

2019 Sustainability report

SWEDBANK FÖRSÄKRING AB

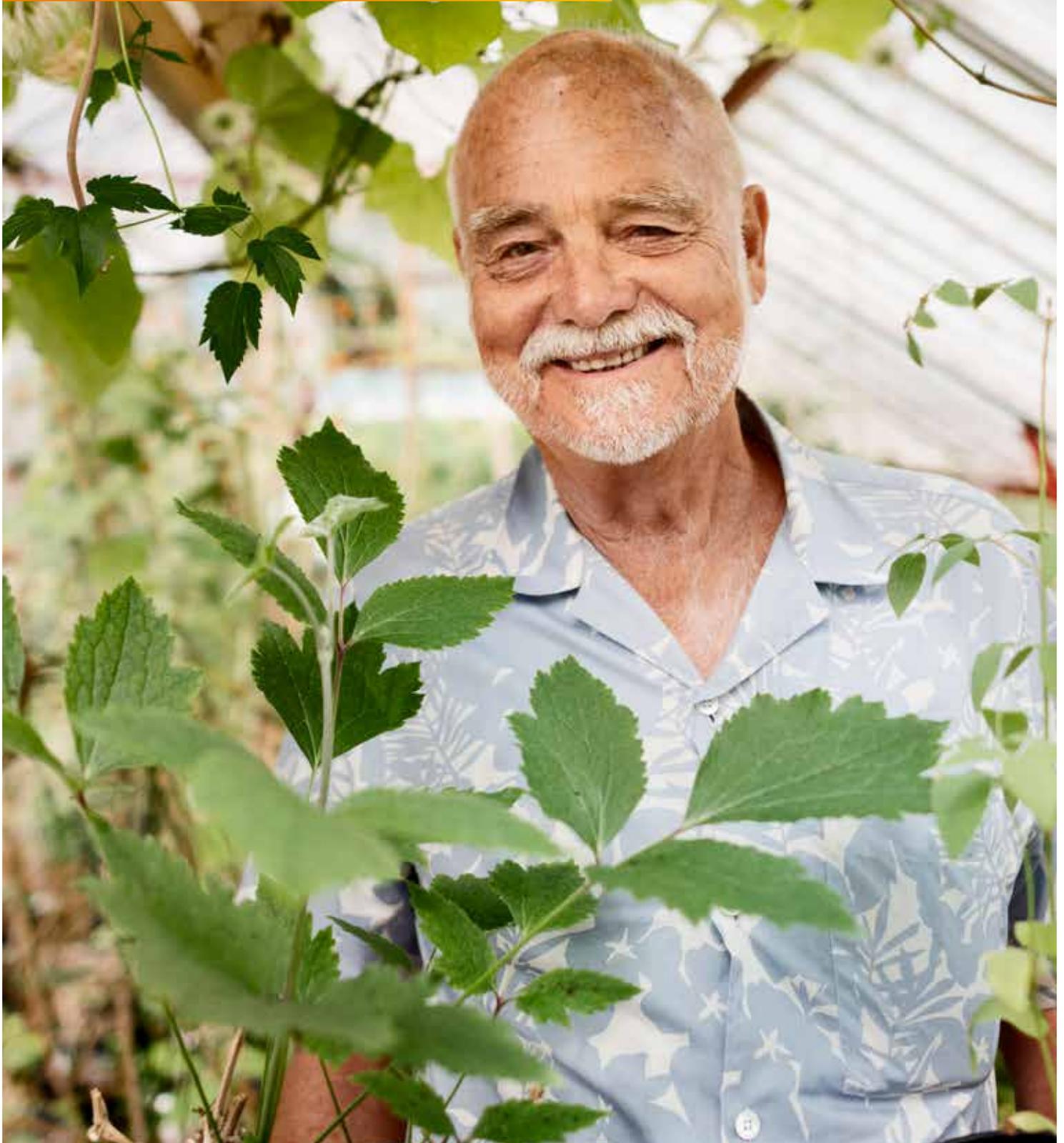


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1. Responsible investment

Swedbank Försäkring is a subsidiary to Swedbank. Our sustainability work within investments is based on the Swedbank vision to enable people, businesses and communities to grow. We want to do this in a sustainable way, using the Bank's policy and guidelines for sustainability work as the foundation for our definition of sustainable investments, and building from there on.

Sustainable management

We believe that sustainability factors contribute to long term investment returns and therefore we have a responsibility to act on these issues in the best interest of the policyholders. Sustainability is integrated in the investment offer in three main areas: Transparent reporting on investment processes; Disclosure, and Engagement on sustainability. This ensures our contribution to economic, environmental and socially sustainable development.

The responsibility for sustainable development is linked to investment opportunities in traditional pension, fund investments and direct investments.

Policy

To support competitive long-term return, we have formulated a policy¹ on responsible investments in insurance for all our investment opportunities, regardless if for Traditional pension, Fund or Direct investment. This requires developed working methods. In traditional pension we require sustainability considerations to be acted on in management of the assets. For other investment opportunities we engage with managers and transparently report on these matters.

Transparency

Increased awareness

We strive to provide sustainability information about the funds' investments so that our clients can make informed decisions. Taking responsibility through transparent reporting of Fund's actions in sustainability and corporate governance issues improves clients' opportunities for rational and smarter investment choices. To ensure client investments are aligned with a global sustainable development, we strongly support fund companies' signing the UN Principles of Responsible Investment (PRI).



¹ SFAB policy - <https://www.swedbank.com/sustainability/subsidiaries/swedbank-forsakring.html>

Swedbank Robur policy - <https://www.swedbank.com/sustainability/subsidiaries/swedbank-robur.html>

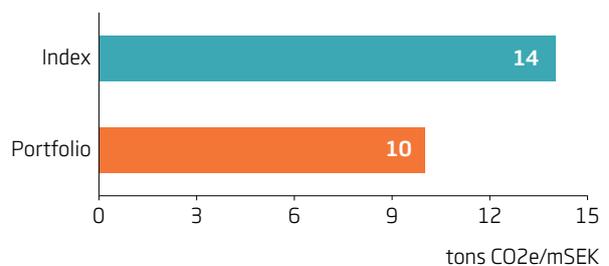
Climate impact

When talking about sustainability, climate is an inevitable part of it. It's today's most important environmental issue, and often the carbon footprint is referenced as a way of computing a company's or a portfolio's impact on climate. There is currently no single international standard regarding methodology of calculating a portfolio's carbon footprint, however the TCFD² recommendations are quickly gaining ground. The most wide-spread way of calculating the carbon footprint is taking into account emissions from a company's own activities, and emissions from the electricity and heat used by the company³. The size of a company's carbon footprint shows how much carbon dioxide they release in relation to their revenue, that is, how carbon-efficient companies are.

For the fourth consecutive year Swedbank Försäkring is publishing carbon footprint calculations for equity investments in Traditional pension, Fund investments, Direct investments and for company level in Total. This has been conducted according to guidelines from Insurance Sweden, which have recently been updated in line with the international framework recommendations from TCFD.

For 2019 the carbon emissions of Swedbank Försäkring are 10 tons per million SEK in revenue, a competitive number compared to the benchmark's 14 tons per million SEK. As a relative⁴ result, the company's carbon emissions are 29 percent lower compared to the benchmark. For 2018 it was 25 percent. Though the calculation methodology is different for previous years, the emissions on company level has still decreased. The best contribution comes from Traditional pension, which has the lowest carbon emissions. The Fund investments are about the same level as company's overall result and Direct investments have the worst impact on company total result with higher emission levels. More information can be found in following paragraphs and in the year in figures table at the end of the report.

Swedbank Försäkring carbon footprint 2019



² TCFD -Task-force on Climate-related Financial Disclosure, for more information visit <https://www.fsb-tcfd.org/>

³ Taking into account emissions from the company's own activities and emissions from the electricity and heat used by the company is called Scope (1+2). The amount of carbon dioxide (CO2) emissions is measured in tons per million SEK (tons CO2e/mSEK).

⁴ Relative results are presented on page 9, in "The year in figures" table.

2. Traditional pension

As an institutional owner we are working to influence and endorse the companies we hold ownership in to become more sustainable. This work is done through an appointed asset manager. In that way we meet the main objective for pension assets, investing them in such a way that is in the best long-term interest of the policyholder.

Therefore, the appointed asset manager should also act as a responsible manager by integrating sustainability issues into their investment processes. They should also through their ownership process engage with companies which have major gaps in sustainability and/or corporate governance.

Integrating sustainability

The asset manager integrates sustainability considerations into their different investment processes. Their approach is set out in their Responsible Investment Policy. The sustainability analysis is carried out by the asset manager's own sustainability specialists. For 2019, awareness-raising initiatives in the financial industry continued to play a major role as did providing portfolio managers with access to information on investee companies' sustainability work.

The sustainability analysis is based on the asset manager's own analysis model and includes direct company contacts, information gathering, as well as historical company analysis conducted by the manager, and data from external providers (currently: MSCI ESG Research, Sustainalytics, ISS Ethix and Trucost.)

The sustainability analysis is based on principles based on recognized international standards⁵. This means that through the analysis corporate responsibility for the following areas are highlighted:

- Human rights
- Labour
- Environment
- Anti-corruption

The asset manager is a signatory of the PRI since 2009. PRI is the leading international initiative in responsible investment and has defined six principles for financial agents to work from and require signatories to annually report on their sustainability work for transparency.

Exclusion

In certain cases, the appointed manager refrains from investing in a company or issuer. They choose to exclude companies or issuers that violate international standards and conventions on sustainability or produce controversial products. This means that all companies involved in the production, modernisation, maintenance or distribution of products that are specially developed for cluster bombs, anti-personnel mines, chemical or biological weapons, or nuclear weapons are excluded from investments. Also companies whose main business revenue comes from coal, tobacco, cannabis or pornographic material are excluded⁶.

In addition, sustainability funds do not invest in companies that have more than marginal activities in controversial products such as alcohol or gambling. Those funds also do not invest in companies that produce fossil fuels such as coal, oil and gas.

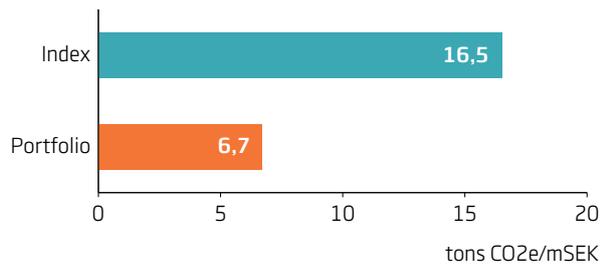
⁵ The principles reflect the UN UDHR – Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Human Rights at Work, Rio Declaration on Environment and Development, as well as UN Convention against Corruption. The principles also reflect the UN Global Compact and OECD Guidelines for Multinational Enterprises.

⁶ Exclusion threshold is when the companies generate revenue from these products accounting for more than 5 percent of their total revenue.

Climate impact

As an institutional owner, the insurance company also calculates the environmental impact on the equity investments in traditional pension portfolio, which represent 37.2% of assets. For traditional pension the size of carbon footprint as of 2019 is presented in the table below on the following graph.

Traditional pension carbon footprint 2019



In 2019 the size of the carbon footprint is smaller for the traditional pension portfolio (6.7 tons per million SEK in revenue) compared to relevant index (16.5 tons per million SEK in revenue). In relative numbers it is 59 percent lower than index. During 2019, the portfolio has improved slightly on the Swedish and Global equity side, whereas adding Emerging market equity as allocation to portfolio has somewhat changed emissions composition. Compared to the 2018 relative result, where the portfolio was 73 percent lower than index, the relative number has declined. This decline in difference between portfolio and index is mainly driven from index side, where the carbon emissions both for Swedish equity and Global equity have improved, very likely from a more widespread awareness of climate impact amongst companies and their efforts in reducing emissions.

Engagement

The asset manager engages as an active owner by exercising ownership rights primarily prior to and at general meetings, through ongoing dialogue with company boards and management and through working together with other owners to make a difference. The manager believes that sustainability and corporate governance risks may well affect future returns and thus their active ownership approach is fundamental to their strategy. During 2019 the manager participated in 429 general meetings, out of which 200 outside of Sweden, mainly in Europe, North America and Asia.

Active dialogues

During the year the appointed manager has contacted 645 companies to discuss sustainability issues such as climate, human rights, and corporate governance. Examples of companies with which the manager have met during the year and that are held in the traditional pension portfolios are; Electrolux, one of the world's largest manufacturer of household appliances, that for a long time has been working on reducing their products' climate impact; Nobina, the largest Nordic operator within public transportation, aiming to increase users of public transport and decrease fuel consumption, thus contributing to more climate friendly travels; Apple, the American computer and home electronics company whose ability to handle the lifecycle of components are crucial for their long-term competitiveness and sustainability; and Croda, a chemical company that among other things manufactures a substance making the soil uptake of water more efficient, thus reducing the water needed in agriculture.

3. Fund investment

Funds are our largest investment category, representing 83 percent of total assets. An improved fund offer for our clients is a success factor for continued sustainable growth. We believe that at the forefront of an asset manager's ability to achieve continued growth, of utmost importance is acting as a responsible manager. This should be done by integrating sustainability issues into the investment processes and in the ownership process engage with companies which have major gaps in sustainability and/or corporate governance. Therefore, we strongly encourage fund manager on the fund range to sign PRI.

Integration and transparency

Within funds on offer we have about 480 investable funds, represented by 63 asset managers. Today all asset managers are PRI signatories.

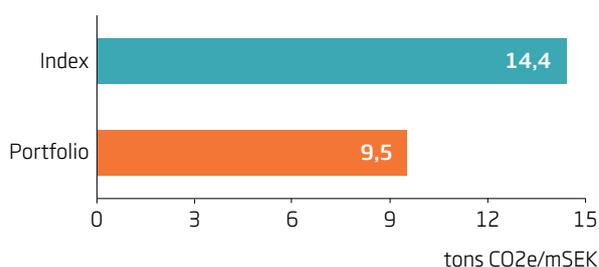
We do our best to provide sustainability information about investment for the client to make informed decisions and to be able to act on sustainability issues. To be transparent on our guided fund range, Fondguiden, we offer our clients information about the funds' historical return and sustainability. For clients interested in knowing how a fund takes sustainability issues into account in their investment, we provide Morningstar Globes sustainability profile. Since 2019 every fund manager is also required in their fund prospectuses to inform on how they have implemented sustainability in their fund and annually report on how well they delivered on that.

For Swedbank's sustainability funds, environmental, social and corporate governance issues are crucial in the selection of companies the funds invest in.

Climate impact

To be even more transparent about our investments we calculate the carbon impact on the equity investments in funds. For equity investment in funds and for the corresponding index the size of carbon footprint is presented in the graph below.

Fund investments carbon footprint 2019



For 2019 the carbon emissions for equity investments within funds are 9.5 tons per million SEK in revenue. This is 34 percent lower compared to index (14.4 tons CO2e/mSEK) and 7 percent lower compared with 2018 the relative number, which was 27 percent in the favor of portfolio. The contribution to the lower emission numbers and better results are derived both from the Swedish equity funds and Global equity funds and the improvement is noticed both in portfolio and in index. Again, this is very likely from a more widespread awareness of climate impact amongst companies and their collective efforts in reducing emissions.

Engagement

Holdings in funds found in Fondguiden are subject to the Swedbank policy for responsible investments. The fund providers' work on sustainability is evaluated before admittance to Fondguiden, and an annual dialogue about their sustainability work is conducted. All fund providers are engaged with to encourage them to disclose and report sustainability information and for the providers to sign PRI if they have not done so yet. For new providers we PRI signatory is a requirement. Currently all fund providers in our guided range are signatories to the PRI.

4. Direct investment

For direct investment we wish to operate in such a way that the client's best long-term interests and sustainability are considered. Therefore, in the custody account, we encourage investable securities and the possibility to consider sustainable investment to be presented in a clear and easily accessible way.

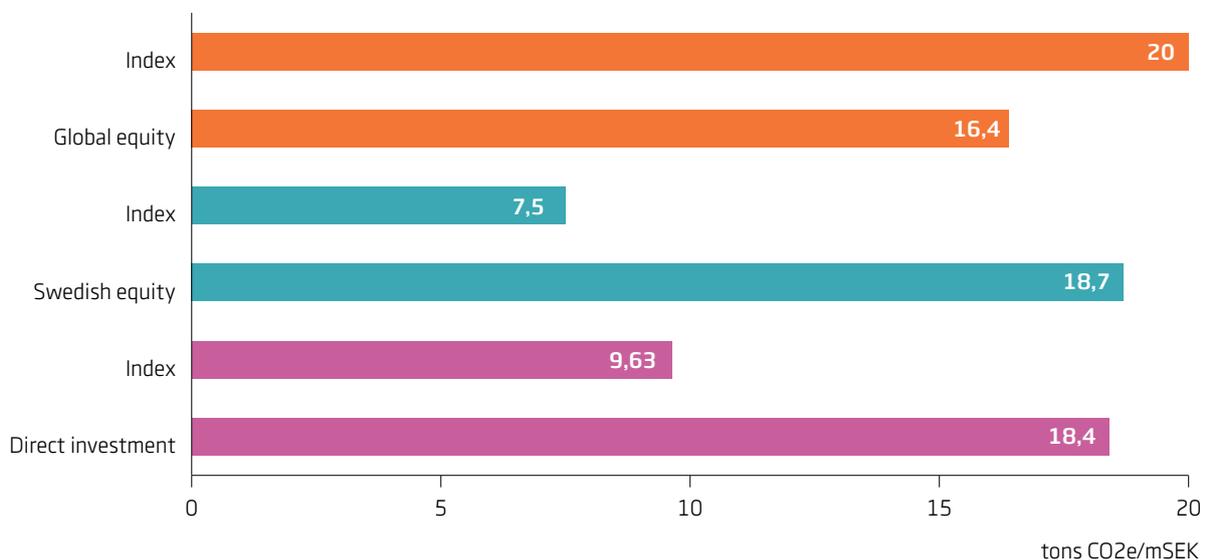
Transparency Climate impact

Direct investments are related to the discretionary investment decisions of our clients. In order to be transparent how our direct investments affect climate and environment, we report the equity assets' carbon footprint. As of 2019 we hold 1314 companies through direct investments. The calculation for the size of carbon footprint (scope (1+2)) and the relevant benchmark was conducted by Foxberry Ltd⁷ according to Insurance Sweden recommendations. In addition to the calcula-

tions on the total equity portfolio, calculations were separately conducted for Swedish equity portfolio and Global equity portfolio. The results for both, direct investment and corresponding index, is presented in tons per million SEK in revenue on below graph.

The graph presents that for the direct investments the size of carbon footprint is significantly larger (18.4 CO₂e/mSEK) than it is for corresponding benchmark (9.63 CO₂e/mSEK). The result is affected by the amount of capital placed into investment of the portfolio but also the size of holdings of a company's total shares outstanding. For example, if the five worst positions, representing 2.93 percent of capital invested, did not exist and thus were not included in the carbon dioxide calculations, the size of our carbon footprint would improve, decreasing the size of the footprint to 7.04 tons of emissions per million SEK in revenue (which is lower than index).

Carbon footprint indirect investment 2019



⁷ In calculations the proportion of portfolio weight with direct data on carbon dioxide available was: 70.1% for the total portfolio, 70.8% for Swedish portfolio and 66.8% for Global portfolio. According to recommendations from Insurance Sweden, the carbon dioxide coverage should be at least 75%. Therefore, by applying the category average emission for companies, which had no direct data on carbon dioxide available, the level of carbon dioxide coverage and portfolio weight analysed increased up to 85.9% for all three cases (total portfolio, Swedish portfolio and Global portfolio).

5. The year in figures

Investments	2019 (m/SEK)	2018 (m/SEK)		
Overall	219,809	173,997		
Traditional Pension	18,441	17,119		
Fund Investments	183,633	141,826		
Direct Investments	17,735	15,052		
Carbon Footprint Scope (1+2)	Investments (tons CO2e/mSEK)	Index (tons CO2e/mSEK)	2019 in relative numbers	2018 in relative numbers
Company's total	10.0	14.0	-26%	-25%
Traditional Pension	6.7	16.5	-59%	-73%
Swe equity	2.0	2.0	-3%	-31%
Global equity	2.0	10.3	-77%	-85%
Emerging market equity	2.4	4.2	-44%	
Fund Investments	9.5	14.4	-34%	-27%
Swe equity	7.6	9.4	-19%	3%
Global equity	11.9	19.4	-39%	-33%
Direct Investments	18.4	9.63	91%	104%
Swe equity	18.7	7.5	149%	125%
Global equity	16.4	20.0	-18%	73%
PRI signatories	2019		2018	
Assets	100%	of assets	99%	of assets
Asset managers	100%	of managers	97%	of managers