

# Sustainability report 2011

**Folksam**

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## CEO's statement

The clean and green factor has become a core requirement. Customers now expect companies to take responsibility, and they increasingly choose companies with higher moral standards and an ethical approach to business. Folksam has always endeavoured to take genuine responsibility, and this is made easier by our mutual status, being customer-owned.

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## Our staff

Folksam aims to be an attractive employer with committed staff who create customer benefit. In order to achieve this, Folksam works strategically and purposefully in several areas, such as terms of employment, recruitment, skills development, leadership, performance management, the working environment and health.

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## The impact of our operations

The environment is of key importance to Folksam. We therefore make demands both on ourselves and our suppliers and make active efforts to minimise the impact of our operations on the climate. A significant date in Folksam's environmental efforts was 28 November, when we became the first insurance company to be granted Good Environmental Choice approval, the toughest ecolabel in the world to achieve.

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## Responsible ownership

We at Folksam firmly believe that companies that take responsibility for the environment and human rights are more profitable in the longer term. We therefore actively influence the companies in which we invest through our criteria of the environment, human rights and anti-corruption. We have also chosen to completely exclude certain companies, such as those that are involved in tobacco and illegal weapons.

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# We take genuine responsibility

Being clean and green in the area of the environment has gone from being a drawback to a competitive advantage and to something that is viewed as a core requirement. Customers now expect a company to take responsibility. Folksam is one of the largest insurers in Sweden. When we repair damage in settling claims, we require our contractors to be green too, genuinely: from using material that consumes the least resources to material that does not contain any toxic substances. And, of course, we use materials made in Sweden as much as possible.

Folksam has actively pursued these issues throughout this process, and today we no longer need to justify our environmental work, as we did when we started requiring paint manufacturers to make sustainable paints without toxic substances and manufacturers of building materials to specify what their products contained. Contractors had to answer a large number of questions from our purchasing department about how they undertook their work. But being a large organisation was advantageous – with more than four million customers we were able to maintain our demands but still negotiate good contracts. A contract with Folksam was good business if you worked on repairing vehicles or buildings.

Today it goes without saying that non-toxic and high-quality materials will be used. Along with the clean and green factor, a new phenomenon has arisen in recent years that is commonly generally referred to as Corporate Social Responsibility (CSR). Large companies are expected to do something beneficial for the community in various ways.

I am a little sceptical about the concept itself. It's all too easy for this work to fall outside the company's business concept and become a label that can be

attached to entice customers and new employees. Folksam has existed for more than a hundred years, and I have been its CEO for eight of those years. My job is to both manage the company and take it forward, so that we are constantly developing. Looking ahead, I therefore feel encouraged that Folksam has become the first company in the insurance and financial sector to have been awarded Sweden's strictest ecolabel, Good Environmental Choice. We now have tough requirements to meet, and just like this sustainability report our environmental activities will be audited externally. The Swedish Society for Nature Conservation is protective of its brand, just as we are of our brand. The ecolabel is a major step for the sector, which must not be allowed to stagnate. Folksam is no exception. We can now further improve our prospects of building good customer relations.

Folksam has always endeavoured to take genuine responsibility, and this is aided by our mutual status, the fact that we are customer-owned. This means that we have a close relationship with our customers and that all surpluses accrue to the customers. During the autumn we investigated how we should pay a bonus to our customers in the general insurance company, and the aim is to introduce this by the spring of 2013. For the first time there is now also a shift in values among customers, which is directly reflected in business transactions. This is revealed in a report from the Centre for Banking and Insurance at the Royal Institute of Technology in Stockholm. It is apparent that customers are increasingly choosing companies with higher moral standards and an ethical approach. We are quite clearly in tune with the times, in both being customer-owned and accepting our responsibility. In addition, all our companies are achieving healthy results, which puts Folksam in a good position to face the future. I am also proud to

mention that our long-term work on sustainability has been reflected in the largest sustainability survey in Sweden, Sustainable Brands. On 19 March 2012 our subsidiary KPA Pension was named the country's most sustainable company in the financial industry, and Folksam Life came a creditable third.

We also take responsibility for our investments seriously. Folksam and KPA Pension attended around 100 company annual general meetings last spring to make sure that our customers' money is used in a way that does not solely benefit short-term activity. We review bonus systems and gender equality on boards, and call on the companies to take long-term responsibility. This favours Folksam, our customers and society. Genuinely.



A handwritten signature in blue ink that reads "Anders Sundström". The signature is written in a cursive, flowing style.

CEO of Folksam

# About the 2011 sustainability report

Folksam's vision is a sustainable world in which people feel secure. The sustainability report for the year is aimed at providing a picture of what the company has accomplished to date in order to fulfil this vision.

Folksam was the first Swedish insurance company to sign the Global Compact. This is Folksam's ninth sustainability report, and is based as far as possible on the G3 guidelines of the Global Reporting Initiative (GRI) for sustainability reports. It has also been reviewed externally this year by the auditing firm KPMG. Folksam's carbon footprint is fully offset through the Vi Agro-Forestry Programme tree-planting project.

The sustainability report for 2011 applies to the whole of Folksam, including its subsidiaries. It is not printed and is only available by download from [folksam.se](http://folksam.se), [kpa.se](http://kpa.se) or [forenadeliv.se](http://forenadeliv.se). Folksam's understanding is that the report meets the B+ GRI application level, and this has also been confirmed by the external auditors. The report also forms part of reporting under the UN's Global Compact (Communication on Progress, CoP) and the UN Principles for Sustainable Investment.

# Customers and markets

## **Folksam is owned by its customers**

Folksam is a mutual company. This means that the customers are also the owners. Folksam's overarching goal is to have the most satisfied customers in the insurance and savings industry. The fundamental purpose of Folksam being customer-owned (mutual) is to provide services that the customers as owners are pleased with and to create long-term profit. It is therefore important for Folksam to work in a long-term and structured way to find as good a relationship as possible for both parties.

Folksam comes into contact with a large number of customers daily, covering the spectrum from private individuals and companies to large organisations in Sweden. The same customer may also have several different roles. An individual may come into contact with Folksam through their car insurance, business insurance, savings in an endowment insurance scheme, house insurance, survivors' protection plan through their trade union or accident insurance their children have through a sports association. How Folksam treats a customer in one role colours the customer's experience in all interaction with the company.

Folksam thus has both a wide range of customers and a large number of customers.

## **Folksam makes systematic efforts to act in the interests of its customers**

Folksam has many ways of interacting with its customers, such as AGMs, committees and customer meetings. Analysis and action groups work on developing conclusions and recommendations for all customer segments based on facts and customer insights, which are systematically gathered and established in the organisation.

That work is based on the surveys that Folksam methodically and continuously undertakes into what customers, companies, parties and partners think,

how satisfied they are, what leads to satisfaction and what causes annoyance and dissatisfaction. This is carried out internally in a similar way in order to effectively increase learning in Folksam and in Folksam's subsidiaries.

The customer initiatives and improvement activities developed on the basis of the surveys are followed up in the same systematic and continuous way to strengthen implementation. The status of the improvement activities and customer satisfaction are then reported annually to the companies' managements and to the boards.

Folksam has to develop new offerings and improve products that are relevant to and liked by its customers. Folksam therefore also involves its customers in various phases of the development process.

## **Folksam in a state of change**

Folksam put great effort in 2011 into its repositioning, which was developed in 2010 to better reflect its customers' wishes. A new graphic identity highlighted the change, and conduct exhibiting Folksam's new core values of being personal, engaged and responsible was strengthened in 2011. As a result, Folksam is better able to pledge and provide security today and in the future for what the customers care about. Dealing with Folksam should be felt by customers to be a welcoming and straightforward experience. The change was noted by consumers. By the third quarter, Folksam had succeeded in clarifying its three core values for a year. In the third quarter, the proportion of people who think that Folksam takes responsibility had increased by 12 percentage points during the previous four quarters. The proportion of those who felt that they had a welcoming and trouble-free experience and that Folksam is personal, engaged and provides security had also risen by 8 percentage points in the third quarter.

If our marketing is to highlight change, real changes in Folksam have to lead to positive experiences that build stronger approval in the long term. Approval measures rational and emotional attractiveness among the public.

Although the change management is a long-term process, it improved somewhat in 2011. A new communications strategy was developed with the message of making Folksam clearer, internally, for customers and partners. The aim was to close the gap between employees and customers. For example, almost all the employees in the Financial Department attended customer meetings during the year. It is important to clarify the offering for the customers, in particular savings, and all sales staff in the Private Business Area therefore attended annuity training. Everyone in the Private Business Area underwent training to appreciate the significance of the core values for their work.

In the area of claims, all staff were given language training by e-learning, and an overview of all claim letters was started in order to give customers a good feeling when the letters reach them. The website and easy-to-understand terms were able to be developed on the basis of the customer insights we gained. The process of applying for policies on the website is to be made more customer-friendly, and customers are now able to take out child insurance at [folksam.se](http://folksam.se).

A new induction programme for new employees was also devised, and social media were established for and between employees and customers.

In addition, KPA Pension improved its approval rating in the market (from 7% to 9%). KPA Pension also increased the level of awareness of responsible influence (from 50% to 59%) through ethical investments.

## How do our customers rate us?

Folksam measures how satisfied the customers who have been in contact with Folksam are. This relates to everything from calls to customer service and advisers to the handling of claims. On average, nine out of ten customers were satisfied with case management throughout Folksam, including KPA Pension.

### Targets and results for customer satisfaction in 2011

Strategic target areas	Target	Result
1. Satisfied customers	75%	74%
2. Satisfied customers, sector comparison	-2,2%	-1,8%
3. Attractiveness/approval	14,5%	13,5%

1. With regard to *how satisfied customers are in general*, these scores also showed that customers who had been in contact with Folksam were more satisfied than those who had not. The target is for 75% of customers in general to be satisfied. The outcome of 74% shows that the target was nearly reached.

2. The sector showed a decline for the first time in a long period in General Private, but Folksam instead showed a positive trend. But specifically in car insurance Folksam increased somewhat more than the sector average, with 74.3% satisfaction compared with 73.5% in the sector. On the life insurance side, satisfaction was 3% down in the sector, and there was also a decline in Folksam, although to a smaller degree. KPA Pension maintained its strong position for occupational pensions with a satisfaction rating of 69.5% – well above the sector average of 66%.

3. Folksam improved its approval rating in the market. Approval is based on also being visible, and Folksam struggled to be seen in the heavy media traffic that prevails in the sector. The Folksam brand consequently did not quite reach its target (the target for approval/attractiveness was 19%, the outcome was

18%). Folksam was nevertheless a prize-winner for effective marketing in the "100-watter" awards\*. Nor did the KPA Pension brand achieve its target for approval/preference. KPA Pension is a less known brand and achieved 9%, below its target of 10%.

### Action taken in 2011 to achieve more satisfied customers

Development and evaluation work was carried out to simplify dialogue with Folksam's end-customers. Tests were carried out to better ensure that the customers have relevant protection based on how the situation for the customer is changing. Work started on making it possible on the customers' log-in pages (My Pages) to see what insurance policies are lacking, to add to and take out policies and manage one's own insurance needs.

The work for parties and partners in Folksam developed in a more proactive direction. Improvement efforts for employers were focused on creating more customer meetings, improving complaints procedures and enhancing information about offerings and yield.

Improvements were also made to the website and electronic information, newsletters and target group-adapted communication for individual customers in the collectively agreed market. To create a sense of security for customers, measures were taken to confirm the customers' choices and hold information meetings at workplaces.

### The Customer Ombudsman

Folksam is a customer-owned company, and it is therefore a natural priority for the company to offer its customers extra service and security through the Customer Ombudsman. The Customer Ombudsman is completely impartial as its operations are independent of Folksam's Executive Management and are only answerable to the Folksam AGM.

## Creating security for customers

The principal task of the Customer Ombudsman is to offer those customers who are not satisfied with Folksam's decisions an impartial review of their case. In 2011, the Customer Ombudsman dealt with 1,107 cases, and 1,051 cases led to a substantive review, 20% of these leading to some form of change in the customer's favour. This fairly high rate of change shows that the Customer Ombudsman is independent and that the customers can have confidence in this activity. Around 10,000 customers consulted the Customer Ombudsman during the year. This activity is greatly appreciated by the customers, as they are able to put questions to an independent body.

### Experience leads to improvements in activities

An important part of the work of the Customer Ombudsman unit is to feed back experience from its activities to Folksam. In 2011, the Customer Ombudsman took part in Folksam's internal work with reviews of terms, policy work and internal further training. Phone response did not work well during parts of 2011. In other words, customers found it difficult to get through to Folksam. Many customers therefore contacted the Customer Ombudsman when they needed help. Our principal task in these cases was to ensure that the customers came into contact with the right person in Folksam.

Folksam took the response problems seriously and took action. The customer surveys show that overall customer satisfaction declined during certain parts of the year, but had recovered by the end of the year.

### Complaints are a gift from customers

The Customer Ombudsman continues to regard complaints as a gift from customers. It is important that Folksam treats complaints in a positive way and that they are received constructively in order for our operations to improve. The Customer Ombudsman's motto is that complaints are so important that they should be regarded as a gift from customers.

\* The 100-watter is the advertising competition that rewards effective advertising campaigns. It is organised by the Association of Swedish Advertisers and the Swedish Association of Communication Agencies.



### **Active work solves problems at an early stage**

Folksam handled around 710,000 claims in 2011. As the company prioritises solving problems at an early stage, only a few cases led to disputes. A total of 94 cases were settled by the Swedish National Board for Consumer Disputes in 2011. Only 4% of the cases were changed in the customer's favour. 152 cases went to court in 2011. Folksam won or reached a settlement in the majority of the cases decided during the year. This shows that the level of quality in Folksam case management is very high.

### **Diversity for increased customer benefit**

Folksam has been working actively on diversity for many years. Folksam's view is that a high degree of diversity leads to increased customer benefit as well as attractiveness as an employer.

Several activities were undertaken in 2011 to develop Folksam's work towards increased diversity.

In the spring, Folksam for the first time surveyed linguistic knowledge in all customer-oriented parts of the organisation. The survey showed that there are several languages that we can add to the 18 languages spoken by our multilingual customer service unit. On the other hand, the telemarketing and claims operations need to recruit new staff who, in particular, have a knowledge of non-European languages,

Folksam is a co-owner of Telge Tillväxt, which has the objective of halving employment among young people aged between 18 and 25 in Södertälje. In the second half of the year Telge Tillväxt ran a project on behalf of Folksam in which five young immigrants were employed to knock on doors in large parts of Södertälje. Their task was to visit these residents to provide them with some general damage-prevention information and to offer insurance information by being phoned by the multilingual customer service unit in their mother tongue.

This project resulted in 700 families expressing a wish to be phoned and just over 50% chose to buy some form of insurance or savings product.

Folksam is a co-owner of Rosengård Invest, which is continuing with the work there to invest in companies started and managed by people with a different ethnic background.

In order to reach out to Arabic and Turkish-speaking entrepreneurs with information, Folksam translated a brochure describing the security package for entrepreneurs into these languages during the year.

Folksam and Statistics Sweden compiled the report "Low Pension Warning" in 2011. This report describes the size of future pensions for people born outside Sweden in the 1940s who came to the country in the 1960s and 1970s, those born in the 1960s who came to Sweden in 1980-1985 and those born in the 1970s who came to the country in 1990-1995. The report points to a great need to save for a pension and states that work is the most important thing of all. The result will be used to develop offerings and in information campaigns targeted at foreign-born Swedes.

In 2011, Folksam began an initiative to make it easier for deaf people to communicate with us, both through the website and through customer service. If the initiative goes to plan, tangible results will be achieved in 2012.

# Governance and organisation

Folksam's operations – our claims activity, our consumption of goods and services, our business travel and heating and water for our properties – have a direct impact on the world around us. Our indirect impact, road safety research, sports cooperation, consumer education, work to counter violence in society and mine-clearing projects are described in the sections headed *More than insurance* and *Responsible ownership*. How we invest our capital is clearly also indirectly affected – see also Responsible ownership.

## How our boards operate

Folksam consists of a life insurance and pension savings group and a general insurance group. Folksam has two mutual parent companies, Folksam ömsesidig livförsäkring (Folksam Life) and Folksam ömsesidig sakförsäkring (Folksam General). Both Folksam Life and Folksam General also operate through subsidiaries. The boards of the parent companies are made up of customer representatives from the Swedish popular movements (the cooperative movement, the trade union movements, the sports movement and the senior citizens movement).

The nominations committee makes proposals to the annual general meetings on who should sit on the boards. This committee is to aim for the boards to have a suitable composition with regard to skills, age and gender.

The boards of the parent companies held eight (Folksam Life) and nine (Folksam General) board meetings during the year. Ahead of each meeting the boards received a written report from the CEO on major events in Folksam, but also in the industry in general. The board followed up the strategic goals in accordance with Folksam's strategic agenda. It also reviewed the subsidiaries' activities, financial and business intelligence analysis and the internal audit reports. In addition, the 2010 sustainability report was approved.

In order to discuss strategic and future issues in greater depth, the board held a two-day seminar during the year.

The topics of the seminar were business intelligence, customer patterns, IT strategy and in-depth analysis and summing-up of corporate governance from a board perspective.

There are around 80 internal rules classified as overarching in Folksam Life and Folksam General. The rules are examined annually and revised if necessary. Around thirty have been adopted by the boards. Others are adopted by the parent companies' AGMs or by Group management.

## A vision that involves obligations

All work that takes place at Folksam must be targeted and geared towards the vision that "people should feel secure in a sustainable world" and the overarching goal of "having the most satisfied customers in the insurance and savings industry".

This vision illustrates Folksam's role as a customer-owned company – security is the core of all insurance and savings activity. Working for a sustainable world creates security. Sustainability is also important for us with regard to our claims activity and our investments.

In addition to human suffering, an insecure, unsustainable world leads to high claims costs and high premiums, which are not compatible with customer benefit.

## Corporate governance

Good corporate governance is concerned with ensuring that a company is run as effectively as possible for the owners. An overarching objective of Folksam's corporate governance – in addition to complying with the company's vision and ethical principles – is to ensure a good yield for Folksam's customers. Corporate governance in Folksam is based on legislation, principally the Insurance Business Act and the regulations and general guidelines of the Swedish

Financial Services Authority. Folksam also applies the Swedish Code of Corporate Governance.

The illustration on page 11 shows the structure of the overarching bodies in Folksam. As Folksam is customer-owned, there are no shareholders. The customers are instead represented by AGM attendees at the annual general meeting.

## Internal rules and organisation for governance and control

The boards of Folksam Life and Folksam General each adopt strategic plans that convey the focus and requirements the board concerned has for these companies. The focus and requirements described in the strategic plan cover:

- Operations
- Organisational structure
- Financial targets
- Corporate governance of subsidiaries
- Internal governance and control

## We wish to exert influence responsibly

The strategic plan for Folksam General and Folksam Life also establishes areas that both boards wish Folksam to aim towards and focus on: perceived customer benefit, organic growth, better than competitors, being an attractive employer and responsible influence.

"Responsible influence" establishes that Folksam must differentiate its operations from that of competitors by taking active responsibility for the world around us and our future, and by formulating offerings with responsible influence in mind. The boards adopt targets for all focal areas every year. The strategic plans must then govern Folksam's operations planning at a more detailed level. The goals for responsible influence are concerned with our customers being aware of and thinking that it is right that we work on road safety research, the environment and corporate governance and ethical investments.



Responsible influence as a percentage	Target	Outcome
Awareness of public	41	44
Attitude of public	65	67
Attitude of customer	51	51

Folksam has achieved all three targets for responsible influence. With regard to attitude towards the companies doing a good job for customers, Folksam and KPA Pension are equally placed, but KPA Pension is slightly stronger at reaching out to the public with regard to awareness and attitude.

### Risk management in Folksam

Folksam is subject to a number of different risks that can have an impact on the company's financial position. The ability to identify, prevent and manage these risks is becoming ever more important. Folksam's risk management process is an important element in the overall management of risk. The risk management process provides support in weighing up risk-taking and the possibility of achieving set targets and is consequently an important aspect of the overall management of risk. The risk management process comprises identifying, valuing, managing, monitoring and reporting all material risks.

Folksam's systems for internal control are to be a natural part of the various activities and an integral part of the governance of the organisation. In terms of the functions working to achieve this, some of the most important are the boards' audit and remuneration committees, the internal audit and the lay auditors. To clarify governance and responsibility for risk management and risk control, operations are divided into three lines of responsibility.

**The first line of responsibility** is made up of units, parent companies and subsidiaries and outsourced business. These are responsible for directing operations so that the targets established by the board are met. They own and manage risks, i.e. they are re-

sponsible for risk management activities, follow-up work and compliance with rules.

**The second line of responsibility** is made up of governance and control functions that aim to ensure appropriate and effective management of risk. The governance and control functions support and follow up the first line of responsibility on the basis of frameworks for internal governance and control, are responsible for having an overall picture of the risk situation in the company and report this to the board and the CEO.

**The third line of responsibility** comprises Internal Audit. Internal Audit reviews and evaluates the internal governance and control, including risk management, on behalf of the board.

### Bribery and money laundering

All financial companies in the EU are obliged to prevent money laundering and the financing of terrorism. Folksam follows the sanctions that have been issued against persons suspected of criminal activities and also takes action to prevent bribery and corruption. The work on preventing bribery and corruption is associated with Folksam's work on preventing money laundering, in which we investigate whether our customers are persons in politically at-risk positions, that is to say persons who hold high political office and who through their positions are at greater risk of being bribed or becoming involved in corruption.

### Ethical rules – always a topical issue

Folksam's ethical rules contain the ethical rules applicable to all activities and how staff should act in various situations.

Ethics is based on society's set of values, and is concerned with good practice and sound judgement. Folksam's values reflect an ethical approach. Safeguarding human rights and rejecting all forms of discrimination are two examples.

When staff represent Folksam externally, it is not solely their own business how they act. How they are per-

ceived has an impact on how the outside world views us. Our values have to permeate everything we do.

Folksam has to follow the ethical rules and other instructions that exist on how the work is to be performed. The ethical rules are distributed to all employees, and staff are encouraged to contact their superior or any of our legal specialists if they are unsure about anything.

### Solvency 2

Solvency 2 is the collective name for the new solvency rules for insurance companies currently being drawn up in the EU. The directive is intended to strengthen the relationship between the solvency requirements and the risks to insurance companies. Companies are to be governed in a more sound and appropriate way through increased risk control. A clear customer perspective is also an aspect of this. Solvency 2 is part of a wider endeavour to create a common European financial market. Folksam began adapting to the rules in 2010. This work was stepped up in 2011 and focused mainly on coordinating the adaptation of processes and system support for governance and reporting of activity. It is otherwise mostly concerned with strengthening the qualitative characteristics of the organisation and regulatory framework of companies.

Solvency 2 is an important part of the modernisation of Folksam and the rest of the industry, a development that is good for both the customers and Folksam.

### Examples of overarching sets of rules

- Ethical rules
- Guidelines for external corporate governance
- Actuarial guidelines
- Policy for internal governance and control
- Handling of complaints relating to financial services
- Competition issues – action programme
- Instructions for the management organisation in Folksam
- Environmental policy
- Safety policy
- Purchasing policy
- Remuneration policy

# Organisation

## Legal Group structure – simplified

Folksam comprises the two parent companies Folksam General and Folksam Life with their subsidiaries. Two of the subsidiaries in the insurance operations in Folksam Life are part-owned. These are Folksam LO Fondförsäkring, which is 51 % owned, and KPA Pension, which is 60 % owned. Of the Group companies in Folksam Life, Förenade Liv and the companies in KPA Pension are not included in the consolidated accounts. This is because these companies do not pay a dividend and the entire surplus in these companies therefore accrues to the policy-holders.

To achieve economies of scale to the benefit of the customers, collaboration takes place in the areas of distribution, administration and asset management.

## Operational organisation

The Folksam organisation is divided into three business areas: Private, Partner and Collectively Agreed Business, as well as subsidiaries. In addition, there are seven central units.

The **Private business** area is responsible for Folksam's business in the private market for individual insurance and pension savings. This responsibility relates to both life and general insurance under the Folksam brand and all activity related to sales and customer service for private individuals.

The **Partner business** area is responsible for Folksam's business with partner and organisational customers. It includes the group insurance business and business insurance. The business relates to both general insurance and to personal insurance and savings.

**Collectively Agreed Business** is responsible for Folksam's business with the parties to collective bargaining agreements in the Swedish labour market. This includes both insurance and pension savings, for example occupational group life insurance and sickness insurance, as well as services such as administrative service for employers.

A large number of activities have been initiated to develop and improve the efficiency of the organisation and processes in order to achieve business and cost synergies. Work on coordinating joint functions to ensure that resources continue to be used efficiently continued in 2011.

The IT, actuarial, communication and legal functions are now coordinated centrally for the whole of Folksam. In addition, large parts of the insurance administration were also coordinated in a joint function. As part of this concentration of resources, the operation and maintenance of IT in workplaces was outsourced to Logica.

KP and KPA Pension were also integrated during the year. The aim was to coordinate activity to create an effective service for customers.

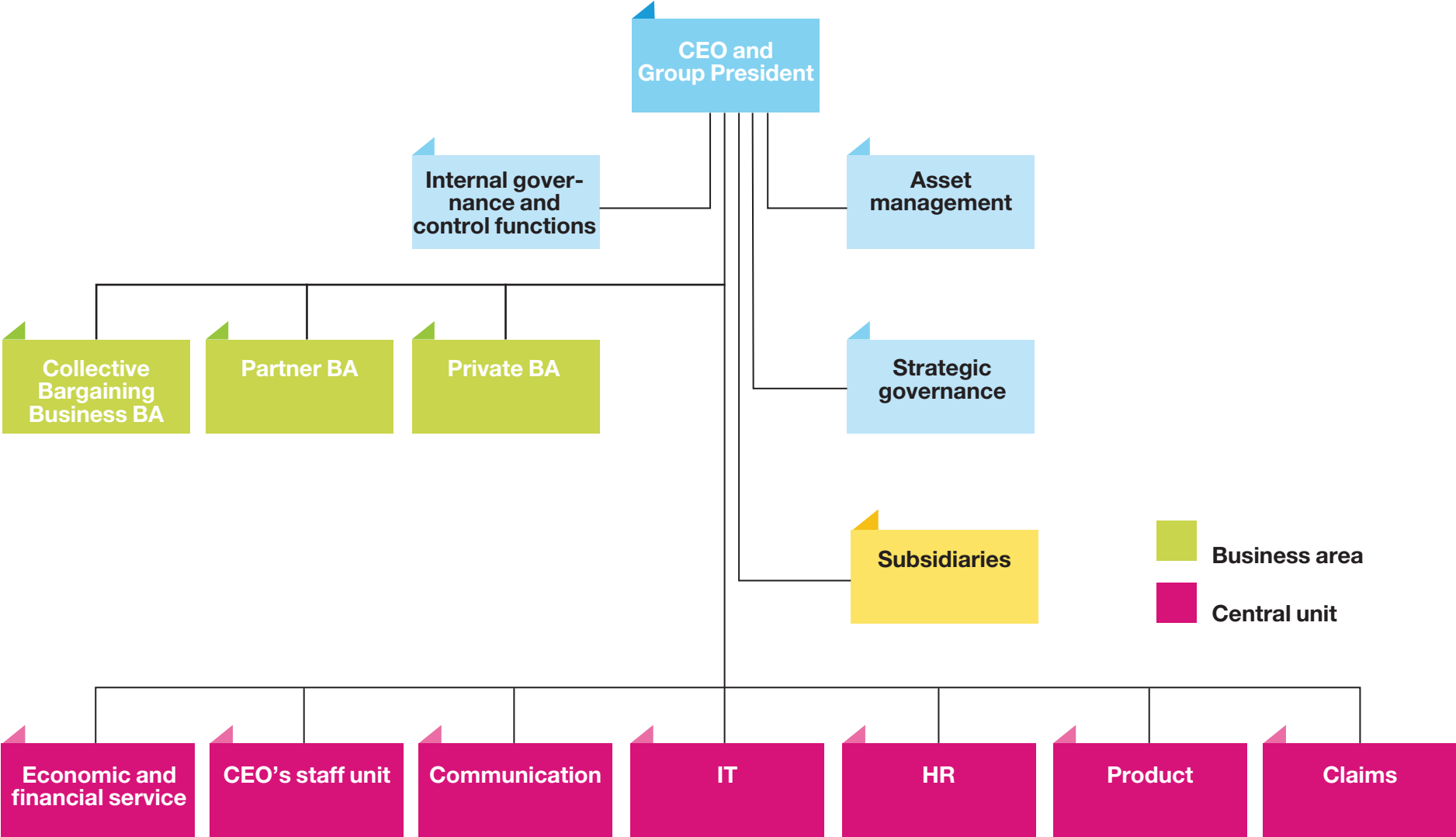
A change project covering office workplaces was launched with the aim of allowing the work to be organised more efficiently and of bringing down the costs of premises; this will continue in 2012.

The sales and claims customer organisation underwent extensive change during the year, from a geographical to a channel-guided organisation. Regional managers were previously responsible for geographical areas, whereas today we have channel managers who are responsible for the various distribution and claims channels – regardless of where the contact with the customer takes place. The change was made to achieve greater efficiency through shorter decision paths, and was based on the fact that 95% of customers are in contact with Folksam by phone or on

the internet. Around 2,000 people were covered by the reorganisation. Work on the new organisation is continuing in 2012.

On 1 October 2011 a new purchasing organisation was established as a department of Folksam to achieve a more cohesive purchasing process and create a basis for lower purchasing costs in both claims and operation.

# Folksam's operational organisation





## Our staff

### **An attractive employer with committed staff**

Folksam aims to be an attractive employer with committed staff who create customer benefit. In order to achieve this, Folksam works strategically and purposefully, for example with terms of employment, recruitment, skills development, leadership, performance management, the working environment and health.

In 2011, Folksam continued with its efforts to fine-tune both skills and organisation for the future and in line with the demands of customers and the world at large. Important enhancements were made, for example, to the communication channels and customer contact points. Work on developing skills and creating a more flexible organisation continued, among other things through new forms of cooperation and backup across organisational boundaries, as well as through external cooperation and outsourcing solutions.

Another important goal that was achieved was that the proportion of women in the senior management was improved from 33% to 45%. The total proportion of women managers in the company increased somewhat and is now over 45%. As part of the endeavour to promote diversity and counteract prejudice, work continued on implementing diversity dialogues in the working groups, for example by playing the prejudice game *Identitus*. In addition to this, Folksam adopts a diversity focus for example in recruitment and manager development.

The rate of sick leave remained at the same level as in 2010, 3.4%. Work to reduce this rate is continuing with various measures to promote health and prevent ill-health.

Important milestones were achieved in the work on a more systematic manager development offering, a better and more flexible process for individual performance and development and attractive terms of employment, for instance through an insurance package for all employees.

Staff turnover increased in comparison with 2010. This increase is principally due to ongoing change management, coordination between the companies and retirements.

### **Leadership in change prepares Folksam to face the future**

Folksam has to have the skills and organisation to make us sharper than our competitors. Change in today's world is part of everyday life, and Folksam is therefore equipping its managers to lead the change process. Efforts were made in 2011 to support managers in adapting the organisation to develop new customer contact points, in both the sales and claims operations. The support was adapted on the basis of different situations, particularly in recruitment. The managers received material, for instance, in the form of responsibility profiles for different roles and skills-based interview guides, as well as support in selecting staff. A new method for change of behaviour in organisations was used to strengthen the managers' engagement and give them tools to implement changes in a sustainable manner.

For example, during the year Folksam IT worked on an extensive change project with the aim of increasing purchaser satisfaction, reducing lead times and bringing down costs. The new method entails identifying forms of behaviour that need to be changed in order to achieve results, identifying conditions that need to be met to make these new forms of behaviour possible, measuring behaviour and/or outcomes and providing continuous feedback. Workshops were held with all managers to firmly establish the goals, teach the appropriate way of working and discuss priority areas. The arrangement was adapted on the basis of the needs of each department and led to various action plans. Examples of outcomes are increased dialogue with customers, changed forms of behaviour in connection with acceptance of requirements and better planning of manning and resources.

### **Folksam gears up for new requirements**

The insurance industry faces new challenges, and this is place significant demands on companies. The EU Solvency 2 rules come into effect on 1 January 2013. The aim is to create a single market, improve protection for policy-holders, increase competition among European insurance companies and create better regulation. Folksam has started gearing up to meet these requirements in various ways. An important aspect is to ensure that management and other key individuals have sufficient qualifications, knowledge and experience to be able to manage in a sound and responsible manner.

### **Staff survey shows continued engagement**

A response rate of 92% was achieved in the annual staff survey, Focus. The result showed continued good ratings for leadership and target- and results-based management – for example, the proportion who have individual targets is 91% and the index value for leadership rose from 74% to 75% positive. Internal collaboration is an area on which Folksam has worked hard, and this was reflected in improved scores in the survey. Areas in which there was a decline included perception of stress and satisfaction at work. Ongoing changes and new working practices have probably had an impact in these areas. The result was utilised in the form of dialogue, action plans and development activities at all levels of the company. Folksam has established routines for follow-up work, for example individual coaching for managers, workshops and support in group development.

### **Long-term commitment to provision of skills**

To ensure the provision of skills in the long term, Folksam continued working on strengthening its profile as an employer. The company promises a career that is fulfilling and carries responsibility. Development of cooperation on training with universities and vocational colleges continued in 2011. This cooperation includes

participation in case studies in various training programmes and offers of work placements and summer jobs for students from selected programmes.

Other forms of cooperation include involvement in schools' management programmes and work experience placements for vocational college programmes in insurance. Folksam additionally took part in fifteen career days in cooperation with some of the universities that can best support skills supply in the longer term.

Development of the new careers site [folksam.se/jobba](http://folksam.se/jobba) to strengthen communication with potential employees continued during the year. It was used, for example, in large recruitment campaigns in sales and IT, in part through presentation and pictures of existing employees. The careers site had an average of 10,000 visitors a month during the year.

Folksam intends to invest in its managers, support their development and equip them to meet strategic challenges and changes. The offering in leader development was strengthened during the year by developing two new leadership programmes for senior managers. Creating networks and understanding the overall situation are important steps towards the goal of having managers who create customer benefit by providing the basis for good performance. The programmes begin in February 2012.

### **Focus on internal drivers leads to engagement and development**

Folksam works systematically to provide its employees with what they need to perform well. A project to review what Folksam does to guide individual performance was carried out during the year. This led to two customer service groups trying out a new way of working that involves creating the conditions necessary to ensure the effectiveness of employees' internal drivers. Understanding the purpose of the job one does and having an opportunity to influence and make use of one's skills creates commitment and motivation. The employees had to take responsibility for developing their behaviour in their dealings with

customers by reflecting on each telephone call and training in those parts that needed to be developed. By being receptive to opinions, seeing the customer's entire needs and proposing the best solution, trust and customer benefit were created. The goal is to introduce this way of working into more parts of Folksam.

Another result of the project was that the process for individual performance and development was updated. The previous professional development interviews were perceived to be too controlled and theoretical, and the process was therefore made more flexible and adapted to the needs of business operations. Managers and employees now jointly develop an individual goal plan and a development plan, and review these on a regular basis. The focus is on a coaching approach, clear requirements in the role and what activities the employee is to perform to attain his or her goals.

### **Beneficial conditions create security and motivation**

Folksam is to be an attractive employee with known and competitive offerings for present and future employees. An insurance package for all employees containing home insurance, accident insurance, sickness and survivors' insurance and medical insurance was therefore introduced in 2011. The offering also contains discounts on various types of general insurance. The aim is to provide long-term security in everyday life, for example through rapid access to advice and medical care. To ensure that everyone has the protection they need, the option of personal advice in savings and insurance was offered during the year.

Folksam has a remuneration policy based on applicable regulations and the company's fundamental values. It covers all employees and is intended to promote effective risk management, foster a positive attitude to change and development and encourage good work. In 2011, the policy was updated in line with the new rules of the Swedish Financial Supervisory Authority.

## Health promotion to reduce sickness absence

Folksam's employees should have a long-term sustainable working life, and the company has worked purposefully to reduce sickness absence for many years. A pilot project was conducted during the year to try out a telephone service that offers medical advice when an employee reports in sick. The project proved a success, each sickness episode was reduced on average by one day, and most employees had a positive experience of the service. It has been introduced throughout Folksam with effect from 1 January 2012. The aim is to give employees the support they require to maintain good health and spot signals of ill-health sooner so that they can work more preventively. The aim is to further reduce the rate of sickness absence at Folksam.

## Donations through pay to the Swedish Cooperative Centre

Folksam has been cooperating with the Swedish Cooperative Centre for several years. Find out more about this cooperation on page 33.

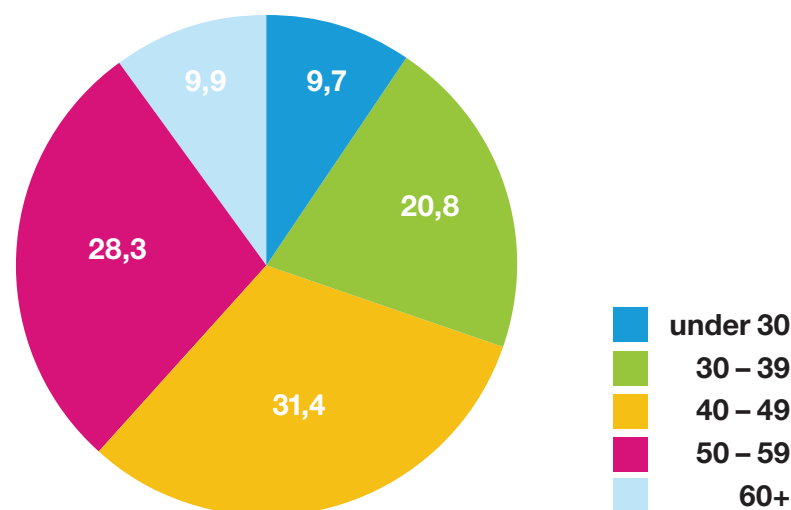
Staff have the option of donating part of their pay to the organisation through deductions from salary. Commitment to this initiative is continuing to grow. Staff donations to the Swedish Cooperative Centre totalled SEK 680,372 in 2011, a sum which is matched by Folksam. In December 2011, Folksam additionally made a Christmas donation of SEK 100,000. As in previous years, a Christmas sale of Fair Trade products was held in favour of the Swedish Cooperative Centre. The total amount collected in 2011 was SEK 1,501,654. This means that Folksam and its employees have doubled their donations since 2007.

## Folksam staff in figures

Staff	2011	2010	2009	2008
Number of staff	3400	3637	3863	3510
women (%)	51	50	50	49
men (%)	49	50	50	51
Average age (years)	45,2	45,5	45,3	44,8
Number of managers	334	360	347	311
women (%)	47	43	44	44
men (%)	53	57	56	56
Staff turnover (%)	8,0	4,70	5,6	8,0

The number of managers is calculated in accordance with the definition "managers with responsibility for personnel and operations". Staff turnover is defined as the lower of the number of new employees or employees who have left during the year as a percentage of the number of employees in December.

## Age distribution in 2011 in %



Age distribution (%)	2011	2010	2009
under 30	9,7	8,5	9,1
30-39	20,8	21,9	22,1
40-49	31,4	30,4	30,2
50-59	28,3	28,0	27,7
over 60	9,9	11,2	11,0

Form of employment (%)	2011	2010	2009
Employees on permanent contracts	97	97	98
Employees on fixed-term contracts	3	3	2
Full-time employees	91	91	92
Part-time employees	9	9	8

**Women – Gender distribution on boards and in management in %**

	2011	2010	2009
Board of Folksam Life	50	50	42
Board of Folksam General	58	58	58
Group management	45	33	33

**Men - Gender distribution on boards and in management in %**

	2011	2010	2009
Board of Folksam Life	50	50	58
Board of Folksam General	42	42	42
Group management	55	67	67

**Total sick leave, 2011 (2010) in %**

Age	Men	Women	Total
under 30	2,2 (1,8)	2,4 (3,8)	3,3 (2,9)
30-49	2,0 (2,1)	4,4 (4,2)	3,3 (3,2)
over 50	2,3 (2,5)	4,7 (4,9)	3,5 (3,6)
Totalt	2,1 (2,2)	4,5 (4,5)	3,4 (3,4)

**Of which long-term sick leave, 2011 (2010) in %**

Age	Men	Women	Total
under 30	0,0 (7,6)	30,0 (20,8)	20,3 (17,1)
30-49	25,0 (24,7)	40,0 (40,2)	35,9 (35,5)
over 50	37,3 (41,4)	44,9 (45,3)	42,3 (44,0)
Totalt	29,1 (32,0)	41,3 (41,4)	37,6 (38,4)

# The impact of our operations

## Folksam's direct impact on the environment and climate

The environment is a key issue for Folksam, both within the company and in the world at large. The company's size presents us with a great opportunity to exert influence. The demands we make on ourselves and on our suppliers, for example with regard to repairs to the buildings and vehicles our customers have insured with us, can therefore make a great difference. Folksam's strict environmental requirements have contributed to a higher environmental standard at several large subcontractors. Those parts of the Folksam organisation with the greatest potential to make a difference have been environmentally certified under ISO 14001, the recognised international standard for environmental management systems.

Both our car and building insurance activities have environmental certification. We only use wind power of specified origin in our properties. Folksam intends to be at the forefront of efforts relating to the environment and climate change in the industry. It is important that we practise what we preach.

Folksam has been aware for about ten years that the issue of sustainable development is one of the most urgent issues to be addressed. We have also acted by making sustainability issues permeate our operations. In particular, we were the first company in Sweden to fully offset our CO<sub>2</sub> emissions in 2006.

Folksam's total footprint for 2011 was measured as 3,975 tonnes of carbon dioxide, which is equivalent to 23,850 trees. All carbon offsetting is done by planting trees through the Vi Agroforestry Programme, which follows the Plan Vivo method.

The trees that the Vi Agroforestry Programme plants are fast-growing, provide shade and fertilise the soil. This means that trees and crops can be planted together (agroforestry). In this way the trees contribute to environmental improvement.

- The leaves of the trees reduce the force of rain-drops and prevent erosion.
- The trees capture carbon dioxide
- Evaporation decreases, as does water consumption
- Trees provide shade for crops and act as wind-breaks

## A Good Environmental Choice – a significant event

Folksam's vision that "people should feel secure in a sustainable world" is aimed in particular at us caring for nature and the community. Those with the knowledge and opportunity to influence community development for the better are therefore obliged to do so. Folksam has done this ever since the company was founded more than a hundred years ago. We therefore work preventively on road-safety research and environmental and sustainability issues.

A significant date in Folksam's environmental efforts was 28 November, 2011, when we became the first insurance company in the world to be granted Good Environmental Choice approval, the toughest ecolabel in the world to achieve. The Swedish Society for Conservation of Nature issues Good Environmental Choice approvals, and our vehicle and house insurance policies in Folksam General are covered by this ecolabel. It is proof that we take environmental issues seriously and take responsibility for our own climate impact.

Folksam fulfils the Swedish Society for Conservation of Nature's 43 different criteria, the largest and most extensive of which are:

1. Re-use and environmentally friendly repairs in settling claims
2. Responsible investments
3. Sustainable and safe replacement vehicles
4. Ecolabelled electricity
5. Environmentally friendly purchases



Bra Miljöval

1. With our vehicle insurance, our customers are guaranteed that the repairs will be carried out in an environmentally friendly way with a high proportion of re-used material. We also make strict environmental demands on all our suppliers, from building materials to separation of waste.
2. Folksam General's asset management adopts a responsible approach and takes account of our common capital. We do not invest in weapons, alcohol, tobacco, coal-based power, nuclear power, uranium and companies that infringe human rights. In addition, we influence various industries by setting specific requirements to be met in the sustainability efforts and reporting of the companies concerned.
3. Folksam offers a more environmentally friendly and safe car as a replacement for a damaged car. The criteria for safety are taken from our annual report "Säkert och Hållbart" ("Safe and Sustainable"), which is based on statistics on actual road-traffic accidents.
4. We use renewable energy of specified origin, wind power, for all our office and properties.
5. Folksam makes environmentally friendly purchases by buying in goods, such as paper, coffee and stationery on the basis of tough environmental requirements.

### What is a green insurance company?

An insurance company that takes responsibility for the environment by allowing environmental issues to play a part in day-to-day operations, from claims and purchasing to our customers' investments.





#### What does Folksam do to live up to its ecolabel?

- We help our contractors and customers to choose sustainable materials in construction and vehicle repairs.
- We set strict requirements in purchasing goods and services, such as coffee, electronics, paper, cleaning materials, energy, transport and travel.
- We are switching to organic raw materials in our staff restaurant, which is one of the largest in Sweden.
- We conduct research into safety and better environmental performance for the Swedish vehicle fleet.
- We use renewable electricity of specified origin for all our properties.
- We plant trees to carbon-offset our emissions.

#### What does this mean for Folksam's customers?

It means that the policy-holder can be sure that Folksam is genuinely green and that the insurance choices that have been made have as little impact on the environment as possible. In addition, Folksam helps the customer to make more active choices, showing how it is possible to save energy in the home and what building materials are most environmentally friendly. The policy-holder is given a more environmentally friendly\* car if something happens to their own vehicle.

\*Folksam has had a vehicle policy containing environmental and safety requirements for customers' replacement vehicles and for the vehicles the company owns since 1998. The requirements are adjusted every year. The environmental requirements are based on EU requirements for carbon dioxide emissions and the safety requirements are gradually adapted to improved standards in the automotive market.

#### Folksam's total footprint

A growing carbon footprint means that a company tries to measure more and more of its climate impact. And Folksam's footprint is growing. The total footprint for 2011 was measured as 3,975 tonnes CO<sub>2</sub>e. This is an increase of 122 tonnes from the previous year. This is principally due to the year's carbon footprint including three new items from the head office at Tullgården, namely coffee and paper consumption and emissions from printed matter. Together they amount to 143 tonnes CO<sub>2</sub>e (carbon dioxide equivalents), which means that all six greenhouse gases, not just carbon dioxide, are included in the calculations of emissions. Folksam endeavours to carbon-offset more and more items every year. Other emissions are also slightly more than offset, for example for the climate impact of vehicles that do not fulfil Folksam's environmental and safety requirements and for printed matter.

### CO<sub>2</sub>e contains all six greenhouse gases

#### Emissions per activity and comparison with previous year, tonnes of CO<sub>2</sub>e

Activity	2011	2010	2009*
Road travel	800	843	944
Air travel	940	838	989
Rail travel	0,003	0,22	Not included
Heating	2 075	2152	2226
Electricity consumption	17	19,4	620
Printed matter	64	Not included	Not included
Paper	65	Not included	Not included
Coffee	14	Not included	Not included
<b>Total</b>	<b>3 975</b>	<b>3 853</b>	<b>4 779</b>

\*In 2009 calculated only in tonnes of CO<sub>2</sub>.

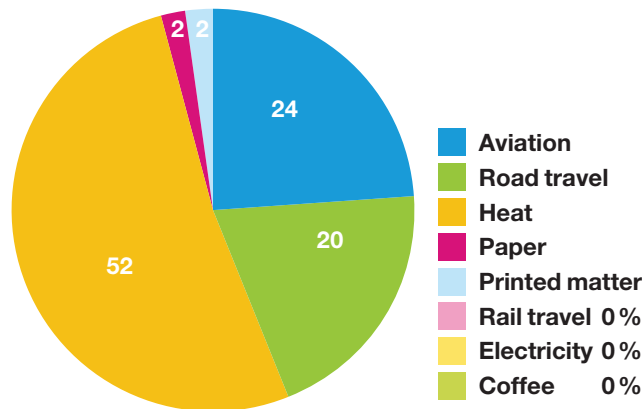
## Folksam's total climate impact classified by activity

### Consumption of heat

Consumption of heat represents the greatest climate impact from Folksam's operations, totalling 2,075 tonnes of CO<sub>2</sub>. It accounts for 52% of the total footprint and has been reduced by 77 tonnes. This is despite Folksam's property stock having increased during the year. The decrease is partly due to Folksam working actively to improve efficiency and reduce heat consumption. The company switched from oil heating to district heating for certain properties. It is therefore of great significance how we heat our properties, and we are therefore working in the long term to replace fossil fuels.

At the same time, Folksam has an explicit strategy to increase the proportion of properties in its investments, and also increased our property stock by 22,000 sq.m in 2011 in comparison with the previous year. The outdoor climate also has a climate impact, as well as how energy-efficient the properties are. Folksam's combined strategy is to continue with the work of improving the efficiency of and economising on energy use in our properties. This is done by continuously identifying, planning and implementing various energy efficiency projects.

### Emissions by activity in 2011 in percent



## Car repairs

Car repairs are among the activities at Folksam with the greatest impact on the environment. To reduce the environmental impact in vehicle repairs, Folksam re-uses genuine parts and repairs plastic parts and windscreens and windows rather than using new replacement parts. This practice contributed to avoiding a waste mountain of 1,231,796 kg during the year.

Re-using and repairing instead of buying new does not just represent a gain for the environment but is also a good deal for Folksam. By working this way Folksam saved SEK 118,131,315 in repairing damaged cars in 2011. Re-use in connection with vehicle repairs has resulted in a total saving of SEK 750 million in the past eleven years, which we can instead spend on improvements for our customers.

## We avoided a waste mountain of 1,232 tonnes

### Subcontractors

Vehicle workshops	2011	2010
Number of partners	1 284	1 161
Number of environmental requirements	44	44
Number of partners totally fulfilling requirements	687	579
Proportion of partners totally fulfilling requirements	54 %	50 %

Vehicle disassembly plants	2011	2010
Number of partners	11	15
Number of environmental requirements	60	60
Number of partners totally fulfilling requirements	9	13
Proportion of partners totally fulfilling requirements	82 %	87 %

## Capital investment

The Board of Folksam General has issued an instruction for the company, in addition to investment criteria, as described under "Responsible ownership" on page 23, to also implement the following exclusion criteria for investment as part of the Good Environmental Choice ecolabelling:

- Weapons
- Alcohol
- Coal, nuclear power and uranium

### Global Compact

Folksam has been a signatory to the UN Global Compact since 2002, and is the first Swedish insurance company to be so. This is an international initiative based on ten international principles in four areas:

- Human rights
- Labour
- Environment
- Anti-corruption

## Purchasing

Folksam is a large purchaser with large volumes in both the operation of the company and its claims activity. The way in which we work on purchasing issues therefore has a great impact on the suppliers we choose to work with, and our vision of a sustainable society affects our requirements and our approach.

In 2010 the purchasing organisation was scrutinised, leading to a centralised and coherent purchasing operation in which have gained greater power in the form of accumulated experience and control. By gathering together the 20 purchasing services previously dispersed around the organisation into group-wide processes and routines, more time can be made available for strategic activity.

Work began in 2011 on developing strategic and long-term targets for our purchasing activity, which provides a good basis for the sustainability requirements to be met by our suppliers to be revised and followed up systematically. Clear management of requirements, overseen from Group management down to actual purchasing, guarantees that we practise what we preach. Substantial work was done in 2011 towards a more precise and correct follow-up of the key indicators that guide our purchases. By presenting the results of our work in well thought-through indicators, relating for example to the environment, we can follow up our contribution to our corporate vision and the Group can make active choices in the direction of long-term goals.

Folksam attaches great importance to environmental performance and good working conditions in the production of the products and services we purchase. Our principal aim is to prioritise suppliers and products that are environmentally certified.

To allow an assessment to be made, we therefore require the company's environmental work to be reported.

1. Does the supplier/product have environmental certification such as ISO 14001, Good Environmental Choice, the Nordic Swan, TCO, FSC\*, (See also ecolabels at <http://www.konsumentverket.se/miljo/markning>)
2. Does the supplier comply with the UN's ILO conventions regarding human rights, and does the supplier have documents concerning responsibility and influence in its operations (sustainability reporting).

\*There are services/sectors/products where there are no labels as yet, and we can make exceptions in these cases.

An example is our restaurant at the head office in Stockholm, which holds KRAV certification and where 80% of all the coffee served is organic and certified as Fair Trade.

## Property management

Folksam Fastigheter works actively on environmental and energy issues in administration, projects and acquisitions. We engage the services of Newsec for managing around half our property stock. Newsec has ISO 14001 environmental certification. Folksam works towards classifying its buildings under the Miljöbyggnad (Environmental Building) and GreenBuilding systems. Miljöbyggnad means that properties are designed for Swedish conditions as a simple and cost-effective method of classifying buildings without compromising on quality. The system can be used for both new and existing buildings, regardless of size. Miljöbyggnad is administered by the Swedish Green Building Council, and the indicators that govern the classification are energy use, indoor environment (sound, light, radon, moisture etc.) and the presence of particularly harmful substances.

GreenBuilding is based on reducing the property's energy use by 25% or having energy use that is 25% lower than the requirements for new buildings. No other requirements are stipulated.

In 2011, some further properties with high energy consumption underwent more detailed energy analysis

to find measures that can make their energy use more efficient.

## Wind power 2012 – the next step

Gnosjö Energi AB is a wind power company wholly owned by Folksam. Gnosjö Energi consists of four turbines located in Kulltorp with a total output of 10 MW, equivalent to the annual heating of around 1,000 detached houses.

In 2011, Folksam also became a partner in another six wind farms with 47 wind turbines in central and northern Sweden. These wind turbines are estimated to be capable of generating a total of 0.26 TWh of electricity annually to heat 13,000 electrically heated houses.

In 2011, Folksam reviewed the possibility of supplying its directly owned properties with own-production wind power. This work is continuing in 2012.

In November, a larger property was also converted from electric and oil-fired boilers to district heating, which signifies a decrease in oil use of around 2,000 litres per year.

In Folksam Fastigheter's first completely new-build apartments, in Fruängen outside Stockholm, each apartment was equipped with individual metering of heating, electricity and cold and hot water with the aim of reducing energy use.

## Energy consumption

The energy use comes from a large number of properties owned by Folksam, principally offices and residential properties in Stockholm but also in other parts of Sweden. From the legal point of view, Folksam consists of the following four legal entities which are included in the consumption figures.

- Folksam Life/Life (wholly owned properties)
- Folksam Life/KP (formerly Gyllenforsen, of which Folksam owns 71%)
- Folksam General (wholly owned properties)
- KPA Pension (of which Folksam owns 60%)

In comparison with 2010, consumption of building electricity decreased by 6.7 kWh per sq.m, from 32 kWh per sq.m to 25.3 kWh.

## Consumption of building electricity fell by 6.7 kWh per square metre in 2011

### Electricity consumption

All supplies of electricity to Folksam are wind power-generated electricity of specified origin. Calculated emissions from Folksam's consumption of electricity totalled 17 tonnes of CO<sub>2</sub> in 2011, which is 2.4 tonnes less than in the previous year.

## We emit 2.4 tonnes less of CO<sub>2</sub>

### Official travel

Official travel accounts for 24% of our total footprint, and has increased in comparison with the previous year. On the other hand, emissions from activities other than air travel have decreased.

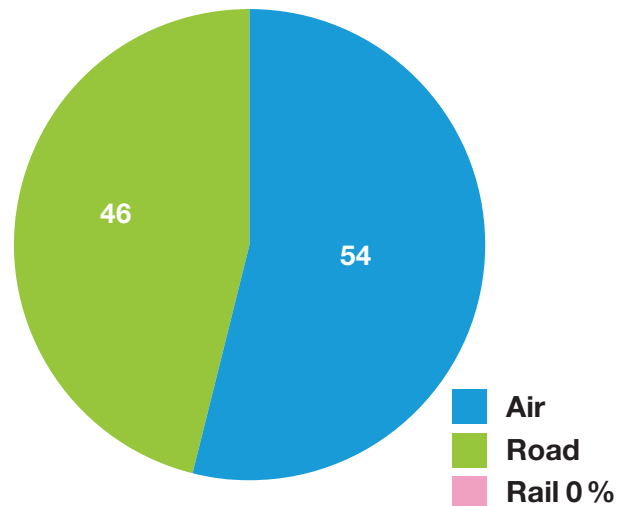
Folksam introduced a completely new sales and adviser agreement in March 2011, under which many agents who previously operated under an agreement without mileage and travel reimbursement were now included, which may be a contributory factor in the increased emissions from air travel. During the autumn a major initiative was implemented for staff advice (see page 13 "Beneficial conditions create security and motivation"). This involved a group of advisers travelling around the country to meet staff in order to run through savings and insurance – this too may have contributed to an increase in the number of flights during the year.

We will analyse our air travel in depth in 2012 in order to create a better basis on which to reduce air travel in future years.

More people travelled by train in 2011 than in 2010, but the increase was marginal, from 1,729 to

1,784. The number of kilometres driven in car journeys for Folksam, including KPA Pension, decreased from 5,187,440 in 2010 to 4,876,800 in 2011. Folksam is able to influence what cars are driven by senior executives and those who are obliged to drive as part of their work. These cars met Folksam's strict requirements for environmental and safety performance.

### Climate impact broken down by mode of transport in per cent



### Reduced paper consumption

Folksam has been working on IT from various environmental perspectives for many years. The company's ambition is to be well to the fore in environmental awareness in the area of IT.

As a result, we have virtualised our server farm and have consequently eliminated a large number of servers in our computer centre, which among other things has reduced the energy requirement.

All workstations are also ecolabelled, including computers, monitors, printers and mobile phones. This is now based outside Folksam's operations, and we act as a specifier. Folksam also has contracts that enable us to dispose of old machines for recycling in an environmentally correct way through our new partners.

The principal activity for 2011, apart from outsourcing workstations, was to replace all printers. The printer replacement work that was carried out affects our capability to achieve long-term sustainability, firstly because we switched to two-sided printing and secondly because the default setting is now black-and-white. In addition to this, unnecessary printouts were minimised by requiring staff to have their pass card with them to authorise printing.

As a result of outsourcing workstations, we will gain access to more modern technology, which will mean more energy-efficiency equipment. In connection with the outsourcing of various operations, a purchaser organisation is being set up in relation to the supplier concerned to ensure that agreements entered into are respected.

Folksam should, however, also have internal rules and work more systematically on environmental aspects of ordinary work processes in IT. The aspiration was to implement this work in 2011. However, other priorities, as described above, have taken precedence. The next stage will therefore be efforts to clarify the need for governing documentation on Green IT through clear guidelines in our ordinary work processes on how greener IT operations could be achieved.

### Reduced quantity of printed matter in Folksam

Folksam succeeded in reducing the quantity of printed matter in 2011. The aspiration is for Folksam in the longer term to reduce the quantity of printed matter much more, and customers are to be given an opportunity to choose to receive insurance terms and invoices digitally. A preliminary study on this was carried out in 2011. This work will continue in 2012 and 2013.

### How we progress towards our vision

Folksam's direct impact on the outside world and as an employer is described in the sections "Our direct impact" on page 16 and "Our staff," starting on page 12. As a customer-owned company, Folksam is concerned about what its customers are concerned about, and therefore also pursues sustainability issues at strategic level, for example through road safety research, investment criteria and consumer information.

# More than insurance

## Folksam Tests

Folksam examines and tests the products and materials we and our customers use in our everyday lives. This means everything from cars and outdoor paints to building boards and heat pumps. In Värmeguiden (Heat Guide) Byggmiljöguiden (Building Environment Guide) and Färgtestet (Paint Test) we provide a picture of the quality and environmental performance of these products. We do so in order to safeguard the environment and reduce the number of claims and costs both for ourselves and for our customers.

## Värmeguiden (Heat Guide)

We have monitored damage to heat pumps for over ten years. The reason for this is that heat pumps fail too often and too early. This is also clearly apparent in the claim results for 2011, which cover claims made in 2010. Heat pumps are very often a costly investment for a home-owner – an installation that can provide a detached house with both hot water and heating can cost SEK 150,000-200,000. The buyer therefore ought to be able to anticipate having no problems over a fairly long period of time. This is not always the case, and many installations fail even before they are five years old.

We do not consider that the manufacturers take sufficient responsibility for quality. They “do not have time” to test new models sufficiently before they are placed on the market. In addition to poor quality, serial faults are common. Claim costs have now reached such a level that in five years claims totalling SEK 1 billion are lodged with insurance companies. Heat pumps are a good environmental and energy choice, but they can only save energy if they work. Folksam is therefore continuing to monitor development and help our customers to make better choices. The result, with lists of different makes, is published on the Folksam website so that our customers can be helped in making more sustainable choices.

## Road-safety work

### Everyone benefits when roads are made safer

Road traffic accidents entail heavy losses for public health and the economy, but above all for individuals.

Folksam has more than 30 years of experience of research in the area of road safety, with the emphasis on studies of accidents that have actually occurred. The knowledge provided by Folksam road safety research is applied to save lives on the roads. Fewer road-traffic injuries also mean lower costs of claims and therefore lower premiums for motor insurance, which benefits Folksam’s customers.

### Research contributes to fewer injuries

A large part of Folksam’s research is focused on surveying the level of safety of different cars and their protection systems. The results are used, among other things, to inform and influence the public, businesses and the public sector regarding the importance of prioritising safety when buying vehicles. The number of people killed on Swedish roads has fallen sharply in recent years, to between 300 and 400 people annually. Preliminary figures for 2011 indicate 314 fatalities, which is a small increase compared with 2010 (266 deaths), but still the lowest rate of road-traffic fatalities in the world. A significant factor in the decrease that has occurred in recent years is the favourable trend in vehicle safety. For other groups of road-users there has in general been a small increase in recent years.

### In-depth studies of crashes lead to greater knowledge

Folksam conducts in-depth studies of crashes to gain increased knowledge of how and why injuries occur in road-traffic accidents. The results of the in-depth studies make it possible to analyse how injuries in road traffic accidents could be avoided in the future.

Folksam’s crash data have been used as a basis for the development of the crash test programmes used to evaluate the ability of cars to protect against whiplash injuries, and for the development of protection against whiplash injuries by several manufacturers.

The in-depth studies examine data from black boxes, which register the impact forces in a collision, combined with detailed information about injuries, the course of events in the crash and the deformations suffered by the vehicle. The emphasis is on injuries that lead to death or incapacity. These are the only studies of their kind in the world.

Between 1992 and 2011 Folksam installed around 280,000 black boxes in four different makes of vehicles in Sweden. In May 2008 the company launched a new black box that measures impact forces in several directions and with greater accuracy. By 2011 the new box had been installed in around 40,000 vehicles. The figures are based on the number of units ordered.

### Steady improvement in whiplash protection in cars

Since 2003, Folksam has presented crash test results showing how well different models of car protect against whiplash injuries in rear-end collisions. The latest crash-test results were presented in 2010. But since 2005 Folksam has also analysed how well the whiplash protection provided by cars works in real collisions. Cars equipped with special protection against whiplash injuries have half as many injuries leading to disability than cars without (launched over the same period of time, 1998-2010). The protection systems have also generally proved more effective for men than for women. It is therefore important to continue to analyse the problems associated with whiplash injuries to obtain more effective protection, particularly for women. Folksam is consequently taking part in a major international EU-funded project aimed at analysing this and developing a female crash dummy to be used in developing new forms of protection.

### **Importance of setting strict requirements for new cars**

Since 1997, Folksam has annually presented a "Safe and Sustainable" policy that applies to the procurement of its company and staff cars. It also covers replacement cars for Folksam's insurance customers which they are given if their own cars are damaged. In the 2011 list of cars, 14% of all models met Folksam's environmental and safety requirements. The purpose of the policy is to influence new-vehicle sales to reward the very best cars from the point of view of safety and the environment. In October 2011, a seminar was held for car buyers in municipalities, county councils and large companies, with the aim of informing them about the importance of setting strict requirements for safety and the environment in their procurement of company and private cars. Experts from the Swedish Transport Administration, the Swedish Society for Nature Conservation, the motoring section of the newspaper Dagens Nyheter and Folksam spoke at the seminar. The seminar took an in-depth look at what requirements should be set for new cars and what development can be expected in the future in car safety and the environmental performance of cars.

In order to encourage private car buyers to choose cars that are the very best from the point of view of the environment and safety, Folksam in June presented a new insurance solution in which premiums are reduced by around 10 per cent on a number of vehicle models that fulfil strict requirements for safety and environmental impact. This insurance solution is in line with Folksam's Safe and Sustainable policy.

### **Can financial incentives persuade car drivers to drive more safely and in a more eco-friendly way?**

In the spring of 2011, Folksam, MHF, SalusAnsvar and the Swedish Transport Administration initiated a research project aimed at creating a safer traffic environment. The project is to evaluate the possibility of persuading drivers to alter their behaviour and drive in a safer and more eco-friendly way, with the aid of a financial incentive – lower premiums.

The project covers a test group of 250 private motorists. The drivers in the test group were offered discounts of up to 30 per cent on their ordinary insurance premium with SalusAnsvar if they drove safely. The idea is that it should pay to drive responsibly – the greater the distance driven within applicable speed limits, the higher the discount on the insurance premium. Driving is assessed using GPS technology fitted in the test drivers' cars. The test will continue until June 2012 and Folksam is responsible for its evaluation.

### **How safe are cars in 2011?**

In conjunction with one of the largest road-safety conferences in Sweden, the Tylösand Seminar, which was held in August 2011, Folksam presented a follow-up of "How safe are cars?", which showed the crash safety of cars based on real-life accidents. The study points to impressive improvement in the crash safety of cars. If present-day cars are compared with models launched in the 1980s, the risk of being killed in a car has fallen by 90%. If everyone chose from among the safest models on the list, the number of injuries leading to disability would be reduced by around 30%.

The Toyota Avensis 2003-2008 came top in the study together with the Volvo S60/V70/S80 1998-2006, both around 32% safer than the average.

### **Substantial under-reporting for cycle accidents**

Folksam presented data on cycle accidents with the aim of raising awareness that they account for a large proportion of the road-traffic injuries that occur, and the consequences of accidents involving cyclists therefore ought to be given higher priority in society. Accidents involving cycles cause just as many permanent injuries as car accidents, but this has not previously been visible in the statistics. National data have previously been based on accidents reported to the police, but since about a year ago they have been based on data from hospital accident and emergency departments. Accidents involving single individuals and their consequences have consequently become visible to a greater extent.

Under the old way of describing the consequences of injuries there were around 2,000 seriously injured car passengers and 300 seriously injured cyclists per year. Under the new way of evaluating the consequences of road-traffic accidents there are just as many injuries leading to loss of health on cycles as in car accidents, 1,700 per year for each group.

### **Lower safety in tradespeople's vehicles**

A study showing that vehicles that are often driven by tradespeople have a substantially lower level of safety than other cars was presented in December 2011. They largely lack the safety equipment that is standard equipment in ordinary cars. In addition, they are given lower priority in the crash tests of Euro NCAP. None of the vehicles included in the study met the requirements set by Folksam for ordinary cars. An example from the study was that only 37% of these vehicles had anti-skid protection as standard, compared with 98% of cars. Folksam pointed out that this was a serious working environment problem.

### **Poor crash safety in collisions with elk**

Every year, around 7,000 collisions with elk occur on Swedish roads. In October 2011 Folksam presented a study that showed that it is difficult for modern cars to cope with a collision with an elk at a speed in excess of 80 km/h without great risk of death or serious injury. The study covered both the results of real-life accidents and five collision tests, and also shows that the problems with accidents involving wildlife can be reduced by car manufacturers improving the roof structure and introducing automatic braking systems that can identify large wildlife.



# Responsible ownership

We at Folksam firmly believe that companies that take responsibility for the environment and human rights are more profitable in the longer term. Therefore, through our criteria – the environment, human rights and anti-corruption – we influence the companies we invest in. On the other hand, there are companies we have deliberately chosen not to invest in, regardless of how small their environmental impact is or how good a working environment they have. The exclusion criteria are tobacco and illegal weapons such as cluster munitions, anti-personnel mines and nuclear weapons. These criteria apply to all the companies in Folksam, with one exception. The subsidiary KPA Pension has decided on even tougher exclusion criteria: it does not invest in the tobacco industry, the weapons industry, the alcohol industry or the commercial gambling industry.

In 2011, Folksam General became the first insurance company to be granted the Good Environmental Choice ecolabel – see also page 16. This means for Responsible Ownership that the previous exclusion criteria have been expanded to include alcohol, all weapons, tobacco, coal-fired power, uranium and companies that infringe human rights.

Folksam has around SEK 285 billion under management on behalf of just over four million customers. This empowers us to exert influence and bring about long-term change in society. All the assets Folksam manages, regardless of whether they are funds, insurance portfolios or personal savings, are covered by ethical investment criteria.

Folksam's work to persuade companies to take social responsibility is very much a public affair, because we believe that knowledge contributes to positive change. Folksam annually publishes reports and indices in which we present information on the companies' performance in areas such as the environment, human rights and gender equality.

## UN principles guide Folksam

The UN Principles for Responsible Investment (PRI) are a UN initiative launched in 2006 and aimed at introducing sustainability issues into the investment process for institutional investors and pension managers. Folksam was the only Swedish investor to take part in drawing up the guidelines, which apply to the environment, social issues and corporate governance (ESG issues). Folksam was also one of the first investors to endorse the principles.

In this year's sustainability report we have chosen for the third year in a row to report the year's events based on these principles to clarify how Folksam fulfils its commitment as a signatory to PRI.

## Principle 1

*Folksam will incorporate ESG issues into investment analysis and decision-making processes.*

Ethics influences all investments Folksam engages Swedbank Robur as asset manager for large parts of the assets under management and for the ethical screening of all investments. Folksam also engages independent consultancies for various analyst services. This analysis forms the basis for decisions on which companies Folksam invests in and which companies Folksam chooses to conduct a more in-depth dialogue with.

Folksam votes both for and against share-related reward schemes. We report when we vote against, otherwise we vote in favour.

During the year's Swedish AGMs, Folksam made use of its right to vote against four companies' proposals for variable remuneration. In addition, a dialogue was conducted with further companies who intended to introduce this type of scheme. The information on remuneration systems supplied to shareholders has been substantially improved in recent years.

It is now the exception rather than the rule for companies not to include relevant information in their annual reports on share programmes, fixed and variable pay, and pensions to senior executives. This is largely a result of the debate conducted by companies such as Folksam. A summary of the AGMs can be found on the Folksam website.

### **Dialogue helps companies to see the business potential in sustainability issues**

Folksam's efforts to influence companies on sustainability issues are focused firstly on reducing the risks associated with environmental breaches, contraventions of human rights and corruption, and on making more people see the business potential of corporate social responsibility. This is done in part through active corporate governance.

In 2011, the operations of 2,632 companies were reviewed, focusing on their performance in relation to the environment and human rights. Folksam's 20 largest holdings were contacted and meetings were held during the year with six of these. In addition to these, 52 Swedish companies were identified that were at greatest risk of being involved in incidents relating to the environment and human rights. Seven companies were selected, and meetings and teleconferences were held to examine the companies' risk situation. The review has resulted in several companies restructuring and improving their environmental activities or the way in which they work on human rights following a dialogue with Folksam. Several companies have previously found that a focus on sustainability issues had meant cost savings, for example in the form of energy efficiency improvements. One company experienced quality improvements in production when demands were made with regard to working conditions at subcontractors.

## **Principle 2**

*Folksam will be an active owner and incorporate ESG issues into its corporate governance policy and practices.*

Folksam's boards have established a corporate governance policy and ethical investment criteria for the companies' holdings. These activities are followed up by an internal corporate governance committee. The result is reported to the boards.

### **Folksam in dialogue with listed companies following incidents**

Folksam tries as far as possible to influence the companies we invest in, particularly those companies that have problems in dealing with the environment or human rights.

Some examples:

#### **BP**

Since BP's oil spill in the Gulf of Mexico, which started when the Deepwater Horizon oil platform exploded and sank on 20 April 2010, Folksam has had an ongoing dialogue with BP. In 2011, Folksam met representatives of BP on several occasions and also took part in videoconferences and teleconferences arranged by BP. Folksam also contacted several partners of BP, suppliers and environmental organisations following the incident in the Gulf of Mexico.

#### **Lundin Petroleum**

Folksam invests in Lundin Petroleum. The company was the focus of media attention in 2011 because of the imprisoned Swedish journalists, the company's links to the province of Ogaden in Ethiopia and the preliminary investigation that was launched at the International Public Prosecution Office in Stockholm. Contacts between Folksam and Lundin Petroleum therefore continued in 2011, principally by e-mail and phone calls but also by Folksam attending seminars and meeting non-profit advocacy groups to discuss the issues that had been raised.

#### **Securitas**

Folksam was in contact with this company during the year because of the allegations levelled at the company concerning working conditions at a Securitas joint venture in India. Folksam learned of Securitas' response to the allegations of infringements of human rights by e-mail and through phone calls and teleconferences and is continuing to monitor the issue.

#### **TeliaSonera and Ericsson**

These companies were linked to infringements of human rights in connection with regimes that had bought equipment from the Swedish companies having used it for phone-tapping, monitoring and tracking down political dissidents. Contacts with the companies will continue over the coming year.

### **Folksam in dialogue with foreign companies**

#### **Folksam votes at AGMs abroad**

Folksam has also used its influence to vote at AGMs abroad since 2005. This takes place through electronic voting. In 2011, Folksam voted at 57 company AGMs. To make correct use of its influence, it is important to ascertain what issues are of significance with regard to Folksam's corporate governance policy and ethical principles. Folksam has therefore chosen to limit the number of companies in which we vote to those that have relevant proposals on which to comment. These may relate to inappropriately designed salary systems, contributions to political organisations or proposals from shareholders. For example, Folksam voted for a report on efforts to reduce the risk of accidents in Marathon Oil, a plan to reduce the number of animal experiments in General Electric and against BP's report on remuneration for the company's executives.



In the 2011 AGM season Folksam was represented at one AGM outside Sweden, in this case Statoil in Norway, where Folksam again supported a proposal from Greenpeace concerning an end to activities concerning the extraction of oil from oil shale. Folksam was also able to follow the AGM of the oil company BP from London by video and phone link and voted remotely.

#### **Class actions**

In 2008, the Department of Responsible Ownership took over work on Folksam's American class actions. In 2011, Folksam received a total of nearly SEK 5 million. Enron and Royal Dutch Shell are examples of companies that have now had to agree to pay their shareholders compensation after having published incorrect and misleading financial information.

#### **Principle 3**

*Folksam will seek appropriate disclosure on ESG issues by the entities in which it invests.*

#### **Sustainable value creation**

Since 2009, Folksam has been one of 14 Swedish investors to take part in the Sustainable Value Creation project, with a view to putting pressure on Swedish listed companies to achieve sustainable development and create long-term value. For the second year in a row, in the autumn of 2011, the Sustainable Value Creation project conducted a questionnaire-based survey among the 100 companies with the highest market value on the Stockholm Stock Exchange. The aim was to ensure that the companies have adequate frameworks to control and follow up sustainability issues. The results were presented in a report in January 2012.

#### **Folksam takes part in the debate**

The Prime Minister of the United Kingdom, David Cameron, arranged a British-Nordic-Baltic Summit at 10 Downing Street in London on 20 January 2011.

Leaders from the United Kingdom, Iceland, Lithuania, Finland, Latvia, Estonia, Sweden, Norway and Denmark gathered for a two-day summit to discuss how best to promote economic growth, enterprise and job creation. Folksam was part of the Swedish delegation.

#### **Debate on gender equality in the Swedish Parliament with Liberal Women organisation**

Folksam took part in a debate in the Riksdag, the Swedish Parliament, and round-table discussions together with the women's association of the governing alliance in order to discuss professional, gender-equal, profitable companies/boards without quotas.

#### **Principle 4**

*Folksam will promote acceptance and implementation of the Principles for Responsible Investment within the investment industry.*

#### **Folksam informs external funds**

Folksam distributes the funds of several different fund management companies. It informs its customers which of the companies offered have signed up to the UN Principles for Responsible Investment (PRI). Folksam's Group management adopted a policy for externally managed funds in 2010. In the case of all funds, the fund management companies engaged by Folksam must be encouraged to sign up to the Principles for Responsible Investment. Folksam will continuously inform external companies about the exclusions that have been made on the basis of Folksam's ethical investment criteria and ask for information on how the company acts on the basis of this information. An additional requirement in the case of ethical funds is that they meet the conditions laid down by the "ENF" (the Ethical Board for the Marketing of Funds). Ethical funds must have a well-defined selection process and clearly presented ethical criteria. The work on this began in 2011, when meetings with the fund management companies were booked for 2012. Folksam reports which external fund management companies have signed up to the PRI in its fund brochure and on its website.

#### **Principle 5**

*Folksam will work together with other investors to promote use of the Principles.*

#### **Nordic cooperation for corporate social responsibility**

Folksam has cooperated since 2008 with the insurance company Norska Liv, the life insurance company KLP and the Finnish pensions company Ilmarinen, in Nordic Engagement Cooperation (NEC). The purpose of NEC is to coordinate corporate governance activities for the environment, human rights and anti-corruption. The focus is on companies where contraventions of international guidelines and conventions have been observed. In 2011, NEC was in dialogue with ten different companies, all of which are based outside the Nordic region.

#### **Folksam takes part in international investor cooperation to check on working conditions in the chain of suppliers.**

Folksam took part with 13 other investors from various countries around the world in a joint project coordinated through the secretariat for Principles for Responsible Investments in London. The group of investors, which has total investment capital of 570 billion dollars, contacted 55 listed companies around the world due to their lack of a code of conduct for subcontractors or an internal policy for the human rights of employees.

The letters were then regularly followed up by teleconferences with representatives of the group of investors where the issue of human rights in the supply chain was addressed. The issue of companies not just taking responsibility for their own employees but for what happens at the next stage in the chain is a matter that is becoming increasingly important to follow in a globalised world.

### **Folksam takes part in international investor cooperation for gender equality**

The nine investors who joined forces in a new gender equality initiative in 2010 continued their work in 2011. The group of investors, which includes Folksam, has identified gender equality as a strategic issue and has asked for more information about gender equality efforts in 65 selected listed companies. These companies are based in those countries in which the investors are domiciled, in other words Sweden, the United States, Canada, the United Kingdom, Brazil and Italy.

Folksam has held meetings with nine of the ten Swedish companies included in the initiative. This has resulted in one company having introduced a gender equality policy and another having updated its policy.

All the investors in the group have signed up to the UN Principles for Responsible Investment (PRI), and cooperation takes place under the PRI Clearinghouse.

### **Global Network Initiative**

In 2011, Folksam was accepted as a member of the Global Network Initiative (GNI), an international organisation whose purpose is to work to safeguard human rights in IT and telecoms. GNI was founded by the IT companies Google, Microsoft and Yahoo after they had been heavily criticised for their operations in China. Folksam's aim in becoming a member of GNI, as an investor in IT and telecom companies, is to be able to draw the attention of these companies to what impact they have on freedom of expression and internet privacy and what responsibility they should take. Another aspect of this work was a conference organised by the Ministry for Foreign Affairs, in which Folksam contributed by providing contacts. The CEO of Folksam was one of the speakers. Also represented were Folksam's Department for Responsible Ownership, as well as the Ministry for Foreign Affairs, telecom companies, investors and various advocacy groups.

## **Principle 6**

*Folksam will report on its activities and progress towards implementing the Principles for Responsible Investment.*

### **A cat among the pigeons – a blog on corporate governance**

Folksam's Department for Responsible Ownership has run the blog A Cat Among the Pigeons ([www.agarstyrning.folksamblogg.se](http://www.agarstyrning.folksamblogg.se)) since 2009. This blog continued in 2011 and was also supplemented by a twitter account, @etikkkatten, where the latest updates are regularly published.

### **Sharing information**

Both internal and external presentations on how we work on Responsible Ownership were made in 2011. We also organised a full-day training programme on how ethical investments are made and companies are influenced in practice for two international advocacy groups and were also interviewed by students and researchers for academic research papers and theses.

### **Shopping guide helps consumers to exert influence**

In 2011, Folksam published the fourth edition of its Shopping Guide, which ranks Swedish listed companies' focus on consumer market work with environmental and human rights issues. As a shareholder in these companies, Folksam requires them to improve on both these fronts. The Guide now provides further opportunities for individual customers to make a difference and shop responsibly. In the Shopping Guide consumers can also put questions to the listed companies, which Folksam subsequently forwards. The replies from the companies are then published together with the Shopping Guide.

### **Analysis of corporate social responsibility**

The Folksam Index of Corporate Social Responsibility was presented for the fifth time in 2011. Atrium Ljungberg was ranked highest for its work on human rights and SKF came top for its environmental work for the fifth report in a row. Atrium Ljungberg and SKF gained the highest combined ranking for human rights and the environment. As on previous occasions, the materials industry came top for both the environment and human rights in a comparison of different industries. The software industry came bottom on the environment and the power supply industry came last on human rights.

It is clear that when the requirements for market value, spread of ownership and turnover are increased, the companies' work on human rights and the environment is better. Large Cap companies scored better than Mid and Small Cap companies.

The Folksam Index of Corporate Social Responsibility is the first survey to analyse the publicly reported work of Swedish listed companies on the environment and human rights. The goal is to inspire more companies to take greater responsibility and become more actively engaged on the environment and human rights.

<b>Folksam Corporate Social Responsibility Index</b>	<b>2011</b>
Number of listed companies reviewed	245
Average score for human rights (out of a possible total of seven stars)	2,18
Average score for the environment (out of a possible total of seven stars)	2,08
Highest ranked on human rights	Atrium Ljungberg
Highest ranked on environment	SKF

### Swedbank

Folksam owns just over nine per cent of the shares in Swedbank. Its objective as a shareholder is for Swedbank to be an independent Swedish bank built on the values that have contributed to building the economic values that exist today in Swedbank and Swedish savings banks, namely healthy everyday economics for private individuals and companies, along with local endorsement. Folksam's view is that these values should continue to be reflected in the bank's operations. Eleven savings bank foundations own just over two per cent and independent savings banks own around nine per cent. A joint declaration on ownership issues has been drawn up between these shareholders, which together hold more than 20 per cent of the shares in Swedbank.

### Folksam's work on Corporate Governance

<b>Folksam's work on Corporate Governance</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Number of companies with which Folksam has engaged in active dialogue	57	77	45	38	41	7	14	13
Number of Swedish AGMs attended by Folksam	42 <sup>1</sup>	39	35	28	21	18	15	15
Nominations committees of which Folksam is a member	3	3	4	2	1			

<sup>1</sup> Includes an extraordinary general meeting.



## KPA Pension – pension funds for a better future

### KPA Pension operates with concern for people and environment

Since 1998, KPA Pension has been working for a sustainable future by taking active responsibility for people and the environment. Corporate social responsibility does not just involve managing all the capital in accordance with ethical investment criteria. This also makes demands on the company, and KPA Pension obviously has to set a good example and practise what it preaches. Work towards secure and ethical pension investments for employees in the municipal and county council sectors therefore has to permeate the whole company.

Concern for people and the environment is a key element in our business concept and is firmly endorsed throughout the organisation. We make conscious efforts to minimise our own environmental impact, create a good working environment for all employees and support various forms of social engagement.

### Strategy for Corporate Social Responsibility (CSR)

In 2011, we revised the corporate social responsibility strategy for KPA Pension to ensure that the strategy is in line with development in the area and with our customers' requirements. Our customers were interviewed in depth on how they view ethics and ethical investments. These interviews showed that the customers link transparency, clarity and objectivity to the concept of ethics. Ethical investments were interpreted as responsible – the money being invested in a good and correct way with respect for people and the environment. In other words, ethical investments are money that safeguards the future. On the basis of this work we clarified the CSR strategy of KPA Pension.

### CSR strategy

- KPA Pension is to be the leading pensions company in secure pensions and ethical investments.
- The strategic focus of KPA Pension is to fulfil the wishes of the owners, social partners and customers for secure and sustainable pensions.
- Sustainable development has to pervade both the internal work of KPA Pension and the products and services offered. This is to generate business benefit and customer benefit, as well as a sustainable future for people and the environment:
  - Our view is that ethical investments bring a more stable and better return as well-managed companies are more secure and, in the long term, more profitable.
  - KPA Pension's ethical position strengthens the brand and attracts more customers in our target group, which results in increased profitability and competitiveness.
- KPA is to be heard and seen in the public debate on secure pensions and ethical investments.
- KPA Pension's work on sustainability has to be transparent – we have to practise what we preach.

### Investments

The combined pension capital in the world has great power, power to change the future and power to influence global sustainable development. It is therefore important how the pension funds are invested. KPA Pension has actively chosen to manage its pension funds according to clearly defined ethical investment criteria. KPA Pension applies the principles of influence and exclusion.

### Rules that influence behaviour

In these areas KPA Pension aims to influence companies so that they take responsibility for people and the environment:

#### *Human rights*

Customers' funds are invested in companies in which human rights are respected. By conducting a dialogue with the companies, we influence them to take greater responsibility for issues that affect human rights.

### *Environment*

KPA Pension invests its customers' pension funds in companies that make active efforts to reduce their negative impact on the environment. We take an active role in developing greener energy by only investing in selected energy companies that work on the development of sustainable energy.

### *Corruption*

KPA Pension will influence the companies we invest in by preventing corruption in its business relations. Corruption is a great problem in many countries, as competition is eliminated, growth is inhibited and social development is curbed.

### **Rules on exclusion**

In these areas, KPA Pension does not invest at all in:

#### *Weapons*

KPA Pension does not invest in activities that harm people and the environment. One such area is weapons. We have defined weapons as products with the purpose of killing, maiming or destroying that are sold to military users.

#### *Tobacco*

KPA Pension does not invest in companies that produce tobacco products. By production of tobacco we mean ownership of tobacco plantations and production of cigarettes, cigars, pipe tobacco, snuff, chewing tobacco and other tobacco products.

#### *Alcohol*

KPA Pension does not invest in companies that produce alcoholic beverages, that is to say beverages with an alcohol content of more than 2.25 percent by volume.

#### *Gambling*

KPA Pension does not invest in companies involved in commercial gambling. We understand commercial gambling to mean casinos and gambling clubs.

### **Importance of change through influence**

One of the most important aspects of our work is actively influencing the companies in which KPA Pension invests. We conduct dialogue with companies so they continuously improve their work and become better at taking responsibility, in particular for human rights and the environment and counteracting corruption. We conduct this work on influence in cooperation with Folksam, and it is reported on pages 23–28.

### **Dialogue as a way of exerting influence**

A practical example of our work on influencing companies to take responsibility for people and the environment is the dialogue we conducted during the year with a number of companies on human rights.

Human rights are one of the influencing criteria in KPA Pension's work on ethical investments. In 2011, KPA Pension contacted 35 companies worldwide in which we are shareholders. All of the companies we selected had been ranked lower for their management of risks of human rights violations than other companies in their sector. The ranking was performed by the ethical consultants Global Ethical Services (GES), which on behalf of KPA Pension examined all the public information available on policies and guidelines, targets and key indicators.

We contacted the selected companies by letter, in which we described how KPA Pension works on ethical investments and stated that the work to promote human rights is a priority area. We also presented the scores the company had obtained and invited the company to take part in a teleconference to discuss how their work had been conducted and what, if anything, they had done beyond what they had reported, and gave them feedback and advice on how they could proceed.

Twenty companies replied to our letter and a total of thirteen teleconferences took place. The companies that took part in the teleconferences came from various sectors, operated in various regions and countries and faced varying challenges. All of the companies were keen to hear what questions and doubts KPA

Pension as an investor might have on these issues. KPA Pension's CEO Lars-Åke Vikberg and representatives of the KPA Pension and Folksam Department of Responsible Ownership took part.

The overarching question put by KPA Pension was how the companies safeguard human rights within the company. More specifically, the questions concerned how the companies deal with working conditions and terms of employment, freedom of association, gender equality, diversity etc. and how they handle these issues at their subcontractors and other contacts.

Most of the companies replied that they have internal guidelines addressing, for example, the rights of employees, in the form of freedom of association, terms of employment and a whistle-blowing function. In some cases the obligations of the employee, towards the company and the outside world, are also addressed, such as codes of conduct on bribery, sexual harassment, equal treatment and so on.

The conclusion from the teleconferences is that human rights are an issue that is of growing significance in an increasingly globalised business operation. At the same time, it is an issue with many dimensions. Work on ensuring that human rights are not infringed in the companies in which KPA Pension invests will continue. The review conducted in 2011 shows that there are wide differences, in particular regarding how companies report on their work, but also in what challenges companies in different parts of the world face in their day-to-day business operations.

### **Investment in properties with good comfort and a good environment**

KPA Pension also has investments in properties, and further properties were purchased in 2011, mainly care homes and residential properties around Sweden. As the pension assets under management increase, there is a need to spread the risk in investments. In this area too it is important to show concern for people and the environment.

Comfort and the environment are a great challenge in KPA Pension properties. Energy efficiency improvements, environmentally correct materials and a good indoor environment are necessary features of modern properties. KPA Pension is to be a good long-term owner of care homes and residential properties, where both the residents and other tenants can feel secure and satisfied.

### **Continued cooperation with UNA Sweden**

During the year, KPA Pension continued its cooperation with UNA Sweden in the battle against land mines, particularly in areas at risk in Cambodia. For the past four years we have been working jointly in the Association's Adopt-A-Minefield campaign, which supports mine clearing and rehabilitation of mine victims. According to UNA Sweden, it costs around 3 dollars to produce a mine, but 300-1000 dollars to clear one. Mine clearance is dangerous and expensive work that takes time, but it is also work that is crucial to positive development.

In 2011, we "adopted" another minefield in order to contribute to another piece of land (23,735 sq.m) becoming free of mines and becoming capable of use by the local population to grow rice and vegetables for their survival. The minefield is in the area of Banteay Mean Chey province, on the border with Thailand, close to the village of Ta Maing. As a consequence of the devastation caused by the Khmer Rouge in the 1970s, Cambodia is one of the countries in the world most affected by anti-personnel mines.

Customers greatly appreciate that KPA Pension has chosen to exclude weapon manufacturing from its investments. In the customer surveys we conduct, the weapon criterion is highlighted as the most important exclusion. Support for the UN's humanitarian efforts against weapons are a natural consequence of KPA Pension's investment strategy.

In 2011, KPA Pension also chose to support the Swedish UNA campaign "Girl", which is aimed at strengthening the rights and opportunities of girls, among other things by opposing child marriage. We also donated money to the UN charity to counteract the deprivation in the Horn of Africa in the wake of the famine disaster.

### **KPA Pension and Folksam are continuing to support research on age-related depression**

In ten years' time one in five people living in Sweden will be between the ages of 65 and 74. Around a tenth of these, or 80 000 people, are expected to have problems with depression. KPA Pension and Folksam are therefore funding a multi-year research project on age-related depression at Karolinska Institutet. The aim of this research is to be able to improve the quality of life of younger pensioners.



## Förenade Liv

### Social engagement for victims of crime

Förenade Liv continued to make active efforts to reduce violence in society in 2011. Violence leads to personal suffering, problems for society and increased costs for insurance policyholders. The aim of this initiative is to raise awareness, reduce risks and create security for customers in the society we live in. In response to wishes expressed by our customers, Förenade Liv in 2011 implemented the following actions, among others:

- Refined communication efforts to make our anti-violence work clearer to our customers
- Seminars to provide customers and staff with further training in anti-violence issues
- Continued to develop work with cooperating partners

### Insurance services for victims of violence

Förenade Liv has had a crisis insurance scheme since 2005, which also applies in the case of domestic violence and without a requirement for reporting to the police. In line with increased information and knowledge on crisis insurance, demand for counselling has also increased. This shows that Förenade Liv should continue to develop anti-violence services and more clearly show its commitment to counteracting violence through education and information.

### Partners in cooperation

2011 was the third year as a cooperating partner of the Safer Sweden Foundation, a politically and religiously unaligned NGO. The purpose of the foundation is to improve the situation of victims of crime, without a profit motive. The overall aim is to reduce crime and improve security in Sweden by ensuring that the victims of crime receive relevant help, support and protection. Förenade Liv is one of around ten partners in cooperation.

### Publications

Since 2007, Förenade Liv has issued the publication *Bryt*, with various themed issues that shed light on violence in society, its consequences and solutions. The aim is to improve knowledge about, and consequently reduce, violence in society. *Bryt* has been highly appreciated among Swedish teachers and students for its content and its potential for use as educational material. The first issue in 2007 was concerned with domestic violence. The second issue in 2008 focused on youth violence in Sweden. In 2009, the third issue was published on the theme of victims of crime, and illustrated how Sweden contravenes human rights in its jurisdiction. In 2011, teachers ordered copies of the publications for use in school instruction.

### Lectures and seminars

To create customer benefit and increase the level of knowledge and involvement among staff and customers, Förenade Liv continuously holds seminars and lectures on anti-violence. Seminars were held in cooperation with Foundation Safer Sweden in Almedalen in 2011. During the year employees and contract partners of Förenade Liv attended a highly appreciated lecture on the effects of violence with Ann Hellströmer, ombudsman for victims of crime, and Magnus Lindgren, Secretary General of the Safer Sweden Foundation.

Förenade Liv's goal is to raise the level of knowledge of our social commitment within Förenade Liv in 2012. The objective is for all staff and a larger proportion of customers to have a good understanding of our social engagement and work on anti-violence issues.

## International cooperation

The following economic, environmental and social declarations, principles or other initiatives are supported by Folksam

- UN Universal Declaration of Human Rights
- UN Convention on the Rights of the Child
- The fundamental ILO conventions on labour rights
- OECD Guidelines for Multinational Enterprises
- Oslo Convention on Cluster Munitions
- Ottawa Anti-Personnel Mine Ban Convention
- UN Global Compact (UN framework for sustainable and socially responsible enterprise)
- UN PRI (UN Principles for Responsible Investment)
- UNEP FI (United Nations Environment Programme Finance Initiative)
- UNEP Statement of Environmental Commitment by the Insurance Industry

### ICMIF

Folksam is a member of ICMIF (International Cooperative and Mutual Insurance Federation) and is represented on its board and various committees. The CEO of Folksam, Anders Sundström, was elected deputy chairman of the ICMIF board during the year.

Our membership of ICMIF gives us an opportunity to follow global trends in the insurance market and a large contact network extending to 70 countries and 221 member organisations.

*ICMIF was started as long ago as 1922, and represents the world's mutual and cooperative insurance companies. Today it has 221 members spread around 70 countries and combined capital of around USD 1.5 trillion.*

### Allnations

Folksam is also a member of Allnations, the purpose of which is to support the development of mutual and cooperative insurance companies around the world. With a comprehensive investment policy in place and under the oversight of an experienced panel of investment experts, Allnations provides a unique opportunity for larger mutual and cooperative companies to extend a helping hand to their smaller counterparts.

The support for Allnations is intended to support the recipients in developing into stronger organisations in the future, to be able to provide greater benefits for their policyholders and to ensure a reasonable return for Allnations shareholders.

Folksam is represented on the Board and until the end of the year is also represented on the Allnations investment panel.

*ALLNATIONS is a limited company founded by six members of ICMIF in 1966. The goal of Allnations is to support development in member companies experiencing financial difficulty, assist in forming new mutual and/or cooperative insurance companies through investments, and ensure that the owners obtain a reasonable return on invested capital.*

### AMICE

Through our membership of AMICE we worked intensively during the year on Solvency 2, perhaps the largest ever reform of the European insurance market. Folksam played an active role in the various working groups in AMICE and in so doing had a major influence. This was of particularly great significance as there are some special features in current Swedish

insurance legislation and how it is applied that make it important to act to support the position of Swedish mutual insurance companies in general and Folksam in particular.

Work in the regulatory and legislative area is being expanded to also cover occupational pensions. This work was begun in 2011, and AMICE is currently developing a structure for active lobbying of the European Commission and EIOPA.

*The primary aim of AMICE (Association of Mutual Insurers and Insurance Cooperatives in Europe) is to act as a united voice for the mutual and cooperative insurance industry in Europe and ensure that its members' interests are respected, in order to ensure equal competitive terms for all insurance companies in Europe, regardless of legal form.*

### EAPSPI

KPA Pension is actively involved in EAPSPI (European Association of Public Sector Pension Institutions), which is a European cooperative organisation between pension institutions with responsibility for public-sector pensions.

### Other international relations

Folksam works in a focused way on sustainability issues, and we contributed by presenting "Bring CSR to life for mutual investors" at a seminar in Madrid.

We contributed to ICMIF's second edition of a report, "Measuring and Reporting Sustainability," which addresses sustainability initiatives among members by pointing to the value generated by measuring and reporting sustainability.



Folksam is committed to a sustainable world in many ways, for example by assisting with exchanges of experience and expert assistance to the microinsurance project CIC Group in Kenya during the year. Folksam and CIC Kenya have a long and good relationship which goes back to the time when CIC was formed over thirty years ago (under the name CIS). We have had many exchanges of experience during this time and have built up a friendship between our companies.

In 2011, we hosted a trainee actuary who was with us for two weeks to see how we work. The purpose of the visit was to point out which actuarial methods and techniques are suitable for use in creating a better and more secure platform for CIC in the actuarial area.

Follow-up then took place on site in Nairobi, when we also looked at how we can assist with our experience in devising a successful and effective customer service and telemarketing department.

#### **Bima ya Jamii**

The microinsurance project Bima ya Jamii, which means "insurance for the family" was concluded during the year. The project was intended to take place over a two to three-year period and began in 2008.

Bima ya Jamii was an innovative microinsurance product that was aimed at low-income earners and vulnerable families in Kenya. The project was one of ten applicants to receive grants in 2008 from ILO and the Bill & Melinda Gates Foundation with the primary aim of reducing vulnerability and risk for low-income earners who do not have access to insurance.

One of the parties to the project decided to add another component to the product, which would entail a substantial rise in price. It was decided to conclude the project in accordance with the original timetable of two years and to clarify a future strategy for the product. Armed with that experience, CIC has devised a microinsurance product of its own which it is now able to launch.

#### **International visits**

During the year we received several international visits with guests/organisations that were interested in our work and our endeavours to help bring about a sustainable world. We received visitors from Denmark, Singapore, Japan and several African countries.

#### **Folksam's involvement in the Swedish Cooperative Centre**

Folksam is a member of the Swedish Cooperative Centre, a non-profit aid organisation whose work is based on the fundamental principle of "help for self-help". We support positive change through financial support, advice and cooperation. But we are not the ones who change the lives of poor men and women. They do this work themselves through study circles, microfinance projects, cooperatives and so on.

Our long-term goal is to continue to be involved in the work of the Swedish Cooperative Centre in order to support sustainable development. We believe in help for self-help, whereby poor people are supported in taking responsibility themselves for improving their lives and their futures.

#### **Folksam's Research Foundation**

The purpose of the foundation is to promote prevention of accidents and disease, rehabilitation and health-promoting scientific research through its own activity or through financial grants. It is primarily intended to make research grants in the areas of Road Safety, Health and the Environment.

Twelve applications for research grants were received in 2011. Six grants were made, including the development of training programmes relating to how emergency services personnel should proceed in rescue situations when electric and hybrid vehicles have collided. The batteries of electric cars may have a voltage of 350–400 Volts, and there may be chemical

and thermal properties of batteries that need to be considered in a rescue situation. This is of significance both to the passengers in the car and to emergency services personnel. The grant for the study was made to a research team at Umeå University.

Another research project grant went to support a post-doctorate position at Chalmers concerned with vehicle safety. This study involves developing a child dummy model that better illustrates the risk of injuries to children in vehicle collisions. The present-day data are based on child crash dummies that are not particularly human-like. The new model is to be capable of simulating human activity in order to primarily evaluate children's interaction with seat belts and child car seats when a collision occurs.

# Community engagement

## Prizes, awards and sponsorship

### Folksam wins Malmö diversity prize

At the 2011 Trade and Industry Day in Malmö, the City of Malmö Trade and Industry Prize for Diversity for 2010 was awarded to Folksam's Diversity Manager Mikael Petersson. The jury's citation reads:

*"When circumstances change and new needs require new solutions, either new companies emerge or established players modernise. The 2010 award winners may have been around for a long time, but they have the characteristics an award winner must have: will, perseverance and the courage to find new ways of working."*

### Union of Russian Associations in Sweden honours Folksam

The Union of Russian Associations in Sweden awarded Folksam, in the person of Customer Service South sales manager Fredrik Olsson, a prize in recognition of our cooperation with the union. The union thanked us for our support and work towards increased integration in its operations. The union also emphasised that: "The initiative promotes cooperation, contributes to meetings and contact between people of differing ethnic background and engages more citizens in becoming active and participating in community issues. The initiative has resulted in greater knowledge of insurance and its significance in Swedish society."

### The "50-watter" prize for Folksam's advertising

Folksam's advertising campaign "For everything you care about" gained an honourable "50-watter" in the "100-watter" advertising competition in which advertising is assessed on the basis of the effect it achieves, not creativity as for example in "Guldägget" awards.

### Folksam sponsor of "3rd Nobel Laureate Symposium on Global Sustainability"

Folksam's ambitions in the area made it a natural sponsor for the 3rd Nobel Laureate Symposium on Global Sustainability arranged, by the Royal Swedish Academy of Sciences and the Stockholm Resilience Centre, among others. The theme of the symposium can be briefly described as follows:

"Climate change, reduced biodiversity, degraded ecosystems, poverty and a constantly increasing population are factors that all contribute to reducing the resilience of our planet, which could have disastrous consequences for humanity.

Each of these problems has been highlighted by the international community, but almost always separately and not taking account of the interaction between them."

The symposium, which was thus interdisciplinary, was attended by more 40 of the world's leading thinkers and experts in the environment and sustainable development. Around 20 former Nobel Prize winners, climate researchers and top politicians from around the world came together for the symposium.

A final document, "The Stockholm Memorandum", was presented and can be read at [www.stockholm-resilience.org](http://www.stockholm-resilience.org)

### KPA Pension honoured by Sustainable Brands

KPA Pension was named Sweden's most sustainable brand in the financial industry for 2012. This followed the largest sustainability survey of brands in Sweden, Sustainable Brands. KPA Pension rose from fourth place in 2011 to first in its sector when 22 companies were assessed by a representative selection of just over 8,000 people across the country. On 19 March the CEO of KPA Pension, Lars-Åke Vikberg, also re-

ceived an award from Sustainable Brands for his top ranking. At the same time, Folksam Life was named the country's third most sustainable brand in the financial industry.

### The Gothenburg Award

The Gothenburg Award for Sustainable Development is an international prize to highlight sustainable development initiatives. The prize was awarded for the first time in the autumn of 2000, under the name of the Gothenburg International Environment Prize. Folksam is one of the sponsors of this international prize, and the theme for 2011 was Sustainable Food Supply.

The 2011 Gothenburg Award, worth SEK 1 million, was shared between the former Secretary-General of the UN Kofi Annan, who has played a leading role in Africa's green revolution, and the Tigray project, represented by Sue Edwards, which from the start was a local initiative focused on small farmers in northern Ethiopia for sustainable agriculture.

### Folksam sponsors "The Toughest Job in the World"

In 2011 Folksam decided to become a sponsor of the "Toughest Job in the World" campaign, in which the Swedish Cooperative Centre highlights the situation for the hundreds of millions of women who are small-holders in developing countries – they are the world's poorest people, with the toughest job in the world.

# Organisation

## Legal Group structure

Folksam comprises the two parent companies Folksam General and Folksam Life with subsidiaries. The fact that these two parent companies are mutual means that everyone who has an insurance policy with the companies is also an owner. Two of the subsidiaries in the insurance operations in Folksam Life are part-owned. These are Folksam LO Fondförsäkring, which is 51% owned, and KPA Pension, which is 60% owned. Of the Group companies in Folksam Life, Förenade Liv and the companies in KPA Pension are not included in the consolidated accounts. This is because the companies do not pay a dividend, and all surplus accrues to the policyholders.

To achieve economies of scale, collaboration takes place in the areas of distribution, administration and asset management.

## The Folksam General Group

Folksam General is customer-owned and undertakes general insurance activity principally focused on the Swedish household market. The company offers a full range of insurance policies to households and private individuals based on motor and household insurance supplemented by commercial insurance in selected areas.

Svenska Konsumentförsäkringar's operations cover individual and group general insurance for private individuals and for small and medium-sized enterprises. The policies are brokered by SalusAnsvar for their customer groups.

Folksam has acquired Aktia Skadeförsäkring and assumed ownership on 29 February 2012. Aktia undertakes claims activity and principally operates in the coastal area of Finland.

Tre Kronor undertakes general insurance activity in Sweden, and its business concept is to offer general insurance to companies and organisations wishing to

sell and market insurance under their own trade names. Tre Kronor today collaborates with Swedbank and 38 independent savings banks and in so doing reaches a broad market with general insurance products.

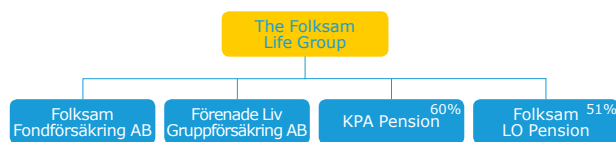


## The Folksam Life Group

Folksam Life is customer-owned and undertakes life insurance activity. The company offers occupational pensions and pension investments to private individuals, directly or through cooperation, but also group life insurance and other types of risk insurance.

Folksam Fondförsäkring undertakes unit-linked insurance business related to securities funds. Customers can choose among a large number of selected funds, for example ethical funds, funds with low charges and award-winning top-performing funds.

Folksam LO Pension is a brand and comprises the companies Folksam LO Fondförsäkring and Folksam LO Fond. Folksam LO Pension is focused on collectively agreed occupational pensions and principally covers administration and management of pension allocations made under the pensions agreement between the Confederation of Swedish Enterprise and LO (the Swedish Trade Union Confederation). The company is owned 51% by Folksam Life and 49% by LO.



## Group companies in Folksam Liv – not consolidated because the surplus accrues to the policyholders

Förenade Liv Gruppförsäkring offers group life insurance for life, sickness, accident, medical and child and pregnancy insurance for public sector employees through the employers and organisations that represent them. The company's promise to its customers is "concern".

KPA Pension is a brand and joint name for KPA Pensionsförsäkring, KPA Livförsäkring and KPA Pensionservice. KPA Pension is the leading pension company in the municipal sector and manages occupational pensions for employees of municipalities, county councils and municipal and cooperative companies. KPA Pensionservice offers an employer service in the management of municipality pension obligations, administration of the employees' individual pension choices and expert consultant services, occupational group life insurance and professional pension advice. KPA Pension offers private individuals investments in private pension insurance and unit-linked insurance. KPA Pension is owned 60 per cent by the Folksam Group and 40 per cent by the Swedish Association of Local Authorities and Regions (SALAR).

## Appendix (Environmental data)

### Travel

#### Air

Number of flights	2011	2010	2009	2008	2007
Stockholm–Gothenburg	643	490	620	626	563
Stockholm–Sundsvall	299	272	195	338	257
Stockholm–Malmö	721	557	607	756	660
Stockholm–Växjö	69	53	66	67	59
Stockholm–Jönköping	49	21	16	23	20
Total*	1 781	1 393	1 504	1 810	1 559

\*The "Total" item only comprises reported routes.

#### Rail

Number of rail journeys	2011	2010	2009	2008	2007
Stockholm–Gothenburg	1 008	927	1 256	1 137	1 333
Stockholm–Sundsvall	591	583	679	774	799
Stockholm–Malmö	78	84	87	204	246
Stockholm–Växjö	52	69	96	126	106
Stockholm–Jönköping	55	66	206	210	147
Total*	1 784	1 729	2 324	2 451	2 631

\*The "Total" item only comprises reported rail routes. The figures include journeys to and from nearby locations.

#### Car

Car journeys in Folksam	2011	2010	2009	2008	2007
Distance in km (x 10) driven on official business	487 680	518 744	574 697	567 428	565 838
Of which driven with cars meeting Folksam's environmental and safety requirements	158 940	184 179	185 355	214 306	216 717
Total carbon dioxide emissions from car travel in tonnes	800	843	944	916	
Increase/decrease in carbon dioxide emissions due to more/fewer km driven, in tonnes	-43	-101	28	2	12

### Coffee

Coffee (Tullgården)	2011	2010	2009	2008	2007
Total quantity	8 742	11 082			
Proportion organic	7 000	2 770			
Proportion non-organic	1 742	8 312			

### Energy and water

Energy use	2011	Total 2011		
	Folksam	Folksam Liv/KP (71%)	KPA Pension (60%)	
Heat consumption (MWh)	19 204	18 462	2 602	40 268
Electricity consumption (MWh)*	19 333	4 851	71	24 255
Total energy use (MWh)				64 523

\*Electricity consumption for Folksam consists of both building electricity and office electricity. Only building electricity is included for Folksam Life/KP and KPA Pension.

Energy use	2010			Total 2010
	Folksam	Folksam Liv/KP (71%)	KPA Pension (60%)	
Heat consumption (MWh)	23 524	*21 906	2 187	47 617
Electricity consumption (MWh)*	20 577	5 081	**206	25 864
Total energy use (MWh)				73 481

\*Incorrect figure last year, should be 21,906 and not 21 096, total consumption is therefore 73,485 MWh. Only building electricity is included for Folksam Life/KP and KPA Pension.

\*\*Incorrect figure last year, electricity consumption from KPA Pension properties should be 206 MWh

Water consumption	2011	Total 2011		Total 2010
	Folksam	Folksam Liv/KP		
Water consumption m <sup>3</sup>	173 996	172 040	346 036	341 486

### Folksam's total climate impact in 2011

Tonnes CO <sub>2</sub> e	Air travel		Rail	Elec-tricity	Heat	Paper	Printed matter		Coffee	Total
	Road									
	940	800	0,003	17	2 075	65	64	14	14	3 975

## Subcontractors

<b>Vehicle workshops</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Number of partners	1 284	1 161	1 204
Number of environmental requirements	44	44	64
Number of partners totally fulfilling requirements	687	579	480
Proportion of partners totally fulfilling requirements	54 %	50 %	40 %
<b>Vehicle disassembly plants</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Number of partners	11	15	15
Number of environmental requirements	60	60	60
Number of partners totally fulfilling requirements	9	13	13
Proportion of partners totally fulfilling requirements	82 %	87 %	87 %
<b>Building contractors</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Number of partners	186	153	149
Number of environmental requirements	30	30	30
Number of partners totally fulfilling requirements	124	95	77
Proportion of partners totally fulfilling requirements	67 %	62 %	52 %
<b>Washing and clean-up companies</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Number of partners	59	47	42
Number of environmental requirements, washing	25	25	25
Number of environmental requirements, clean-up	20	20	20
Number of partners totally fulfilling requirements	49	38	33
Proportion of partners totally fulfilling requirements	83 %	80 %	79 %

# About the report and general facts about Folksam

## Frequency of the report

The Folksam Sustainability Report is published once a year. The most recent report was published on 25 March 2011 at folksam.se.

## Changes since the previous year's report

The greatest change is that on 28 November Folksam became the first insurance company in the world to be granted Good Environmental Choice approval, the toughest ecolabel in the world.

## Text

Folksam Environmental Analysis

## Design

C2/Hangar

## Photography

Kate Gabor sidan 3  
Andreas Lind sidorna 7, 17  
Lars Nyman sidan 8  
Imagesource sidan 23  
Folio sidan 31

## Fonts

Verdana, Helvetica Folksam

## For further information about the report

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## Folksam Life, Group 31.12.2011

<b>Financial value generated</b>	
Revenues*	15 971
<b>Financial value distributed</b>	
Operating expenses**	-24 172
Salaries and remuneration	-539
Payments to capital providers	
Payments to central government	-972
Community investments	
<b>Financial value retained</b>	<b>-9 712</b>

## Folksam General, Group 31.12.2011

<b>Financial value generated</b>	
Revenues*	11 486
<b>Financial value distributed</b>	
Operating expenses**	-8 002
Salaries and remuneration	-1 735
Payments to capital providers	
Payments to central government	-12
Community investments	
<b>Financial value retained</b>	<b>1 737</b>

## KPA Pension 31.12.2011

<b>Financial value generated</b>	
Revenues*	10 656
<b>Financial value distributed</b>	
Operating expenses**	-18 744
Salaries and remuneration	-52
Payments to capital providers	
Payments to central government	-279
Community investments	
<b>Financial value retained</b>	<b>-8 419</b>

\*This item also covers unrealised gains and losses.

\*\*This item also covers changes in the value of investment assets and actuarial provisions.

## Methods of collection and calculations in 2011

This document presents methods of collection and calculations that form the basis for the tables and texts contained in the Folksam Sustainability Report 2011.

### Social perspective (pages 12–15)

#### Subsidiaries

The tables of personnel key indicators include all subsidiaries, both wholly and partially owned. Limitations: Staff paid by the hour and on the basis of fees are not included in the tables of key staff indicators.

#### Staff

##### Heading Definition /Covers Source

##### Number of staff

- women
- men

Includes all staff on permanent contracts and in their probationary period, as well as staff on fixed-term contracts. Excludes staff paid by the hour and on the basis of fees.

The payroll system PA, extracted via Cognos HR, December.

##### Average age

Same as number of staff (see above).

##### Number of managers

- women
- men

Same as number of staff (see above).

#### Employee turnover

Same as number of staff (see above) Calculated as the lower of the number of externally recruited new employees or staff leaving during the year as a percentage of the number of employees in December. The PA payroll system, extracted via Cognos HR.

#### Age distribution

##### Heading Definition /Covers Source

##### All age ranges

Same as number of staff (see above).

#### Form of employment of staff

##### Heading Definition /Covers Source

##### All forms of employment

Same as number of staff (see above).

#### Sickness absence

##### Heading Definition /Covers Source

##### Sickness absence

Reported sickness absence in relation to budgeted time. Proportion calculated on same population as number of staff (see above). Calculated over full calendar year. The PA payroll system.

## Ecological perspective (pages 16–20)

### Folksam's total carbon dioxide emissions for carbon offsetting in 2011

Folksam's sustainability report states consumption of water and energy from Folksam's own operations and the properties it manages. The report also presents the number of journeys on official business made by air, rail and road on a number of selected routes. In addition, an indication is given of how many of Folksam's partners, with regard to vehicle workshops, vehicle disassembly plants, building contractors and washing and clean-up companies, fulfil Folksam's environmental requirements.

Where possible, emissions are calculated in CO<sub>2</sub>e, carbon dioxide equivalents, which means that all six greenhouse gases and not just carbon dioxide and taken into account in the calculations of emissions. This ensures that Folksam carbon-offsets the whole of its climate impact and not just carbon dioxide emissions. For the same reason, the principle is to calculate conservatively and take account of the occasions when material has been scant, for example for the climate impact of other vehicles and printed matter.

A new feature in the 2011 Sustainability Report is also calculating the climate impact of coffee consumption, consumption of paper and printed matter at our Tullgård head office. These emissions have been calculated with the calculation tool Our Impacts.

### Energy and water consumption

The energy use comes from a large number of properties that Folksam either owns and in which it has operations, that it only owns or premises that Folksam rents for its operations. The Folksam-owned properties are managed by Newsec and use Scandem as electricity supplier.

The form of ownership and whether activity is undertaken in the premises or not affect what is to be included in Folksam's total energy use. Folksam consists of the following four legal entities, which are included in the consumption figures.

- Folksam Life/Life (wholly owned properties)
- Folksam Life/KP (formerly Gyllenforsen, of which Folksam owns 71%).
- Folksam General (wholly owned properties)
- KPA Pension (60% owned by Folksam)

There is also the Folksam subsidiary Förenade Liv, which rents two office premises. Energy use for these is provided with effect from 2011 by Scandem.

### Air travel

The business travel of Gyllenforsen, Förenade Liv and KPA Pension is fully included in these figures.

Folksam's carbon dioxide emissions from air travel in 2011 are based on statistics from our travel agency, Ticket. The emissions figures from the travel agency have been multiplied by a factor of two, taking account of water vapour formed by aviation (based on distance and altitude, which is in line with standard practice among practitioners of climate calculations).

### Rail travel

Folksam's carbon dioxide emissions from rail travel are based on statistics from the rail company SJ.

### Heating of premises

The data on carbon dioxide emissions from properties in 2011 are based on heat consumption statistics in MWh from our property managers and the conversion factor for the property concerned from the heating/energy supplier. Folksam owns 71% of Gyllenforsen. The carbon dioxide emissions correspond to Folksam's share, that is to say 71% of the total carbon dioxide emissions of Gyllenforsen. KPA Pension is 60% owned by Folksam. The reported carbon dioxide emissions are equivalent to Folksam's share, that is to say 60% of the total emissions of KPA properties.

### Electricity consumption in properties

The carbon dioxide emissions from electricity consumption in Folksam-owned properties in 2011 are low, as Folksam uses wind-power electricity of specified origin. Consumption in 2001 is based on actual

consumption figures. Folksam owns a 71% interest in Gyllenforsen. The carbon dioxide emissions are equivalent to Folksam's share, that is to say 71% of the total carbon dioxide emissions of Gyllenforsen. KPA Pension is 60% owned by Folksam. The reported carbon dioxide emissions correspond to Folksam's share, that is to say 60% of the total emissions of KPA properties.

### Road vehicles

The figures for Folksam's road vehicle emissions are based on statistics from our financial system/mileage allowance. The business travel of Gyllenforsen, Förenade Liv and KPA Pension is fully included. (Vehicle A) km driven using vehicles approved by Folksam (i.e. fuel-efficient petrol and diesel vehicles, ethanol vehicles, gas-powered vehicles and hybrids).

(Vehicle B) km driven using other vehicles:

- We assume that Folksam-approved vehicles (Vehicle A) emit 129 grams/km\*. This is a solidly based estimate of the average emissions of this group of vehicles; see more about the vehicle group above.
- We assume that (Vehicle B) emits 181 grams/km\*\* (according to the figures from the Swedish Environmental Protection Agency).

### Calculation of emissions from vehicles:

(Vehicle A) km x 129 grams = (CO<sub>2</sub> Vehicle A)

(Vehicle B) km x 181 grams = (CO<sub>2</sub> Vehicle B)

Total: CO<sub>2</sub> Vehicle A + CO<sub>2</sub> Vehicle B = Tot. Vehicle CO<sub>2</sub>

\* Based on average carbon dioxide emissions from Folksam-approved vehicles.

\*\*Based on average carbon dioxide emissions from new cars in Sweden 2006–2008, Swedish Environmental Protection Agency Report 5946.



# Auditor's report on review of the Folksam Sustainability Report 2011

## To the readers of the Folksam Sustainability Report 2011

### Introduction

We have been engaged by the Boards of Directors and Executive Management of Folksam to conduct a review of the contents of the Folksam Sustainability Report 2011 and the associated GRI Register on the Folksam website ([www.folksam.se](http://www.folksam.se)). The Board of Directors and the Executive Management are responsible for ongoing sustainability activity and for preparing and presenting the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

### Orientation and scope of the review

We have conducted our review in accordance with RevR 6 Assurance of Sustainability Reports, issued by FAR. A review consists in making enquiries, primarily among persons responsible for preparing the sustainability report, and in performing analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our assurance does not cover the assumptions made or whether it is possible for Folksam to obtain future-oriented information (such as targets, expectations and aspirations).

The criteria on which our review is based consist of applicable parts of the Sustainability Reporting Guidelines, G3, issued by the Global Reporting Initiative

(GRI), and the accounting and calculation principles developed for the purpose and disclosed by the company. We consider these criteria suitable for the preparations of the Sustainability Report.

Our review, based on an assessment of materiality and risk, among other things included the following:

- Updating our knowledge and understanding of Folksam's organisation and operation.
- Assessing the suitability and application of the criteria in relation to internal and external stakeholders' need for information.
- Interviews with responsible officers in order to assess whether the qualitative and quantitative information in the sustainability report is complete, correct and sufficient.
- Examining internal and external documents in order to assess whether the reported information is complete, correct and sufficient.
- Assessment of procedures for the compiling and reporting of sustainability information and data.
- Review on a random sample basis of the underlying documentation on which the information and data in the sustainability report were based.
- Evaluation of the model used to calculate Folksam's carbon offsetting.
- Review of the qualitative information and statements in the sustainability report.
- Reconciling financial information with Folksam's Annual Report for 2011.
- Assessment of Folksam's stated level of application of the GRI Guidelines.
- Consideration of the overall impression of the Sustainability Report and its format, including consideration of the mutual consistency of the information with the criteria applied.

### Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, have been prepared in accordance with the above stated criteria.

Stockholm, 29 March 2012  
KPMG AB

Thomas Thiel  
Authorised Public  
Accountant

Åse Bäckström  
Specialist member  
of FAR

**Folksam**