen targets under seven goals were identified as most relevant and can be clearly linked to Länsförsäkringar's business. Länsförsäkringar Sak has performed an analysis of the company's offering related to the SDGs.

Targets

Integrating sustainability into Länsförsäkringar Sak's operations is a priority area. The long-term objective is that sustainability is to feature throughout the operations. Every year, the Board decides on a business plan for the operations that features sustainability as one of the strategic priority areas with well-defined

Länsförsäkringar's focus on seven UN SDGs and relevant targets



Good health and well-being

- 3.4** Reduce premature mortality from non-communicable diseases and promote mental health and well-being.
- 3.6** Halve the number of global deaths and injuries from road-traffic accidents.

Länsförsäkringar's contribution: Research into mental illness and road-traffic accidents, preventive health services and rehabilitation, road safety claims-prevention measures and unprotected road-users. No investments in tobacco producers.



Responsible consumption and production

- 12.2** Sustainable management and efficient use of natural resources.
- 12.4** Environmentally sound management of chemicals and all wastes.
- 12.8** Ensure people everywhere have the relevant information and awareness for sustainable development.

Länsförsäkringar's bidrag: Setting demands for materials, recycling and reuse for damage repairs, encouraging suppliers and portfolio companies to report on sustainability. Research into construction materials and sustainable car repairs.



Decent work and economic growth

- 8.7** Eradicate forced labour, human trafficking and child labour.
- 8.8** Protect labour rights and promote safe and secure working environments for all workers.
- 8.10** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Länsförsäkringar's contribution: Dialogue with suppliers on labour. Digital offerings that make financial services more available and information on the importance of equal private finances.



Climate action

- 13.1** Strengthen resilience and adaptive capacity to climate-related hazards.
- 13.3** Improve awareness-raising and capacity on climate change mitigation.

Länsförsäkringar's contribution: Reducing the climate impact of Länsförsäkringar's own operations. Making climate-smart investments, such as green bonds, and excluding a large number of fossil companies. Research into climate impact, dialogue with customers and policy-makers on climate issues.



Reduced inequalities

- 10.2** Promote social, economic and political inclusion.

Länsförsäkringar's contribution: Promoting equality and diversity in recruitment processes and the business, through nomination committees in portfolio companies and in social commitment.



Peace, justice and strong institutions

- 16.5** Substantially reduce corruption and bribery in all their forms.
- 16.6** Develop effective, accountable and transparent institutions at all levels.

Länsförsäkringar's contribution: Anti-money laundering and preventing terror financing in the banking and life-assurance operations. No investments in gambling companies.



Partnerships for the goals

The SDGs can only be realised through global partnerships and cooperation.

Länsförsäkringar's contribution: Partnerships with the Länsförsäkringar Alliance and other external parties, such as research institutions, trade organisations and investors to address various sustainability challenges. Participates in UN project on climate risk.

ambitions of achieving continued advances and progress. Claims prevention is an area in which insurance companies can significantly affect sustainability.

Materiality analysis

Länsförsäkringar AB carried out a materiality analysis in 2018 that included Länsförsäkringar Sak, and continues to form the basis for setting priorities. It aimed to identify the most important sustainability risks and opportunities for Länsförsäkringar AB based on the business's impact on the environment and society. As part of the materiality analysis, various stakeholder groups (customers, owners, employees, civil society organisations and asset managers) were engaged to provide a better understanding of key stakeholders' expectations of sustainability activities.

Key sustainability topics

Länsförsäkringar AB has identified eight priority sustainability topics based on the stakeholder dialogue and with the guidance of the Global Reporting Initiative (GRI). The eight sustainability topics are grouped into three focus areas: responsible offering, responsible business conduct and long-term environmental and social responsibility. Länsförsäkringar Sak comprises the "responsible insurance offering" of the "responsible offering" area.

A climate-smart vision

Länsförsäkringar AB has a long-term climate-smart vision that entails that the company is to work actively to reduce climate impact and the climate risks throughout its operations and to encourage climate adaptation to reduce the damaging impact of climate change. The climate-smart vision is integrated into the business plans and in work on the prioritised sustainability topics.

Sustainability analysis

The sustainability analysis of product documents, including insurance terms and conditions, started by Länsförsäkringar Sak in autumn 2019, was completed during the year. It was initiated to more closely connect the framework and sustainability initiatives to the daily work of the company, and was an important step in

continuing to integrate PSI and sustainability into the insurance business. The analysis resulted in a current status report and greater expertise among employees. The next step in this process is to implement identified measures in the operations.

Sustainability training

New employees are informed about the content of the sustainability policy and other relevant guidelines in the induction programme. All employees must complete e-courses on topics including sustainability, the Code of Conduct and security. The e-courses are reviewed and updated annually. All new employees at Agria also complete the Agria School when they first join the company, which includes a sustainability session.

Health and work environment

Being a responsible employer is important for Länsförsäkringar Sak to both attract new employees and retain existing employees. A focus on diversity, inclusion, skills development, health and a good work environment are key factors in ensuring this. Länsförsäkringar Sak's employees have access to a broad range of mainly internal training courses as well as external courses and seminars.

Länsförsäkringar Sak 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 our business targets. The organisational and social work environment is regularly monitored to prevent stress and unhealthy workloads in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4). Health care insurance is offered to all employees that includes medical care, consultations, counselling, preventive health services and rehabilitation. Managers also have access to manager support, which focuses on the specific challenges for managers.

Product and service development

Innovation and digitisation improve customer offerings and

enhance the efficiency of the operations, which promotes economic, social and environmental sustainability. Länsförsäkringar Sak produces innovative solutions for its products and processes, and the administration concerning them. Digitisation has resulted in enhancements to operational efficiency in several areas. Digital marketing is being used more frequently and a more digitalised customer process and claims adjustment are being developed. Digital stamps, digital signatures and digital authorisation are other services that are being sought after and applied more often. A specific example is the more than 200 agreements with health care providers for which the contracts, signing and ongoing price negotiations were entirely digital. The next stage was initiated in 2020, which involves the entire invoicing process for health care costs taking place digitally and automatically. The development of digital services also leads to lower volumes of paper-based communication with customers, which reduces environmental impact while making information more available.

Development of new services involves extensive approval processes that include analysis of the risks linked to our strategies, our objectives, our customers and the environment.

Examples of our offers and claims prevention

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

Health Business Area

The Health Business Area offers group life assurance, accident and health insurance and home loan cover, and is one of Sweden's leading operators in health and health care insurance. The task



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of the Health Business Area is to determine customer insurance needs linked to health, to develop offers that meet those needs, and to help our customers obtain the protection they need to promote health and well-being. It also includes offering rapid support and taking early action when customers are on sick leave or risk being on sick leave.

The Health Business Area follows the motto of “We make Sweden healthier.” Preventive measures on the subject of mental illness, which is currently the most common cause of sick leave, continued in 2020. Social sustainability was in particular focus, since the Health Business Area stimulates preventive work in promoting health. The sections in health care insurance promote a sustainable lifestyle, a sustainable working life and a sustainable society. There are many advantages to be had from both a financial and a social perspective for taking preventive measures and action at an early stage when the risk of long-term sick leave arises.

Preventive services via the Health Portal

On Health Portal – a special web portal for customers that currently have or plan to take out one of our health care insurance policies or Bo Kvar insurance – customers can search for information about the policies, read answers to frequently asked questions and learn about digital online health programmes based on CBT methods that provide support for making lifestyle changes, for example, reducing stress and establishing healthier living habits. It is also possible to use the portal to create a health profile and monitor sleep, or read about the personal counselling and manager support offered via telephone. These health services are offered through a partnership with SOS International⁴⁾.

Specific work-oriented rehabilitation measures at an early stage can detect problems with mental illness and other types of illness so as to prevent lengthy sick leave and to facilitate an early return to work. Customers can receive help from a rehabilitation consultant to conduct a rehabilitation investigation, prepare a return to work plan and identify any necessary measures. Treatment for addiction and substance abuse is also included in the insurance policy.

⁴⁾lansforsakringar.soshalsa.eu

One current trend is increased used of preventive health services, which indicates that more people are getting help with working proactively on health for themselves or their entire working group. The Health Portal had more than 87,000 unique visitors during the year, which exceeded the target of 55,000.

Customer-care communication

The Health Business Area has invested in building up systematic, data-driven sales and customer-care communication to add value for customers, nurture customer relationships and prevent claims, for example, by regularly providing tips on well-being and good health. Digital technology and a data-driven work method are used to inspire customers to live a healthy life with the highest possible well-being. Digital technology also provides knowledge about which topics and articles create engagement, which means that we can continuously ensure optimal relevance for our customers.

The Health Business Area published eight newsletters and 30 articles in 2020, which generated widespread interest with an open rate of about 40%. The regional insurance companies made regular use of the articles in their social channels and in local newsletters. The articles addressed mental and physical health, a good working life and healthy relationships.

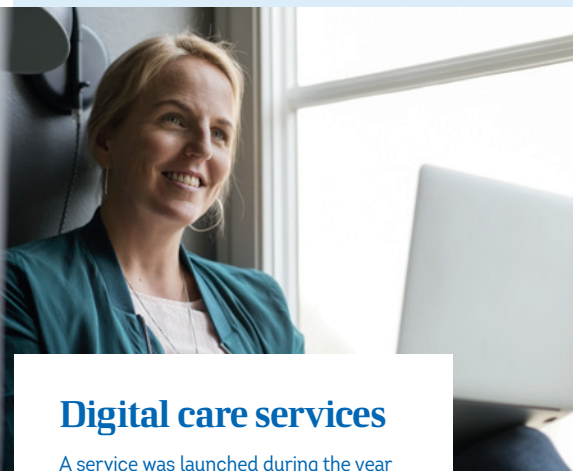
The ultimate aim of this customer-care information is to ensure that customers visit the Health Portal and the related services that can improve their health and well-being.

Health and health care insurance

We help companies and employees stay healthy and continue to work. Länsförsäkringar has the most comprehensive products with services that promote health and prevent illness, such as the right care at the right time and effective rehabilitation for those on or at risk of going on sick leave. The health care insurance policies comprise three alternatives: Health care insurance as a full-service concept, Health care insurance Basic and Preventive and rehab insurance.

In 2020, Länsförsäkringar introduced additional options for customers to receive remote treatment via digital health services. One example is offering a wider range of doctor’s appointments

using video consultations. Another is the development of digital care services that allows customers to quickly and easily talk to nurses and doctors using a chat function. Our hope is that we can help more customers digitally and thereby avoid unnecessary travel or expensive doctor's visits that can instead be quickly and easily conducted virtually.



Digital care services

A service was launched during the year that allows customers to report their health claim digitally and they are put in digital contact with a doctor, should such care be needed. The service creates the preconditions for providing enhanced opportunities for convenient digital health care. It also increases customer value for people who live far away from health care services, for example, which in turn reduces impact on the environment.

Bo kvar-insurance

This policy provides financial protection in the event of unemployment, illness or death and is an important component in providing financial security to mortgage customers. As part of preventive measures, customers with Bo Kvar insurance are also offered access to the Health Portal that contains a wide range of online programmes to promote good health.

Digital care services, digital health care invoices and customer communication

A new service was launched during the year whereby Länsförsäkringar gives customers the option of reporting their health claim digitally, and are put in contact with a doctor, if this level of care is needed. The service creates the preconditions for providing enhanced opportunities for convenient digital health care. It also increases customer value for people who live far away from health care services, for example, which in turn reduces impact on the environment.

Digital invoicing for care providers was developed in 2020 and usage will increase gradually. About 25% of 150,000 invoices per year are now sent digitally. The amount of paper-based communication has also reduced by using the Kivra digital mailbox to send more than 64,000 documents.

Agria

Agria is the Länsförsäkringar Alliance's specialist company for pet and crop insurance and Länsförsäkringar's subsidiary brand. Agria has a dedicated focus on and involvement with animals and their owners. The company's roots stretch back more than 130 years. Agria conducts operations in Sweden and has branches in Norway, Denmark, Finland, the UK and France.

The Swedish operations are divided into two business areas: Pet business area, which offers insurance for dogs, cats and "small animals" – pets such as rodents, reptiles and cagebirds; and the Horse and Agriculture business area, which offers insurance for horses and horse owners. The business area also provides Sweden's agricultural customers, their animals and their crops with flexible insurance solutions.

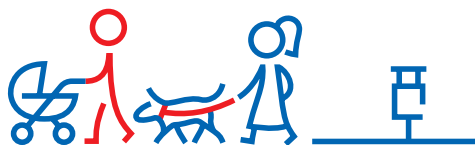
Agria Dog and Cat Breed Profiles

Agria Breed Profiles are a globally unique material of analyses of dog and cat diseases and injuries using diagnoses from more than 300,000 dogs and 125,000 pedigree cats. Agria Breed Profiles contain breed-specific injury and disease statistics that could, for example, help promote continued sustainable breeding and



Charity dog walk and cat parade

Through its social commitment, Agria contributes to a healthier society with animals. One activity that is very popular is the Agria Dog Walk, a health-promotion activity for animals and people. The dog walk was held virtually in Sweden and Norway in 2020 using the hash tag #agriahundpromenad. A total of 12,500 teams participated and a total of SEK 165,000 was raised for dog charities. The Agria Cat Parade – a virtual charity event for cats – was held for the first time this year. A total of 12,000 cats participated in the parade and raised SEK 167,000 to selected cat shelters.



healthy animals. Partnerships with pedigree clubs, research projects, articles on the website, press releases and seminars for breeders help spread this important information across society.

For Agria, animal health and animal care is the foundation of everything. Engagement in and responsibility for a sustainable society featuring animals are key to continuing to grow with satisfied customers and employees. To safeguard the veterinary aspect, Agria has employed its own veterinarians.

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

Special campaigns targeted at children and young people increase awareness of different animals and the value of having a pet. Agria's Research Fund supports Agria's research on animal health and well-being and the importance of animals to people and society. Read more under "Examples of research and engagement in 2020". Through its social commitment, Agria contributes to a healthier society with animals.

Digital marketing and services

Customers are given advice and information via various digital channels such as the Agria app and Pälspodden, a podcast that provides advice and tips for animal owners, as well as via social media such as Instagram and Facebook. The majority of customers prefer using digital channels. The agria.se website had a total of 9 million visitors in 2020. 67% of visitors in digital channels visit Agria using mobile devices.

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

The Agria Vårdguide app also offers digital veterinary consultations for all pets, horses and farm animals insured with Agria. This means that animal owners make use of veterinary services via video call and can consult a vet free of charge in the event of illness or accident.

Reinsurance and Special Insurance

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

Länsförsäkringar Sak is a member of the International Network of Insurance (INI)⁵⁾, an independent insurance network in 120 countries whose purpose is to help each other issue insurance for risk outside Sweden, which is administered by the international operations of the Reinsurance and Special Insurance Business Area. The number of customised and local insurance solutions for the Länsförsäkringar Alliance's Swedish corporate customers with international interests increased during the year.

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

The business area conducts a small portfolio in motor third-party liability and motor insurance as a supplement to the regional insurance companies' motor business. It includes the local brand insurance for Toyota and Lexus. A solution was prepared together with the customer, which fully leverages the

⁵⁾ ininetwork.com/en-us

Länsförsäkringar Alliance's strength in terms of its close relations with policyholders and dealers.

Risk-management system at Länsförsäkringar Sak

The Länsförsäkringar AB Group has established a shared risk-management system, which forms part of the internal-control system. The risk-management system is defined as strategies, processes, procedures, internal rules, limits, controls and reporting procedures needed to ensure that the company is able to continuously identify, measure, monitor, govern, manage, report and have control over the risks to which the companies are, or could become, exposed to.

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

The risk-management system and a more detailed description of the risks to which the company is exposed and how these risks are managed are presented in note 2 Risks and risk management of Länsförsäkringar Sak's 2020 Annual Report⁶⁾.

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

⁶⁾ mb.cision.com/Main/152/3321546/1398610.pdf

regulations and general guidelines on insurance operations (FFFS 2015:8).

Claims adjustment

In individual claims, the commitments in the insurance contract and the insurance terms and conditions agreed upon will be the starting point for correct claims adjustment, while the objective in managing the matter should always be meeting the customer's needs. The customer often needs help and guidance in the situation that has arisen. Treating the customer with respect and care comprises a natural part of the claims process, which is why claims adjustment must take place promptly based on the situation of the insured party. The ambition is to have active claims adjustment close to the customer, to ensure sustainable damage repairs and to strive to be more economical with resources. In the respective business areas there are organisations for managing customer

complaints, which are responsible for processing and following up complaints in accordance with the complaint guidelines the company has adopted.

Investments

The investment portfolios for Sak, Agria and Gruppliv are managed by Länsförsäkringar Liv's Asset Management department in Länsförsäkringar AB, which is responsible for the investment of insurance premiums.

Länsförsäkringar AB's work on responsible investments is based on the policy on responsible investments and corporate governance. The policy states that this work is to be based on the UN Principles for Responsible Investment (PRI). These principles focus on incorporating sustainability into investment analyses and active ownership. The aim is to manage risks and identify investment opportunities, thereby contributing to sustainable



value creation. Responsible investments also involve specifically contributing to selected UN SDGs, of which Goals 3, 7, 11, 13 and 15 are prioritised. Through Länsförsäkringar AB investments and corporate governance, we help bring about a more sustainable development of society, while our actions also aim to reduce the indirect impact that the investments have on people, society and the environment. Länsförsäkringar AB structures activities in responsible investments within five focus areas:

Investments in responsible companies and countries

The UN Global Compact's ten principles on responsible business conduct and related international conventions in human rights, labour, environment and anti-corruption, together with the sustainability criteria and standpoints for specific sectors and classes of assets form the foundation of the focus area investments in responsible companies and countries. Länsförsäkringar can reduce risks and negative impact as well as contributing to preventing negative consequences for the UN SDGs by encouraging companies and countries to follow the intentions of these principles, sustainability criteria and standpoints.

Länsförsäkringar AB regularly analyses funds and institutional portfolios to identify companies in risk of contravening the UN Global Compact principles. Potential and current investments, including external funds, are also analysed against Länsförsäkringar AB's applicable sustainability-related exclusion criteria. The exclusion criteria are applied to direct investments and to Länsförsäkringar AB's own funds.

Investments that are already excluded are those in companies exposed to thermal coal and unconventional oil (oil sand), manufacturers of tobacco products, controversial weapons and companies that contravene international conventions and where dialogue does not have the desired results. Selected energy companies that can demonstrate that they are transitioning from fossil to renewable energy or have set emissions targets aligned with the Paris Agreement can be kept in the investment universe.

The exclusion criteria were expanded in 2020 to include fossil fuels, commercial gambling and government bonds. For fossil fuels, the criterion for extracting unconventional oil was expanded to

include all unconventional methods for oil and gas extraction. In addition, criteria for prospecting and extracting conventional oil and gas were introduced. For commercial gambling, criteria were introduced for commercial online gambling and commercial land-based gambling. Finally, criteria were introduced for countries (applied to government bonds) that overall are not considered to meet fundamental criteria on human rights, democracy and anti-corruption, and based on the European Union's list of non-cooperative states/jurisdictions for tax purposes. Refer to Länsförsäkringar AB's website for up-to-date exclusion criteria, scope and list of excluded companies and countries.

Promoting sustainable investments

Länsförsäkringar AB wants to contribute to a more sustainable transition of society and, for example, invests in sustainability-focused bonds (mainly green bonds) that finance climate and environmental projects such as renewable energy, water purification, environmentally certified properties, climate-smart industrial technology and forest investments. Länsförsäkringar Sak is one of the industry leaders in terms of percentage of capital invested in this type of bond: at year-end 2020 about 13% of the total capital in the Non-life Group had been invested in various types of sustainability-focused bonds. This is an increase from about 9% at year-end 2019. Dedicated investments were made in social bonds in connection with the outbreak of Covid-19 at the start of the year to mitigate the health and economic consequences of the virus. A presentation of the investments in sustainability-focused bonds, their contributions to the SDGs and the issuer of the bonds is available on the website.

Minimising climate risks in investments

Länsförsäkringar AB has adopted a climate-smart vision. In practice, this involves selecting the most climate-effective companies in each sector and increasing climate-positive investments, avoiding the largest emitters of GHG emissions in the most relevant sectors, supporting companies that have started to transition their operations and engaging in dialogue with companies to discuss climate challenges. The visions, within the framework of asset

management targets, is by 2030 to adapt Länsförsäkringar's own funds and portfolios to an emissions level aligned with the climate target of the Paris Agreement to limit global warming to 1.5°C.

Exclusion criteria related to companies active in fossil fuels have been gradually tightened and new criteria were introduced to reduce climate risks in funds and portfolios. Companies working in extraction and energy production of thermal coal, extraction of unconventional oil and gas and prospecting and extraction of conventional oil and gas are subject to Länsförsäkringar AB's exclusion criteria.

Climate scenario analyses are carried out in accordance with TCFD recommendations to enhance understanding of the forecast emissions and various climate risks of the portfolios. Forward-looking analyses of the carbon footprint are being carried out for parts of the portfolios up until 2030 and compared with the emission reductions at the portfolio and sector level required to meet the emissions scenario in line with the Paris Agreement goals.

The carbon footprint of the Sak portfolios is measured and reported on the website.

Active corporate governance and engagement

The company pursues active corporate governance and engagement itself and jointly with other investors on sustainability topics to encourage companies to act responsibly. Corporate governance includes company dialogues on sustainability topics, active participation in nomination committees and voting at general meetings.

Engagement takes place reactively after an incident has occurred and proactively for preventive purposes. A reactive dialogue takes place when a company contravenes, or is suspected of contravening, the Global Compact's principles and international conventions. The aim is to stop the company from committing

breaches and take measures to prevent similar incidents from being repeated. If this engagement does not achieve the desired results over time, the holdings in the company may be divested.

Through various investor initiatives, individual companies and selected sectors are engaged in proactive dialogue to ensure that they are managing and are transparent regarding their material sustainability risks. Dialogue and initiative participation are selected based on Länsförsäkringar AB's prioritised SDGs and our investment universe. Länsförsäkringar AB took part in several investor initiatives during the year, for example, Climate Action 100+, which engages with the largest GHG emitters in the world, the Investor Mining & Tailings Safety Initiative, which seeks to engage the global mining sector, and FAIRR (Farm Animal Investment Risk & Return), which focuses on climate and water risks, among others, in the food sector.

Partnership with sustainability-focused external managers

Parts of the equity and fixed-income holdings and unlisted holdings are managed by Länsförsäkringar Liv Asset Management. Other investments are managed by external managers through funds and discretionary mandates. Sustainability requirements are included in both the procurement of new managers and their work is regularly assessed based on various criteria. The aim is to select managers that both generate high returns and integrate sustainability into their asset management and corporate governance. Managers are evaluated every year to ensure that they continuously improve their work. Engagement efforts are made with individual managers in the event of shortcomings or if improvements are necessary. A decision to discontinue the relationship with the manager, and/or divest from the specific fund may be made if the case is serious or changes have not been made within a reasonable amount of time.





PRINCIPLE

2

**We will work together
with customers and business
partners to raise awareness of
sustainability, manage risk
and develop solutions.**

Engagement and collaboration

UN pilot project on climate risks

Together with about 20 other insurance companies around the world, Länsförsäkringar Sak has participated in a UN project on climate risks in the insurance industry following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since the spring of 2018. The project has developed analytical tools and scenarios to better understand the impacts of climate change on the business. By participating in the project, Länsförsäkringar Sak has contributed to finding new methods and approaches for modelling the impact of climate change on the insurance industry. Furthermore, together with other leading insurance companies we have exchanged experiences and gained a better understanding of climate risks in a global perspective. During the year, the project tested models, attended seminars regarding scenario analyses. The project entered the final stage at year-end and in 2021 work will continue internally at Länsförsäkringar with a focus on even better understanding and calculating climate risk.

TCFD climate report

Länsförsäkringar AB supports the Task Force on Climate-related Financial Disclosures (TCFD) and actively applies its recommendations throughout the business. Länsförsäkringar AB has published a 2020 climate report⁷⁾ following TCFD's guidelines. The report looked at climate-related risks and opportunities, including how Länsförsäkringar manages climate risks in investments, in lending and in its insurance offering.

Agria

Ethics in animal care is an important issue. Agria takes responsibility for engaging with veterinarians around ethical positions in the treatment of sick and injured animals. Agria develops insurance products that create security for animals and animal

owners, tailored to customers' various needs, in close collaboration with animal-owner organisations⁸⁾ in the world of dogs, cats, small animals and horses. This collaboration means that Agria's insurance products are the best possible as a result of many animal organisations taking part in Agria's product forums, which provide input for improvements and ideas for new products. One shared task is improving animal ownership, animal husbandry, and animal care. In many ways, Agria gives its collaborating partners the opportunity to profile and improve their operations.

Through its social commitment, Agria contributes to a healthier society with animals. One activity that is very popular is the Agria Dog Walk, a health-promotion activity for animals and people. The dog walk was held virtually in Sweden and Norway in 2020 using the hash tag #agriahundpromenad. A total of 12,500 teams took part, with Agria donating SEK 50 per team. A total of SEK 165,000 was raised for dog charities.

The Agria Cat Parade – a virtual charity event for cats – was held for the first time this year. A total of 12,000 cats participated in the parade and raised SEK 167,000 to selected cat shelters.

Health – Independent medical examination

Independent medical examinations are used to ensure that mediated health care is based on medical grounds and provides the best long-term results for customers. The aim is for health care providers to follow national guidelines and evidence for the relevant forms of treatment, for example, physiotherapy in the first instance instead of an operation, which in many cases results in better results from treatment, lower risk of unnecessary operations and lower risk of unnecessary use of health care.

Reinsurance and Special Insurance

In 2020, the business area continued its work on a Claims Prevention Plan for product areas – the right action for the right

⁷⁾lansforsakringar.se/klimatrapport2020

⁸⁾agria.se/om-agria/agrias-samarbetspartners

customer, and customisation of the offering. Focus on coming closer to customers, highlighting claims prevention, reducing the number of claims and costs for both customers and insurers, and increasing the understanding of our risks. Activities are underway in cargo and liability insurance to analyse claims statistics in order to develop claims prevention in the long term.

Code of Conduct for Suppliers

The choice of suppliers is based not only on quality and competitiveness in the products and services, but also on suppliers' compliance with social, ethical and environmental principles. Länsförsäkringar AB's Code of Conduct for Suppliers is an integral part of its purchasing policy, which defines the basic requirements for human rights, labour, environment and anti-corruption. This

applies to potential and existing suppliers and their sub-suppliers, and is published on Länsförsäkringar's external website in a Swedish and an English version.

In 2020, Länsförsäkringar Sak started to screen its suppliers that have signed the Code of Conduct to follow up on and ensure the suppliers' sustainability activities. This work will continue in 2021 and beyond at regular intervals.

One part of the reinsurance operations is regularly engaged with the reinsurance companies that it collaborates with to encourage them to sign Länsförsäkringar AB's Code of Conduct for Suppliers, or support the principles of the UN Global Compact. The 2020 benchmarking confirmed an increase of 1%, meaning that 81% of the reinsurance companies met at least one of these criteria.



A child wearing a high-visibility yellow vest with a blue and red logo on the back, walking away from the camera through a field of tall green plants. Another child in a similar vest is visible in the background. The scene is outdoors with a clear sky.

PRINCIPLE

3

**We will work together
with other stakeholders
to promote action on
sustainability.**

Governments, regulators and other decision makers

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

Länsförsäkringar is engaged in continuous dialogue with representatives from authorities, civil society organisations, health care providers, politicians, scientists and practitioners from the health care sector and other central welfare organisations. The purpose of such network dialogues is to enhance knowledge and awareness of the importance of early health and medical

action and the insurance industry's role in society. The vision is an effective and sustainable health and medical system in which the insurance industry has a natural role.

Länsförsäkringar actively participates in the public debate on the theme of sustainable health and a healthy working life, and provides supplementary security solutions to promote good health and reduce sick leave. Covid-19 impacted the operations in numerous different ways in 2020. Under the framework of the health care offering, Länsförsäkringar has been in close contact with its partners and clearly supported private caregivers with converting their resources from elective specialist care to instead providing assistance with intensive care for patients with Covid-19. The annual Almedalsveckan political week in Visby on

Overall collaboration and memberships

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 and submits annual reports to the Global Compact on the implementation of these principles.

PRI - Principles for Responsible Investment

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

Insurance Sweden

An industry organisation working to promote good business conditions for the insurance industry and to increase confidence in the industry and knowledge of the importance of private insurance in society. Länsförsäkringar sits on the Board and in several committees.

Swedish Insurance Society

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

SNS - The Centre for Business and Policy Studies

An independent think tank that brings together the worlds of academia, business and government for knowledge-sharing and dialogue on key societal issues. Länsförsäkringar is a member.

ICMIF - International Cooperative and Mutual Insurance Federation

A representative body to support the development of mutuality and the construction of mutual and cooperative insurance companies around the world. More than 200 members in 72 countries exchange information and experiences. Länsförsäkringar is an active member of the Board and several committees.

Gotland was cancelled this year due to Covid-19. Instead, Länsförsäkringar participated in several virtual webinars and round table talks on such themes as mental illness, a healthy workplace, occupational health and safety, working from home and early and positive health activities.

To increase know-how and raise awareness of what drives health and how to promote mental health among young people and adults as well as a healthy working life, Länsförsäkringar participated in external podcasts and live broadcasts during the year. The topics included "Business owners who burn out and their path back," "A healthy working life – for whom and whose responsibility?" "The brain, the body and us in a pandemic" and "The health of children and young people during Covid."

Our health care insurance, which is an important security solution, particularly for Länsförsäkringar's small business owners, was analysed by Swedish Agency for Health and Care Services Analysis during the year. The task of the inquiry that was commissioned was "The impact of the limitations of private health care insurance on publicly financed health and medical care, nr. 2020:83". In order to increase the knowledge of politicians and decision-makers about the role of the insurance industry in health care and health care insurance in particular, Länsförsäkringar held a number of meetings with members of parliament and regional politicians from the Centre Party, Liberal Party, Christian Democrats, Moderate Party, Sweden Democrats, Social Democratic Party and Green Party as well as various organisations.

AMICE – Association of Mutual Insurers and Insurance Cooperatives in Europe

An organisation for mutual and cooperative insurance companies in Europe. The purpose is to take members' interests into consideration and to ensure equal conditions for all insurance companies in Europe regardless of their legal form. The organisation represents the particular interests of mutuality, above all in issues of European legislation, and works for the exchange of information and experiences among its members. Länsförsäkringar sits on the Board and in several working groups.

Eurapco – European Alliance Partners Company

An alliance of eight European insurance companies working in 18 countries. The members exchange information and experience. Länsförsäkringar sits on the Board and in several working groups and committees.

INI – International Network of Insurance

A network of more than 120 market-leading insurance companies all over the world who work together to solve insurance needs for corporate customers operating in other countries.

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.

NMC – The Swedish Association for Sustainable Business

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

EU action plan on financing sustainable growth

The EU action plan on financing sustainable growth impacts both financial and non-financial actors and aims to promote investments in sustainable projects and assets to support the transition to a green economy in line with the Paris Agreement. In 2020, Länsförsäkringar analysed requirements and prepared for future regulations under this plan, such as the Disclosure Regulation that will come into effect in March 2021. This Regulation entails, for example, that external information is to be provided on how sustainability risks are considered in investment decisions and throughout the investment process. The forthcoming taxonomy regulation will also affect which company activities can be classified as sustainable.

Examples of research and engagement in 2020

Länsförsäkringar contributes to financing research, which constitutes a part of its social commitment. The idea of creating security for customers and society today and tomorrow is a driving force.

Health-promotion efforts for people

One of the targets of the UN SDG is 3.4 Reduce premature mortality from non-communicable diseases and promote mental health and well-being. Mental illness and lifestyle-related illnesses are some of the greatest challenges to society in Sweden and globally. We know that preventive health measures are extremely important for achieving this goal. Länsförsäkringar focuses on increasing know-how and awareness of these issues and on offering security solutions that promote mental health and reduce the risk of lifestyle-related illnesses, such as diabetes, high blood pressure and cardiovascular disease.

In 2020, Länsförsäkringar continued its partnership with the non-profit association Mind to promote mental health. The association focuses on young people, young adults and older people. Länsförsäkringar produced two research reports during the year together with Mind and researchers at Malmö and Karlstad universities: an international study of initiatives and efforts to promote mental health among young people and a national research

pilot project including voices from focus groups that was carried out in various parts of Sweden in collaboration with the regional insurance companies. At the end of the spring, Länsförsäkringar and a number of regional insurance companies arranged a webinar on mental health among young people in Elmiadalen, a virtual version of Almedalen. The benefit of promoting mental health among young people is enormous. It increases opportunities for young people to be productive at school and improve their quality of life in general.

During the year, Länsförsäkringar and a regional insurance company also entered into a collaboration with Luleå University of Technology to contribute to research into active school transport services. In the research field of “challenge-driven innovation,” researchers at Luleå University of Technology want to develop and test a digital solution that can also increase the share of active school transport services among Swedish children from 52% today to 80%. The second phase, in which Länsförsäkringar is

Free counselling for all corporate customers

All corporate customers in the entire Länsförsäkringar Alliance were offered free access to counselling with psychology, finance and legal professionals between April and September. This was to provide support for businesses in managing the difficult issues and challenges related to Covid-19.



an important project partner, will start now. Researchers want to find digital solutions based on gamification. Länsförsäkringar has the opportunity to contribute to the health of young people, safety and the environment by participating in the research project.

In addition to these events, Länsförsäkringar prepared the 2020 Health Barometer and published a number of press releases on businesses' and private people's view of health in the workplace and confidence in public health care. Länsförsäkringar was also quoted in several industry publications during the year, such as ETC, Chef/Karriär and the Confederation of Swedish Enterprise's Socialförsäkring i förändring.

Länsförsäkringar has produced a short film to support parents talking to children and young people who are worried about Covid-19. The film has been published on Länsförsäkringar's Health Portal and is available for customers.

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and legal professionals between April and September. This was to provide support for businesses in managing the difficult issues and challenges related to Covid-19.

Agria

Agria's research fund was founded in 1938, meaning that the fund has financed animal research for more than 80 years. During the past year, the research fund was developed to encompass three areas: small animals, horses and farm animals. Agria's research fund supports research into the types of animals that Agria insures. This takes place in collaboration with the Swedish Kennel Club, through the Agria and SKK Research Fund, the Swedish-Norwegian Foundation for Equine Research and the Swedish Farmers' Foundation for Agricultural Research. Agria earmarked SEK 10 M for veterinary research in 2020. Research applications are processed by independent, qualified appraisers. Research grants are targeted at animal health and the importance of animals to people and

Så pratar du med barn i en orolig tid - Länsförsäkringar



Film supporting parents during Covid-19

Länsförsäkringar produced a short film during the year to support parents talking to children and young people who are worried about Covid-19. The film has been published on Länsförsäkringar's Health Portal and is available for customers.

society. Agria arranged free virtual research seminars, lectures and clinics during the year to make the results available to a broader audience.

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

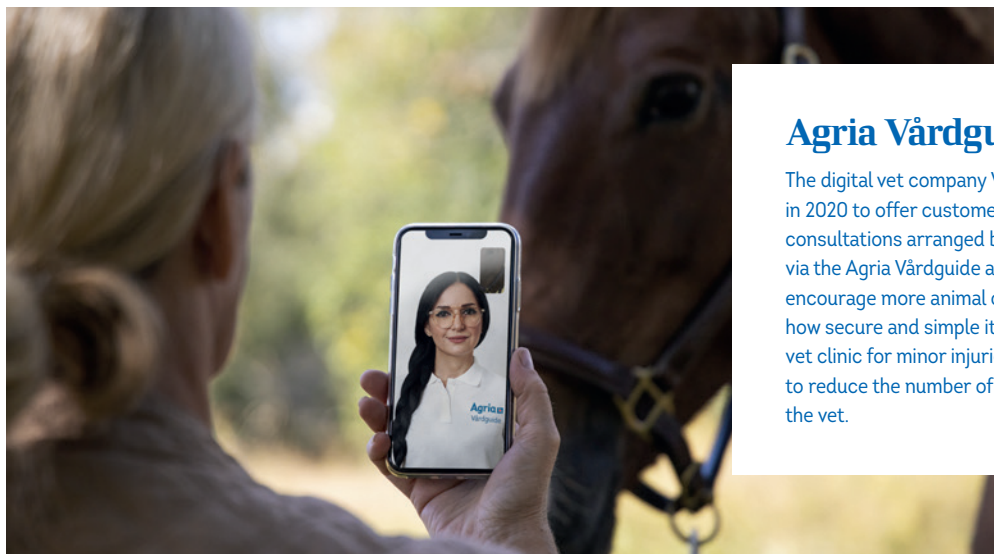
Health-promotion efforts for animals

The majority of horse injuries are due to lameness. The research supported by Agria increases expertise in preventing lameness, which is spread through the #stoppahältan project. Under the framework of #stoppahältan, Agria publishes expertise about how riders affect their horse and what is needed to reduce the incidence of lameness. The project was initiated in Agria's Norwegian branch during the year under the hash tag #stopphalthet and has made donations to riding schools to establish Agria's outdoor riding grounds.

The digital vet company VetHem was acquired in 2020 to offer customers free veterinary consultations arranged by Länsförsäkringar via the Agria Vårdguide app. The aim is to encourage more animal owners to discover how secure and simple it is to use a digital vet clinic for minor injuries and illnesses and to reduce the number of physical visits to the vet.

Pälspodden podcast

Agria has a podcast, Pälspodden, to increase communication of research results. The episodes feature selected researchers who discuss their projects with a well-known personality in the field in question. Four episodes of the podcast were produced in 2020 with more than 8,337 downloads. The podcast has been downloaded 152,000 times since it started.



Agria Vårdguide

The digital vet company VetHem was acquired in 2020 to offer customers free veterinary consultations arranged by Länsförsäkringar via the Agria Vårdguide app. The aim is to encourage more animal owners to discover how secure and simple it is to use a digital vet clinic for minor injuries and illnesses and to reduce the number of physical visits to the vet.

PRINCIPLE

4

We will be transparent
and report on the integration
of the principles.

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



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

