Carbon Footprint report Direct investments 2018

SWEDBANK FÖRSÄKRING AB

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1. Introduction

Swedbank Försäkring is a subsidiary to Swedbank. Swedbank Försäkring's sustainability investments work is based on the vision and values to enable people, businesses and communities to grow. We aim to do this in a sustainable way and therefore the definition on sustainable investment for the insurance company is acknowledge on the Bank's policy and guidelines for sustainability work.

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 basic ability to contribute to economic, environmental and socially sustainable development.

For direct investment we aim to operate in such a way that the client's best long-term interests and sustainability are taken into account. 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.

1.1 Climate impact

In order to be transparent how our investments affect climate and environment, we also report the equity assets' carbon footprint. Climate issues and the carbon dioxide emissions related to it are today's most important environmental issues. The size of companies' carbon footprint shows how much carbon dioxide (CO2) companies release in relation to their revenue, that is, how carbon-efficient companies are.

For Swedbank Försäkring it is the third time we are publishing the carbon footprint calculations for the equity investments on the company's direct investments. This has been conducted according to recommendations from Insurance Sweden and calculated by Foxberry Ltd .

2. Data and methodology

There are currently no international standards in place yet, regarding the methodology of calculating the carbon footprint. The most wide spread way of calculating it is taking into account emissions from the company's own activities (scope 1) and emissions from the electricity and heat used by the company (scope 2).

As of 2018 we hold 1227 companies within direct investments. In addition to the calculations on the total equity portfolio, calculations were separately conducted for Swedish equity portfolio representing 63% and Global equity portfolio representing 37% of investments.

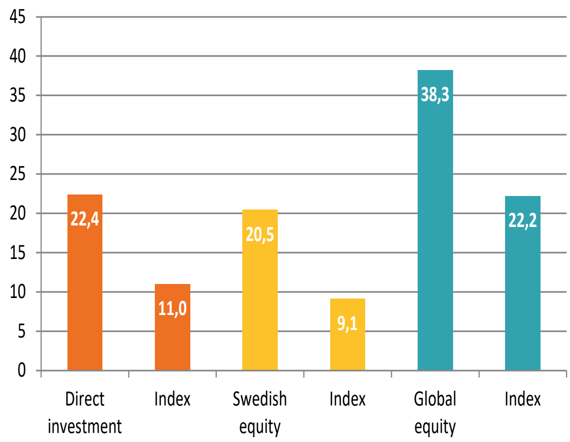
In calculations the proportion of portfolio weight with direct data on carbon dioxide available was: 58.7% for the total equity portfolio, 56.2% for Swedish equity portfolio and 73.3% for Global equity portfolio. Due to recommendations from Insurance Sweden the carbon dioxide coverage should be at least 75%. In order to meet these criteria, the category average emission was applied for companies which had no direct data available and as the result the level of carbon dioxide coverage increased up to 99.8% for all above portfolios.

[1] Svensk Försäkring – www.svenskforsakring.se
[2] www.foxberry.com

3. Size of carbon footprint

Direct investments are related to the investment decisions made by our clients and the size of the carbon footprint is a reflection of that.

The calculation of the carbon dioxide emission for both, direct investment and corresponding index are presented in tons per million SEK in revenue on the graph below.



The size of the carbon footprint is similar for total and Swedish equity level, staying between 20.5 – 22.4 tons of emissions per million SEK in revenue. But for global equity level it is higher, 38. tons of emissions per million SEK in revenue. The graph presents clearly that for the direct investments the size of carbon footprint is significantly larger than it is for corresponding benchmark, and that applies for all three equity portfolios – total, Swedish and global.

3.1 Best and worst companies in the list

Within the direct investment there are some companies which have larger impact due to the size of the investment, and thus increase or decrease the size of carbon footprint significantly more than other companies.

The best five companies, to decrease the size of carbon footprint:

1. ICA Gruppen AB
2. Skanska B shares
3. Hennes and Mauritz B shares
4. Volvo B shares
5. Telia Company

On the other hand the worst five companies, to increase the size of carbon footprint:

1. SAS
2. SSAB B shares
3. SSAB A shares
4. Gazprom Spon ADR (GB Line)
5. Billerudkorsnäs AB

Theoretically, if the five worst positions (representing 2.7% of capital invested) would not exist in calculation, the size of carbon footprint would improve and decrease the size of the footprint to 11.1 tons of emissions per million SEK in revenue. This means that the effect of a few companies within the direct investments is significant. The reason behind this is not just the size of the investment in the portfolio but also the size of holdings of a company's total shares outstanding.

4. Disclosure

4.1 The carbon footprint of the equity portfolio

The reported key ratios measure the equity portfolio's carbon footprint in relation to portfolio companies' revenues (net sales). This can be seen as a measure of how carbon-efficient companies in the equity portfolio are.

Key figures show how many tons of carbon dioxide equivalents (CO2e) that the companies in the current portfolio emit per million kronor in revenue. The key figures are reported as tons CO2e / mSEK.

The accounts are based on information about the equity portfolio's holding and market value as at 31 December. Emissions measurements follow the global accounting standard GHG protocol and are based on the latest available carbon dioxide data for direct (Scope 1) and indirect emissions associated with energy consumption (Scope 2). The calculation has a coverage ratio of at least 75 percent of the market value, ie. based on emission data for at least 75 percent of the market value of the shareholding.

The key figures show a snapshot of how the share portfolio's greenhouse gas emissions look like. The value will vary as the portfolio companies' emissions and revenues change, but also when the trustee buys or sells shares in the portfolio. Even exchange rate fluctuations affect the measurement.

Emission of greenhouse gases is measured in terms of carbon dioxide equivalents (CO2e). It is a unit of measurement that makes it possible to measure different greenhouse gases in the same way. By expressing the emissions of a certain greenhouse gas in CO2e, it is stated how much carbon dioxide would be required to give the same climate impact.

The Greenhouse Gas Protocol Corporate Standard (GHG) protocol is the most common accounting standard for calculating greenhouse gas emissions. The GHG protocol methodology is used by, amongst others, the CDP, Global Reporting Initiative (GRI), WWF Climate Savers, the EU Emission Trading System, The Climate Registry (USA) and the US EPA Climate Leaders (USA).