



# Pension funds with the power to make a better future

Sustainability Report 2008



**KPA**  
PENSION



### **About this Sustainability Report**

This is KPA Pension's first Sustainability Report. It has been produced in accordance with the international guidelines for sustainability reporting laid down in the Global Reporting Initiative (GRI). This year's report is made at Application Level C under GRI. KPA Pension plans to publish a Sustainability Report annually, which will include our previous Annual Report and parts of our Environmental Report.

Our aim with this Sustainability Report is to report openly and objectively on how we are taking responsibility to promote a more sustainable society. We have identified the stakeholders for our sustainability communication based on the stakeholder's impact on KPA Pension's activities and KPA Pension's impact on the stakeholder, and also on the basis of what are strategically the most high-priority sustainability issues for KPA Pension.

Our intention has been to produce a report that our customers, trade union partners, non-profit partners, politicians and opinion-formers and our own employees will all find readable. The contents have been determined partly on the basis of the Corporate Social Responsibility (CSR) issues we have been working on for a long time, and partly on internal discussions leading to the establishment of the report.

This document does not include a report on our real estate holdings in ICA Fastigheter. The criteria for how we intend to work with alternative investment will be developed during 2009.

### **Dialogue with KPA Pension**

We welcome a dialogue on the work we do on sustainability issues and on our Sustainability Report. Please contact us if you have any questions or views on these matters.

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Kate Gabor

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Swedish United Nations Association

Still photographs from KPA Pension's commercials

# Contents

The CEO's Statement	4
KPA Pension – a fast-growing pensions provider that makes a difference	6
2008 – financial crisis, but a successful year for KPA Pension's savers	8
How KPA Pension takes active social responsibility	10
Ethical investment based on customers' wishes	13
How KPA Pension contributes to a better environment	19
Our workforce are the key to continued success	23
Financial Five-Year Summary	26
Executive Management and Boards of Directors 2009	29
GRI-index	30
Glossary	31



### The CEO's Statements

"KPA Pension is proof that it is possible to combine caring for people and the environment with being a successful financial enterprise."

Read more on page 4.



2008 a successful year for KPA Pension's savers. Despite the financial crisis, it was a highly successful year for KPA Pension and for our savers. Savers in our conventional pension insurance schemes earned a return of 6.3 per cent.

Read more on page 8.



### Ethical investment

In 2008, KPA Pension deselected over 2,000 companies when investing pension funds. We learn more about the companies we invest in by visiting them to see how they work.

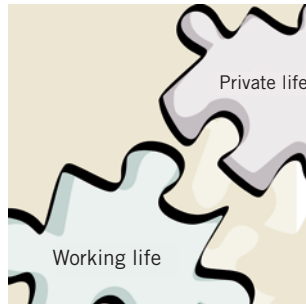
Read more on page 13.



### A better environment

At KPA Pension, we live as we learn. We have been a carbon neutral enterprise since 2003. Today, KPA Pension contributes to a better environment instead of burdening it.

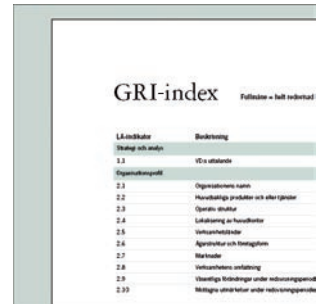
Read more on page 19.



### Our workforce the key to success

The work-life balance is an important human resources issue for KPA Pension. Competence development and staff dedication are important reasons for our success.

Read more on page 23.



### KPA Pension's GRI Index

GRI Index with reference to the respective categories in the Sustainability Report

Read more on page 30.



Bertil Repfennig, CEO and Managing Director, KPA Pension



Photo: Kate Gabor

## The CEO's Statement

” Sustainability has long been an important concept in our business.

KPA Pension works to secure a better future for people and the environment. That is why our business is based exclusively on ethical investment. We also work to ensure that the companies we invest in are socially and ethically responsible.

KPA Pension has been working purposefully and successfully on environmental issues for ten years. Already in 1998, KPA Pension was certified to ISO 14001, as the very first financial enterprise in Europe. We fully expected other companies – our competitors and colleagues – to follow us like pearls on a string. But that was not the case.

The Swedish financial industry has not been particularly interested in working to promote sustainability. Most companies have chosen to view sustainability as something unimportant in the short term. That means, however, that they risk missing the opportunities that present themselves in the long term. From both an economic and a sustainability perspective, that is remarkable. KPA Pension is proof that it is possible to combine caring about people and the environment with being a successful financial enterprise.

This is something we are proud of. At the same time, we are conscious of the fact that there remains a great deal to do. That is why KPA Pension, as the first pensions provider in Sweden, has chosen to produce a Sustainability Report. It is a natural step for us, as sustainability has long been an important concept in our business. We live as we learn in the internal work we do within the company itself, and we also have a huge responsibility for the capital entrusted to us by over one million pension savers. By producing an annual Sustainability Report, we intend to show how we work, and what we do, in order to continue our efforts to promote a sustainable future and be Sweden's leading ethical pensions provider.

## 2008 WAS A SUCCESSFUL YEAR – DESPITE THE FINANCIAL CRISIS

Ethical investment also requires one to act ethically. Therefore, a good, fair return and low charges are key to our pensions management philosophy. That is something our savers can feel secure about. In a long-term sustainable society, economic growth cannot be at the expense of a destroyed environment or the violation of human rights. That is a principle that KPA Pension will never abandon, despite an economic downturn.

During the past year, the world has experienced the most severe financial crisis for 80 years, with a 42-per cent fall on the Stockholm Stock Exchange. Despite that, our savers benefited from a return of +6.3 per cent, which was well above the industry average of –6.7 per cent. Between 2001 and 2008, our rate of return was slightly above the industry average. Our good results have derived principally from our decision to invest in bonds, but our ethical investments also made a positive contribution to the return. We were also able to decide to halve our already low charges for savers in our conventional pension insurance schemes, following a successful efficiency programme. KPA Pension's method is based on distributing return directly to savers' pension insurances, irrespective of whether it is positive or negative. This is a fair method, which does not favour some savers at others' expense.

## TOWARDS A BRIGHTER FUTURE

Over the past ten years, KPA Pension has positioned itself as the leading Swedish pensions provider in ethical investment. We have actively studied and learned more about companies through personal visits and correspondence, and seen success in the way we influence those companies. The number of companies today that work actively on issues involving the environment, human rights and corruption is increasing markedly. We are pleased to see this growing trend, which we feel we are a part of.

Taking social responsibility must be the catchword for politicians, business leaders and also you

and me as individuals. And it needs persistency to communicate that responsibility. In December 2009, the UN Climate Change Conference will be held in Copenhagen, at a time when Sweden will be holding the EU Presidency. It will offer an opportunity to infuse courage into our leaders – they will need it.

Ahead of the sustainability work that faces us in the coming years, we want to show that we are prepared to take our social responsibility. This Sustainability Report gives an insight into how we run our business.

I should like to take this opportunity to extend my warm thanks to all our savers and owners who have shown such great confidence in us. My thanks go also to all the staff of KPA Pension, who enables us to stand well prepared to face the future.



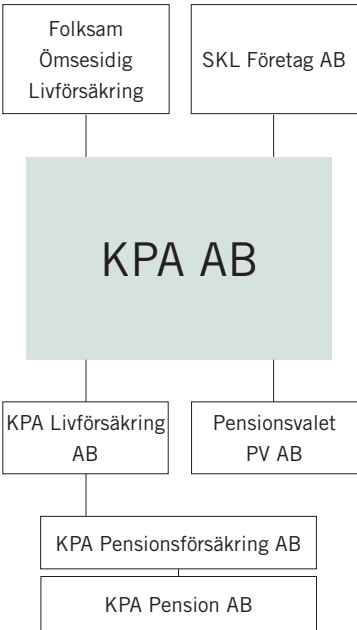
Bertil Repfennig  
CEO and Managing Director, KPA Pension

” Taking social responsibility must be the catchword for politicians, business leaders and also you and me as individuals.

# KPA Pension – a fast-growing pensions provider that makes a difference

**Strong owners**  
 KPA Pension is 60 per cent-owned by Folksam and 40 per cent-owned by Swedish municipalities and county councils through SKL Företag AB.

**Business concept**  
 KPA Pension offers tailored pensions and insurance solutions, principally to the municipal sector. We combine secure pension schemes with active responsibility to society.



KPA Pension's head office is in Stockholm. We also have a smaller office in Sundsvall. We have 331 employees in total.

KPA Pension is the leading pensions provider in the municipal sector in Sweden. Since we were established in 1922, we have administered pension schemes for municipal employees. We have long experience and unique competence in ensuring that the pension assets totalling SEK 56 billion are as well managed as possible. And that all the assets are managed according to our ethical investment criteria.

## ACTIVE SOCIAL RESPONSIBILITY

KPA Pension's ethical profile is a cornerstone of our business. This means that we do not base our activities solely on a commercial perspective, but also take holistic responsibility for our investments. The companies we invest in must take responsibility for people and the environment and also work to combat corruption. We completely exclude companies whose business activities are detrimental to people and human health. That is why there are no companies in our investment portfolio that manufacture arms, tobacco or alcohol or that operate commercial gaming activities.

## FAST-GROWING PENSIONS PROVIDER

When KPA Pension was first formed, we insured 400 individuals in eleven towns and cities. Since then, our business has increased many times over.

Our customers comprise more than 1,000 employers in municipalities, county councils, regions, and municipal associations and companies. We administer the pension schemes for 80 per cent of Swedish municipalities and for all the county councils in the country. Over one million employees have their occupational pensions with us in conventional or fund-based pension schemes. Almost as many have their occupational group life insurance with KPA Pension. We also offer saving in private pension schemes, premium reserve pension funds (PPM) and in direct saving in funds.

## SUCCESSFUL PROCUREMENTS

Pensions administration for municipalities and county councils is one of KPA Pension's oldest and most important tasks. Competition in local government procurement has been tough in the past decade. Confidence in KPA Pension as a provider of pension services remains

high, however. In the past year, our agreements with some 130 municipalities and county councils expired; 98 per cent chose to extend or renew their agreements with KPA Pension.

#### CONTINUED PREMIUM GROWTH

Since 2002, the number of savers in KPA Pension has doubled. 2008 was a year of continuing positive growth. In total, there are approximately 1.2 million pension insurances in KPA Pension, 630,000 of which are premium-drawing. Premium income in the past year totalled almost SEK 7 billion.

#### HIGH CUSTOMER SATISFACTION WITH THE FOCUS ON ETHICS

That our customers should be satisfied with KPA Pension has long been our objective, both with respect to employer customers and individual customers. KPA Pension regularly scores high in our customer satisfaction surveys. Our ethical survey, which we have conducted regularly since 1998, shows that three out of four customers believe it is good that we only invest ethically. And we are ranked highest among occupational pensions providers in the Swedish Quality Index measurement of customer satisfaction among employers.

#### KPA's conventional pension insurance

KPA Pension's conventional pension insurance is our biggest savings product. We have 1.2 million pension insurances, principally in the KAP-KL agreement, but also in PA 03, PA-KFS 09, AIP and in private pension savings.

#### KPA's unit-linked insurance

KPA Pension's unit-linked pension insurance has four ethical funds. The insurance can be elected in KAP-KL and PA 03, but also for private pension schemes and pension schemes offering direct saving in funds.

#### Occupational group life insurance

KPA Pension provides 2,000 employers' employees with occupational group life insurance. Over one million people have their occupational group life insurance with KPA Pension.

KPA Pension's customer satisfaction surveys – Employers	2008	2007	2006
NKI Municipal companies (positive/very positive impression as %)	-	60	-
Swedish Quality Index (customer satisfaction index, scale 0-100)	67.7	-	70.1
Finansbarometern (total score inc. cust. satisfaction, scale 1-5)	3.6	3.5	3.9
<b>KPA Pension's customer satisfaction surveys – Individuals</b>			
NKI Individual (average of overall estimation, scale 1-5)	3.2	-	-
NKI Individual customer service (total satisfaction measurement, scale 1-5)	4.11	4.12	-
Ethical survey (good or very good estimation as %)	-	78	-

# 2008 – financial crisis, but a successful year for KPA Pension's savers



2008 was a dramatic year for the global economy. The financial crisis led to the biggest economic downturn since the days of the Great Depression in the 1930s. Nevertheless, it was a highly successful year for KPA Pension's savers. The savers in our conventional pension insurance schemes got a return of 6.3 per cent. At the same time, we decided to halve our charges as of 1 January 2009. The reason why KPA Pension was able to emerge a winner from the downturn is our policy of low risk-taking and maintaining a long-term view.

## TAKING THE LONG-TERM VIEW MAKES FOR SECURE PENSIONS

When the pension agreement for the municipal sector was renegotiated over ten years ago, KPA Pension was entrusted with the task of looking after the occupational pensions for those employees who do not actively select their own pension fund manager. This was a huge challenge. In only a short time we had almost one million savers and managed funds increased by nearly SEK 40 billion. Our management philosophy since then has been guided by four principles: guaranteed security, low charges, ethical investment, and long-term, secure returns.

To secure savers' capital and guarantee their pensions, we deliberately chose a low-risk investment profile in the early days when we were building up the funds. Initially, we maintained a return that was on a level with the industry average. In 2006 and 2007, we had a weak return compared with the rest of the industry. However, during this same period we increased our solvency ratio more than any other life company in Sweden.

Well aware that long-term investment would bring customers low returns in the short term, we were nevertheless convinced that it would yield results in a longer-term perspective. In 2008 it was evident that this long-term policy had paid off. Despite the financial crisis and despite the fact that in the autumn of 2007 we increased our shareholdings, KPA Pension was able to generate a 6.3 per cent return for its savers. These results by far out-perform those of our competitors. For the period 2001-2008, the average total return for KPA Pension was 4.0 per cent.



### HALVED CHARGES MEANS MORE IN PENSIONS

During 2008, KPA Pension underwent a successful efficiency programme. The intention was among other things to create the scope to lower our already low charges for conventional pension schemes. As of 1 January 2009, all savers, both old and new, have been able to benefit from this big reduction in charges. On average, our charges have been halved, making KPA Pension the company with by far the lowest charges for conventional pension schemes within the pension agreement for the municipal sector.

### MERGER SIMPLIFIES SAVING

KPA Fondförsäkring AB was merged into KPA Pensionsförsäkring AB in December 2008. The merger will have a number of positive effects for our savers. It will both make it easier for them to switch between conventional pension insurance and unit-linked pension insurance, and will in the longer term give KPA Pension greater opportunity to introduce new products.

It will also allow us to make savings of about SEK 1 million annually, as the administration will be simpler and more efficient.

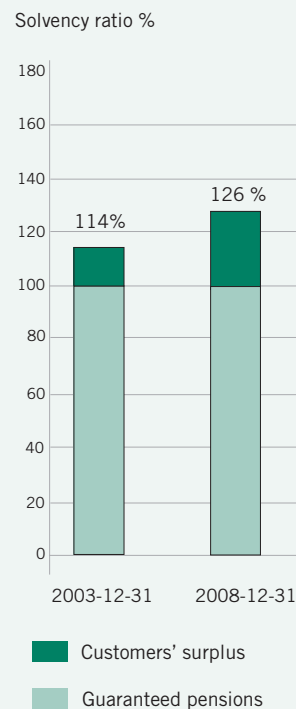
### ACTIVE INFLUENCE THROUGH PERSONAL VISITS

When KPA Pension invests money, we enlist the help of Sweden's leading providers of ethical investment research surveys as well as our own company analysts. But surveys do not always give the whole picture. Therefore, we make personal visits to the companies we invest in. This allows us to actively influence the companies that have scored low in the survey. In the past year we visited twelve companies in Sweden that had been given the lowest environmental score. We received a positive reception and our visit will lead to improvements at these companies.

### SLUTASNACKA.SE - AN ETHICAL MEETING PLACE

KPA Pension is working to promote a sustainable future. But at the same time, we want to engage and encourage individuals to do something themselves. Accordingly, in 2008 we launched the website slutasnacka.se. The purpose of the website (the name of which translates as "Stop Talking"), is to give visitors concrete opportunities to contribute to a better world. It provides a meeting place for ethical consumers who want to influence developments, get involved, act, and consume with consideration for people and the environment.

### High solvency the key to a good return



KPA Pension's solvency ratio has increased sharply since 2000. In simple terms, the solvency ratio is the company's capacity to pay out the pensions with guaranteed returns. High solvency is the key to a good rate of return, as the surplus enables us to invest more offensively, without risking savers' money.



# How KPA Pension takes active social responsibility

Since 1998, KPA Pension has been working for a sustainable future by taking active social responsibility. The responsibility to society we have as a company, also called Corporate Social Responsibility or CSR, is not simply about managing pension assets according to ethical investment criteria. It also makes demands of us as individuals. Therefore, KPA Pension's strategy is to live as we learn, that is to say that the work we do to promote CSR must permeate all our activities.

Social responsibility is a key element in our business concept and is well-anchored throughout our entire organisation. We work specifically to minimise our own environmental impacts, to create a good working environment for our employees, and to support various kinds of engagement in society. Security, competence and social responsibility are our core values. In order to work more efficiently and effectively, we employ a number of governance tools and policies described in brief below. KPA Pension has also elected to join a number of global initiatives for sustainable development.

## **CSR strategy**

KPA Pension shall be the leading ethical pensions provider in Sweden.

- Our strategic aim is to fulfil the wishes of our labour market partners and customers to take active social responsibility.
- CSR shall be a natural part of our offerings and contribute to commercial benefit.
- We shall be seen and heard clearly in the debate on CSR issues.
- KPA Pension's CSR activities shall be credible; we shall live as we learn.

## **Investment**

We invest all pension funds according to ethical investment criteria and continually assess all existing investments. Within these areas, we will influence companies to take responsibility for people and the environment:

- Human rights
- Environment
- Corruption

We do not invest at all in the following areas:

- Arms
- Tobacco
- Alcohol
- Gaming

## **ISO 14001**

Our environmental activities are governed by an environmental management system certified to

ISO 14001. Every CEO of every company in the KPA Pension Group is responsible for applying this system. Environmental targets are set both for our internal work and for our pension assets management.

## **Environmental policy**

KPA Pension's environmental policy means that we will:

- Be economical with our resources and gradually make the shift to using renewable natural resources in our administration.
- Integrate environmental issues into our range of

products and services.

- Invest only in securities in companies that work actively to reduce their adverse environmental impact.
- Openly communicate our environmental work and our environmental impacts, as well as promote co-operation and exchange of knowledge in the environmental sphere.
- Impose requirements on our suppliers so that they, after a period of adaptation, work with their environmental issues in the same way as we work with ours.
- Develop and maintain high environmental expertise among our employees.
- Comply with environmental laws and regulations and work for constant improvement and to minimise pollution.

#### **Policy on the working environment and health**

Our vision is to contribute to a long-term sustainable society in which our customers and employees view KPA Pension as a health-conscious company.

Our work to sustain a healthy working environment shall:

- take place in accordance with the working environment legislation
- be an integral part of the business
- take place in co-operation between employees and employers.

#### **Policy on equal opportunities and diversity**

KPA Pension has an equal opportunities policy and an equal opportunities plan approved by JämO (the Swedish Equal Opportunities Ombudsman). Under this policy we shall offer all employees, irrespective of gender, equal rights in all matters concerning work, working conditions and development opportunities.

We shall, acting in KPA Pension's best interests, manage, develop and support differences and view them as an asset. Our corporate culture, management and employees shall support this view.

#### **Ethical guidelines**

KPA Pension has ethical guidelines for all our relations with customers and suppliers. These guidelines are based on all employees conducting their relations with customers and colleagues in a manner permeated by KPA Pension's ethical values. In connection with Christmas gifts, all employees receive an environmental alternative whereby they can plant trees, and all gifts maintain a high environmental standard.

#### **Policy on human rights**

Human rights issues are important and exert an influence on our entire business. Therefore, KPA Pension shall work for constant improvement and prevention of human rights violations in our business. Our work is based on:

- National and international laws
- The United Nations General Declaration of Human Rights
- The United Nations Convention on the Rights of the Child
- ILO's eight Core Conventions
- OECD's Guidelines for Multinational Enterprises.

#### **Global Compact**

KPA Pension supports Global Compact, a UN initiative aimed at the world's companies, under which they undertake to comply with ten principles with respect to human rights, working conditions, corruption, and a better environment.

#### **Sustainable development**

KPA Pension has signed an agreement under the UN Environment Programme (UNEP) for the environmental adaptation of the company on environmental principles, based on the concept of Sustainable Development. KPA Pension undertakes to live and act in as environmentally friendly a way as possible and to share its experience in order to influence others in the surrounding community.



Anti-personnel land mines are a big problem in third world countries. There are approximately 80 million mines buried in the ground in more than 70 countries around the world. Mines maim or kill tens of thousands of civilians every year, 30 per cent of whom are children. Those who survive suffer the physical, psychological and economic effects for the rest of their lives. KPA Pension does not invest in corporate groups that manufacture arms. Source: Swedish United Nations Association.



Photo: Swedish United Nations Association

# Ethical investment based on customers' wishes

KPA Pension has SEK 56 billion in managed pension assets. All of this capital is invested in companies that take a holistic responsibility for economy, people and the environment.

## OUR RULES FOR INVESTMENT

KPA Pension's ethical investment rules are strongly rooted in our employees, social partners and customers. In our most recent customer survey from 2007, nine out of ten municipal and county council employees said they believed it was important or very important for pensions companies to work to promote human rights and a better environment.

**Influence:** KPA Pension's ethical investment philosophy is about companies and enterprises respecting human rights, combating corruption, and actively working to reduce their environmental impacts.

The companies in which KPA Pension chooses to invest have taken their social responsibilities to differing extents. Accordingly, we exercise various forms of corporate governance in order to influence enterprises in the right direction with respect to human rights, the environment and corruption.

**Exclusion:** We exclude some industries and enterprises completely because their activities are basically harmful to people and the environment. Therefore, KPA Pension does not invest in arms, tobacco, alcohol or commercial gaming activities.

## TOUGH SELECTION CRITERIA FOR OUR INVESTMENT

Much of our ethical work involves assessing the enterprises and companies we invest in. We deselect the companies that do not fulfil our ethical investment criteria. During 2008, we assessed a total of 2,774 companies and their results in terms of environmental impacts and human rights. More than 2,000 companies failed to satisfy our requirements, while 764 companies were deemed worthy of investing in according to our investment criteria and our financial stakeholders. Our assessment of existing shareholdings and potential investments is done twice annually in an in-depth screening process. These assessments are made by our own company analysts and in partnership

## Investment rules to exert influence

### Human rights

KPA Pension shall through its investments actively influence companies in relevant industries, countries and regions to work systematically on basic labour law issues. These include health, safety, security, equality, child labour, and collective bargaining rights.

Our work is based on ILO's Conventions, the UN General Declaration on Human Rights, the UN Convention on the Rights of the Child, and OECD's Guidelines for Multinational Enterprises.

### Corruption

By means of clear investment rules on corruption, KPA Pension will actively influence companies to systematically prevent all forms of bribery and corruption in their business relations.

### Environment

KPA Pension invests in companies that work actively to reduce their environmental impacts. They must define their most important environmental goals and prepared strategies, and the means and organisation to attain those goals. Companies must have a schedule of measures to continually reduce their environmental impacts. We play an active role in developing renewable energy by investing in energy companies that work to develop sustainable energy alternatives.



We work actively to exert influence on the companies we invest in, so they take greater responsibility for the environment and human rights. *Sofia Hagman, CSR Manager at KPA Pension.*

#### **Environmental targets 2008**

One of our environmental targets for 2008 was to visit all Swedish companies in our equities portfolio that had a low environmental score, in order to influence them to begin working actively on environmental issues.

During the year, we also visited four energy companies in the Nordic countries, seeking to influence them to do more to develop sustainable energy solutions.

with Sweden's leading provider of ethical investment research services, Global Ethical Standard Investment Services (GES). Each company assessed in the screening process receives a score based on our investment criteria.

#### **EXERTING POSITIVE INFLUENCE THROUGH ACTIVE DIALOGUE**

We pursue an active policy of influencing companies to act in line with our ethical investment criteria. Based on our scoring system, we seek to influence those companies that do not meet our expectations. We do this in Sweden by means of personal contact, regular visits and a direct dialogue with the companies concerned. Personal visits give us the opportunity to exert influence on low-scoring companies, and provide us with invaluable knowledge as to how they work to resolve these issues.

The results of the year's dialogues have been positive. More and more companies are complying with the requirement to manage the most relevant risks from a sustainability perspective. Of large and medium-sized Swedish companies, about 75 per cent are now working on these issues at a reasonably good level in the form of policy and risk analysis, for example, and many are demonstrating concrete progress in this area. (Source: Folksam Ethical Index 2008)

Smaller companies have not come as far yet, and in both large and small companies there is still a lack of programmes for the introduction and follow-up of the sustainability work. It is therefore very important to continue the dialogue with these companies.

#### **GLOBALT CO-OPERATION**

We collaborate with a number of organisations which monitor breaches of international law at global level, such as ILO, Amnesty and Human Rights Watch. We follow the reporting of these organisations continually, and in the event that incidents occur in companies in which KPA Pension has shareholdings, we always follow them up.

#### **OWNERSHIP RESPONSIBILITY THROUGH CORPORATE GOVERNANCE**

KPA Pension is also engaged in various companies through its responsibility as an owner, in the form of corporate governance. We pursue a dialogue with these companies on issues relating to, among other things, the environment, working conditions, and corruption. This work has been successful and the work done by the companies to take social responsibility is gradually improving. It is today evident that a number of companies have begun introducing guidelines and targets for their environmental or human rights work.

In 2008, KPA Pension attended 28 annual general meetings in Sweden, a figure which has doubled in the last three years. We have used the opportunity at these AGMs to bring influence to bear by taking a position on systems of remuneration and reward such as bonuses and other variable pay. We have also contacted all the chairpersons of all the boards of directors in Sweden and asked them to deal with and provide information about environmental work and human rights at their AGMs. Since 2005, KPA Pension has also used its influence to vote at foreign companies' AGMs, partly through electronic voting systems, and partly by collaborating with a number of foreign financial players who act by proxy in the interests of KPA Pension at these meetings. Corporate governance is exercised by the department for external corporate governance.

#### THE LAST RESORT – EXCLUSION

The dialogue with the companies we invest in often leads to improvements and to rectification of shortcomings and failures. But in those cases where nothing happens, despite exerting active pressure, KPA Pension acts. If a company we invest in fails to change the behaviour we criticise, we sell our shares in it. Selling our shares is the final resort and is not a decision we take hastily. It is preceded by clear and unambiguous communication with the company on a number of occasions. The decision to sell is made by our corporate governance committee, which meets quarterly. Having decided to sell, we inform the company's management. We also announce our decision on the website and sometimes by press release.

KPA Pension was in contact during the year with two foreign companies which, in different ways, distinguished themselves by failing to manage their business activities satisfactorily from a human rights perspective. Our dialogue with these companies resulted in the corporate governance committee deciding to sell KPA Pension's shares in one of the companies, Alstom. Alstom is one of the world's largest infrastructure companies, specialising in energy and locomotives for underground and surface railways. The United Nations have accused Alstom of breaching human rights in their dam project in Merowe on the Nile in Northern Sudan.

The second company, the security company G4S, is still in dialogue with KPA Pension. G4S has prevented employees in Nepal, Indonesia and the USA from becoming organised. The company has done this by threatening staff with dismissal, refusing to pay overtime and by providing low social benefits. It is our hope that G4S will change its view of human rights. If not, KPA Pension may dispose of its shares in the company in 2009.

#### Assa Abloy

It emerged in autumn 2008 that the Swedish company Assa Abloy had a factory in the occupied area of the Gaza strip in Palestine. KPA Pension made it known to the company that we took a serious view of this, as we deemed it to be in breach of the Geneva Convention. After we contacted the management, the company announced that it intended to wind up the activity at the factory, and the business would be moved. KPA Pension has therefore decided to retain its investment.

#### H&M

H&M has for a long time observed breaches of its code of conduct at the House of Sunshine factory in Bangladesh. Among other things, there have been reports in the media of sexual harassment and physical violence at the factory, and that employees have suffered unfair dismissal. H&M has followed up all the accusations and taken the relevant action. The factory now has a new management and has implemented a number of improvements. KPA Pension has therefore decided to retain its investment for the time being, but will monitor the situation during 2009.



A quarter of a billion children are every day forced to go to work instead of school.

Source: FN, Global Compact, ILO



Rising global temperatures mean that one in three animal species risks becoming extinct in the next 40 years.  
Source: UNEP, IUCN

## TARGETS AND AREAS FOR IMPROVEMENT IN 2009

Our aim is to visit all the Swedish companies we invest in which have a low environmental score or a low human rights score. At all company visits, KPA Pension will demand that the company concerned takes action to improve matters.

The company will be required to identify its environmental risks and human rights risks, and then establish an environmental policy, a human rights policy, and a travel policy. This will then be followed up by a return visit.

We plan to visit the Nordic countries' major energy companies. During 2009, we will also visit a number of energy companies dedicated to combating climate change, in order to learn more about future energy solutions.

The department for external corporate governance is shared between KPA Pension and Folksam, but is organisationally part of Folksam. As KPA Pension has special expertise in the environment and human rights, in 2009 we will play a more active role with regard to corporate governance in these areas.

In recent years we have markedly increased the number of AGMs we attend, and this work will progress in 2009. The issues we want to prioritise in connection with these AGMs are the preparedness of companies to manage environmental risks and matters relating to human rights. We will also raise issues relating to the composition of boards and matters of remuneration.

KPA Pension has in the past few years increased its real estate holdings. We will review the way in which we act as responsible property owners in accordance with our environmental requirements. This will involve primarily making improvements with respect to energy sources, so as to reduce CO<sub>2</sub> emissions.

## WE CARE ABOUT THE WORLD AROUND US

KPA Pension's engagement stretches beyond the companies we invest in. It is our stated objective to bring influence to bear and to illuminate various CSR issues in society, and to contribute with our

KPA Pension's work on corporate governance	2008	2007	2006
Number of AGMs where we have pursued an active dialogue	28	18	14
Number of companies we have contacted specifically regarding corporate social responsibility	36	40	50
Number of companies we have contacted specifically regarding the environment	16	12	11



knowledge and experience. We will do this by taking part in various networks at both national and global level, by engaging in projects, and by participating in seminars and conferences.

#### ENGAGEMENT FROM THE HEART

When KPA Pension takes the initiative to support various businesses, activities and projects, we do it on the basis of our ethical investment criteria and in line with our customers' values. We collaborate with, among others, the Swedish United Nations Association and their mine-clearing programme, which goes on all over the world. KPA Pension supports a mine clearing project in Cambodia in the badly war-stricken town of Ampil. Despite the fact that the war ended many years ago, the area is still laid waste by mines.

KPA Pension has become involved in the campaign "A hug for the lonely", which is run by the Red Cross for the benefit of lonely people in Sweden.

#### "Vi-skogen"

"Vi-skogen" is a tree-planting project which aims to create a green belt around Lake Victoria in Africa. In addition to reducing CO<sub>2</sub> emissions, the project is of great social importance for the local population. The income from 20 planted trees can feed a family for a year. KPA Pension aims to plant 2,000 trees annually, and since 1998 has planted approximately 30,000 trees in Africa.

#### SWEDISH SOCIETY FOR NATURE CONSERVATION

KPA Pension has long collaborated with the Swedish Society for Nature Conservation. It is also through the Society that we purchase CDM credits\* to offset actual CO<sub>2</sub> emissions.

#### HOW WE PAY FOR THE WORK WE DO TO PROMOTE A SUSTAINABLE SOCIETY

KPA Pension's social engagement and other efforts to promote a sustainable society are funded through pension management charges and not through our savers' pension funds. The pension funds we manage go in their entirety, without deductions, to pay our savers' pensions.

\*The abbreviation CDM stands for Clean Development Mechanism. The purpose of CDM is to reduce emissions of greenhouse gases by promoting co-operation between countries that have undertaken under the Kyoto Protocol to reduce greenhouse gas emissions and countries that have not undertaken to cut emissions.

#### Organisations and networks where KPA Pension is engaged

KPA Pension is affiliated to or supports in other ways organisations and networks that aim to be a driving force for the development of a sustainable society.

- **UN Global Compact**  
Global Compact Nordic Network and its equivalent Swedish organisation "Global responsibility".
- **UNEP** United Nations Environment Programme.
- **PRI** the Principles for Responsible Investments.
- **SNF** Swedish Society for Nature Conservation.
- **SIS** and the development of ISO 26000, new international guidelines for social responsibility.
- **Red Cross**
- **Vi-skogen**
- **Transparency International Sweden**
- **Amnesty**



KPA Pension aims to plant 2,000 trees annually in the "Vi-skogen" project.

Time is running out. Global temperature is estimated to increase by at least 2-4.5 degrees this century. With melting polar ice, there is a risk that seas will rise and lay large land masses under water. CO<sub>2</sub> emissions are by far humanity's biggest contribution to global warming. But something can be done about it. Since 2003, KPA Pension has been carbon neutral. Source: UNEP, IUCN



# How KPA Pension contributes to a better environment

We impose tough environmental requirements through our ethical investment programme. It is also there that we can make the biggest difference for the future. For us, it is a matter of course to set the bar equally as high for our own internal environmental work. We will make demands of ourselves that are at least as high as those we make of the companies we invest in.

It is now more than ten years ago since we, as the first financial enterprise in Europe, were environmentally certified to ISO 14001. Since then we have worked actively and systematically to reduce our impact on the environment. Our most high-priority environmental issue has long been to minimise our contribution to global warming.

## OUR NEED FOR ENERGY

In our business, we need energy to heat our premises, for our electricity supply, and for travel. Heating is by district heating, most of which is produced from biofuels. Production of this kind does, however, generate a certain amount of net CO<sub>2</sub> emissions. For our electricity supplies, we purchase electricity which is one hundred per cent wind power-generated.

Since the first quarter of 2007, we have run our business from Folksam's premises in Stockholm. The property has been classed as a "Green Building" since November 2008, and to achieve that has involved implementing energy efficiency measures that have cut our energy consumption by 25 per cent.

## GREATER FOCUS ON TRAVEL

Business travel within the KPA Pension Group is the activity that gives rise to the highest CO<sub>2</sub> emissions. As such, we have made it a special area of focus. In addition to reviewing all our purely business travel, we also aim to bring into focus employee travel to and from work. Examples of measures that are reducing the environmental impact of our business travel are:

- Environmental or "green" cars have been gradually introduced as company cars for our employees. At the end of 2008 our fleet totalled 30 vehicles, of which 28 were environmental cars (flexi-fuel, bi-fuel or hybrid electric).
- Under our business travel policy, journeys of less than 500 km are always taken by train, while journeys of 500 km or more can be by air. The results of this policy are clear. In 2008,

### UNEP FI

In 2002 KPA Pension signed up to the UN Environmental Programme Finance Initiative (UEP FI), which involves undertaking to make economic development compatible with social welfare and a healthy environment. For KPA Pension this means a commitment to focusing on important issues like global warming, which includes reducing CO<sub>2</sub> emissions and using resources more efficiently.



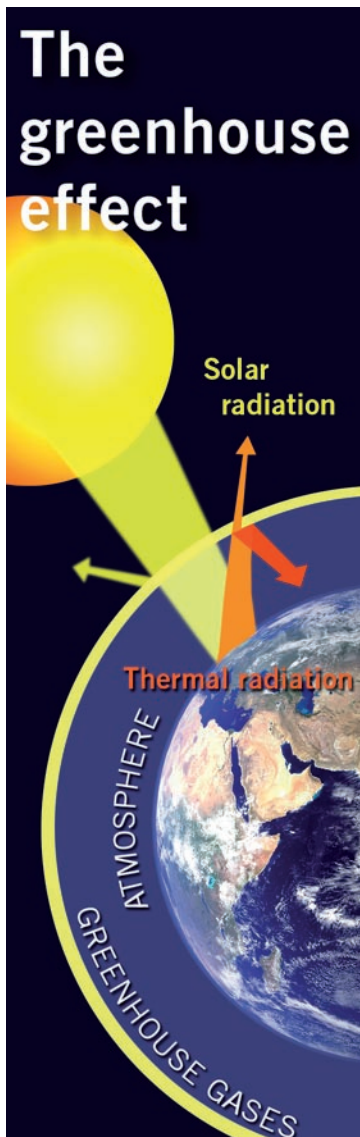


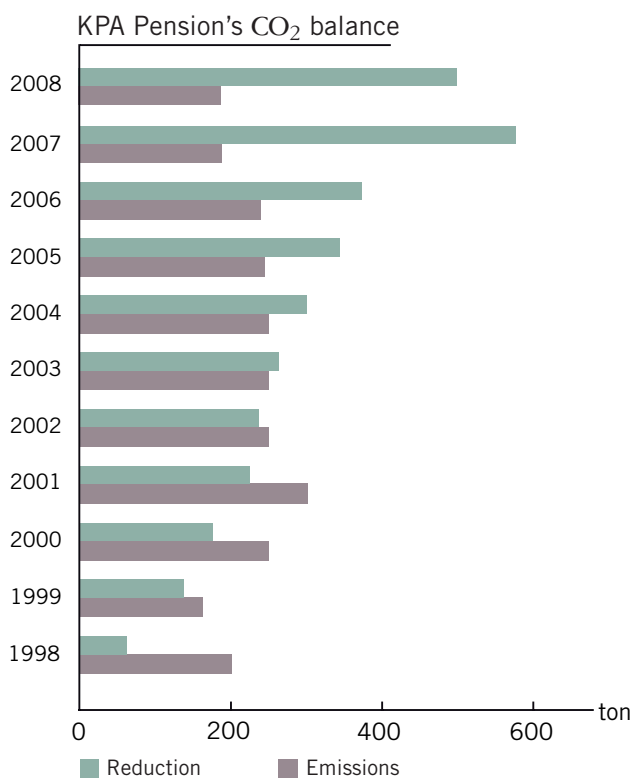
Illustration: Stina Wiik

Our atmosphere is changing. The greenhouse effect is a direct consequence of human behaviour. Gases like carbon dioxide, freons and nitrous oxide are helping to reduce the amount of heat reflected from the Earth.

train travel accounted for 57 per cent of all our business travel. That is the highest percentage in the course of the ten years we have been measuring our travel carbon footprint.

#### HOW WE COMPENSATE FOR OUR CO<sub>2</sub> EMISSIONS

KPA Pension has been a carbon neutral enterprise since 2003. We took our first steps to achieve carbon neutrality as far back as 1998, when we established a partnership with the “Vi-skogen” project in Africa, in order, among other things, to compensate for the CO<sub>2</sub> that our activity gives rise to. Since then we have followed a model based on the company planting at least 2,000 trees annually, so as to offset our aggregate CO<sub>2</sub> emissions, including staff travel to and from work.



As the threat of climate change becomes increasingly imminent, we have taken yet another decision. Since 2007, we have been purchasing CDM credits equivalent to our actual carbon emissions from business travel and heating. Our ecological footprint shows that we are reducing CO<sub>2</sub> emissions to the atmosphere, instead of contributing to the increase. In other words, we live as we learn.

#### TOUGH ENVIRONMENTAL REQUIREMENTS FOR ALL OUR PURCHASING

Our office-based activity has as far as possible been adapted to comply with sustainable development. When we invest in new equipment, we choose environmentally approved equipment, and in our day-to-day

operations we have particular regard for the environmental aspects of everything we purchase. We use suppliers who maintain a high standard of business ethics and who have high equality, quality assurance and environmental protection programmes. Paper is our biggest consumer good, although the amount consumed is considered normal according to the publication “The Environmental Friendly Office”.

”” Our employees appreciate our commitment to sustainability issues and ethical investment.  
*Kerstin Grönwall, Environmental Manager at KPA Pension.*

#### TARGETS AND IMPROVEMENT AREAS FOR 2009

An internal environmental target for 2009 is that KPA Pension shall continue to be a carbon neutral enterprise. Of KPA Pension’s total CO<sub>2</sub> emissions, business travel and employee travel to and from work account for 75 per cent. Our aim is to get more people to take the train and to use collective transport rather than travel by car or plane. We also plan to make the transition to exclusively environmental company cars as older vehicles are replaced. We will furthermore continue to make environmental work deeply rooted within our organisation by regularly communicating our goals and results to all our staff.

<b>Energy</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
District heating (MWH/year)	406	413	392	404	517
Electricity consumption (MWH/year)	998	1,039	982	943	981
District cooling MWH/year)	0	0	483	417	481
<b>Business travel</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Car (1,000 km/year)	230	308	220	314	312
Air (1,000 km/year)	233	388	232	274	246
Train (1,000 km/year)	310	309	240	276	279
Total distance travelled (1,000 km/year)	773	1,006	962	815	770
<b>CO<sub>2</sub> emissions</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
District heating (tonnes CO <sub>2</sub> /year)	48	49	47	48	62
District cooling (tonnes CO <sub>2</sub> /year)	0	0	4	3	4
Business travel (tonnes CO <sub>2</sub> /year)	64	93	58	74	62
Total (tonnes CO <sub>2</sub> /year)	112	142	105	122	135
<b>Staff survey with respect to environmental work</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Does KPA Pension have regard for the environment in its work? Yes, respond	89 %	88 %	90 %	94 %	87 %
Are you environmentally aware? Yes, respond	75 %	76 %	75 %	78 %	70 %
Does KPA Pension live as it learns? Yes, respond	85 %	94 %	89 %	91 %	89 %

Despite the fact that Swedes are among the healthiest in the EU, with a long average life expectancy and benefiting from advanced working environment policies, we also have a high rate of illness. A poor balance between demands made on workers and the control they exercise over their own working lives is a great source of negative stress in the workplace. Another source of stress is a poor work-life balance. KPA Pension's vision is to contribute to a long-term sustainable society, in which both our customers and our employees view us as a health-conscious enterprise.



# Our workforce are the key to continued success

One of our most important core values is competence and skill-building. This core value characterises KPA Pension's employees to a high degree. Customer satisfaction surveys show that our staff possess high expertise and competence and are highly committed to their work.

One of the reasons for our success is the work we do systematically to map and develop the skills of our workforce. This also makes us an attractive workplace where our employees enjoy working and can develop their professional expertise.

## THE HEALTHY ENTERPRISE

KPA Pension has worked purposefully for a number of years to reduce sickness absence rates, and has achieved positive results. In the last quarter of 2008, we reached our target of overall sickness absence of no more than five per cent. Among other things, we have worked actively to develop an awareness of health issues among employees. All our managers and members of our working environment committee have undergone training as part of "The Healthy Enterprise" scheme, which is designed to educate staff on the psychosocial and physical working environment, in order to better identify and prevent risks to health and promote a healthy lifestyle. During 2008, our management were also given access to our "Health and Risk Analysis" tool, which enables the immediate superior together with his or her staff to carry out a review of local working environment issues.

We have also worked to create good opportunities for employees to be able, if necessary, to contact our occupational health service. The managers in the line organisation have a great responsibility to ensure that this functions as intended.

## FOCUS ON TRAINING AND COMPETENCE DEVELOPMENT

In the past year, KPA Pension has developed the work of identifying commercially critical competences for the company, and of assessing existing levels against the desired level of competences. Among other things, we initiated a new IT-based system to follow up targets and staff development interviews. In short, this means that all employees are interviewed and assessed within four key competence areas: business-like attitude, focus on results, ability and willingness to take responsibility, and development orientation. Where managers are

### During the year, 94 per cent of all staff took part in the PULSEN staff survey

Compared with 2006, which was the last time the survey was held, results had improved for the following indicators:

- Working environment and health.
- Climate of co-operation between staff and management.
- Encouragement for new ideas and initiative.
- Good work-life balance.

Knowledge of the company's overarching goals was, however, one of the weaker areas, which we will work to improve in 2009.

”

68 per cent of medium-sized enterprises in Sweden say that recruiting and retaining staff is an important driving force for practising a more ethical business activity. *From Grant Thornton's survey, 2008.*

**KPA Pension has an agreement with the independent company Falck Healthcare**, which offers a telephone-based, 24-hour information and guidance service, where employees can get immediate assistance with psychosocial or private legal or financial matters.

**In 2008 we began an Employer Branding project** – to market KPA Pension as an attractive employer, as part of our drive to secure a good supply of skills. Our first campaign was aimed principally at universities and university colleges. The project will continue in 2009.

## Life balance

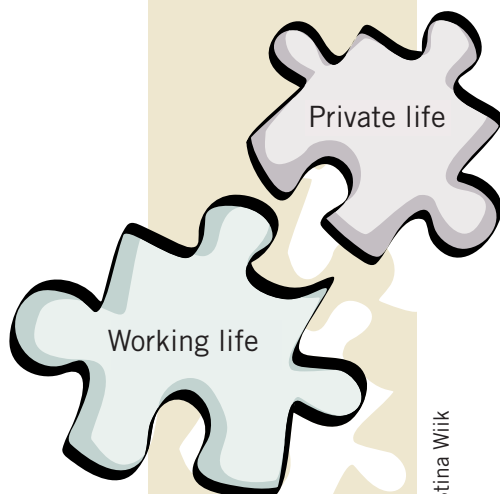


Illustration: Stina Wiik

concerned, we also assess a further two competences: being a role model for their staff, and their ability to make best use of the differences, talents and abilities that exist in the group. During 2008, 95 per cent of KPA Pension's employees had a staff development interview.

## DIVERSITY AND EQUAL OPPORTUNITIES

### – SUCCESS FACTORS

The endeavour to achieve diversity is not an end in itself. But with greater diversity we increase the opportunities to fulfil our aims and our business concept. It gives us a broader recruitment base, better understanding of our customers' needs, increases our creativity, and also makes us a more competent company.

KPA Pension has an equal opportunities plan approved by JämO (the Swedish Equal Opportunities Ombudsman). According to this plan, we shall offer all employees, irrespective of gender, equal rights in all matters concerning work, working conditions and development opportunities. Some of our most important measures and objectives are:

- To promote a good, healthy balance between work and private life by, for example, offering flexible working hours, encouraging staff to take parental leave, and adapting meeting times to the needs of employees with children. A very positive result was achieved in the 2008 staff survey, with a marked increase in the indicator "Good work-life balance".
- To even out and prevent differences in pay and benefits, if the work is considered the same or similar. JämO has examined and approved KPA Pension's mapping of pay conditions.
- To work to ensure that no employee is subjected to sexual harassment or other harassment because of a report of gender discrimination or harassment. There were no reports of harassment in 2008.

### HIGHER EMPLOYEE TURNOVER

Inom ramen för vårt effektiviseringsprogram hade vi ett internt mål 2008 att effektivisera organisationen. Därför erbjöds något fler medarbetare än vanligt avtalspension. I början av året var det också en stor rörlighet på arbetsmarknaden, något vi kände av genom att flera medarbetare valde att byta jobb.

### TARGETS AND IMPROVEMENT AREAS FOR 2009

During 2009, we will give greater priority to diversity and equal opportunity issues, including providing the relevant training for all managers.

We will also focus on the indicators that produced weak results in the 2008 staff survey. One improvement will be to make our employees more aware of the company's overarching goals.



<b>Employees</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Number of employees	331	361	365	377	375
of which, female	211	231	242	248	253
of which, male	120	130	123	129	122
Average age	45	46	46	45	45
Number of managers	36	38	40	37	36
of which, female	17	16	18	16	17
of which, male	19	22	22	21	19
Employee turnover	14.8 %	11.0 %	9.2 %	7.4 %	6.2 %
<b>Breakdown by age</b>					
- 29	5 %	5 %	5 %	5 %	5 %
30 - 39	27 %	24 %	22 %	22 %	22 %
40 - 49	31 %	30 %	32 %	33 %	33 %
50 - 59	27 %	27 %	26 %	25 %	25 %
60 +	10 %	14 %	15 %	15 %	16 %
<b>Form of employment</b>					
Permanent employees	97 %	97 %	97 %	95 %	95 %
Temporary employees	3 %	3 %	3 %	5 %	5 %
Full-time employees	82 %	85 %	82 %	80 %	82 %
Part-time employees	18 %	15 %	18 %	20 %	18 %
Trade union members	70 %	64 %	68 %	72 %	67 %
<b>Gender breakdown, Management - Male/ Female</b>					
Gender breakdown, all Boards of Directors	72/28 %	67/33 %	64/36 %	69/31 %	73/27 %
KPA Pension's Executive Management	57/43 %	80/20 %	60/40 %	60/40 %	60/40 %
<b>Total sickness absence rate 2008 (2007)</b>					
		<b>Male</b>	<b>Female</b>	<b>Total</b>	
<b>Age</b>					
- 29		3.9 (1.8) %	2.4 (3.4) %	2.8 (3.2) %	
30 - 49		2.0 (3.4) %	5.7 (7.9) %	4.4 (6.4) %	
50 +		3.7 (4.0) %	7.8 (8.5) %	6.1 (6.8) %	
Total		2.8 (3.6) %	6.3 (7.8) %	5.0 (6.4) %	
<b>Of which, long-term sickness absence 2008* (2007)</b>					
		<b>Male</b>	<b>Female</b>	<b>Total</b>	
<b>Age</b>					
- 29		0.0 (0.0) %	0.0 (14.6) %	0.0 (13.1) %	
30 - 49		24.5 (47.5) %	58.7 (70.9) %	53.2 (66.6) %	
50 +		50.1 (63.0) %	72.6 (68.9) %	67.0 (67.6) %	
Total		38.5 (54.1) %	63.8 (68.3) %	58.6 (65.5) %	

\* Stated as a percentage of total sickness absence

# Financial Five-Year Summary

## STABLE PROFITABILITY – EVEN IN DIFFICULT ECONOMIC TIMES

It is our conviction that our ethical investment criteria and our endeavour to influence companies in a positive direction offer the best opportunities for long-term high returns on our savers' pension funds. Those companies that are supported by and contribute to sustainable social development will be less exposed to risk and, in the longer term, more profitable than others.

## FINANCIAL KEY RATIOS FOR 2008

In 2008, the managed pension assets in KPA Pension exceeded SEK 50 billion for the first time, with managed assets totalling approximately SEK 56 billion at year-end. Premium income amounted to SEK 6.9 billion and administrative income totalled SEK 154 million. The return for KPA Pensionsförsäkring averaged 6.3 per cent for 2008, despite the financial crisis. The table below shows the economic values created for KPA Pension's financial stakeholders (return on pension savings and income from customers, including both employers and private individuals) and the distributed values (such as wage payments, payments to suppliers, and tax), as well as residual economic value (the result in the insurance business and the administrative operations).

THE ACTIVITY IN FIGURES SEK '000	2008	2007	2006	2005	2004
<b>ECONOMIC VALUE CREATED</b>					
<b>Premium income</b>					
KPA Livförsäkring AB	518,335	566,766	554,664	675,311	653,229
KPA Pensionsförsäkring AB, Conventional	5,996,296	5,993,284	5,468,856	5,860,062	5,583,542
KPA Pensionsförsäkring AB, Unit-linked*	464,011	412,322	373,109	454,748	434,627
Total insurance business	6,978,642	6,972,372	6,396,629	6,990,121	6,671,398
<b>Administrative income</b>					
KPA Pension AB	119,800	113,366	107,693	106,904	111,459
Pensionsvalet PV AB	34,487	30,816	31,779	32,618	29,960
Total administrative operations	154,287	144,182	139,472	139,522	141,419
<b>Net return on assets in the insurance business</b>					
KPA Livförsäkring AB	97,074	41,758	89,581	232,816	190,501
KPA Pensionsförsäkring AB, Conventional	2,922,690	-1,356,340	632,624	2,861,076	1,387,551
KPA Pensionsförsäkring AB, Unit-linked* **	-968,813	-54,639	394,862	559,952	99,651
Total insurance business	2,050,951	-1,369,401	1,117,067	3,653,844	1,677,703

<b>DISTRIBUTED VALUE</b>					
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Operating expenses</b>					
KPA Livförsäkring AB	-27,459	-26,866	-27,519	-31,023	-29,557
KPA Pensionsförsäkring AB, Conventional	-229,191	-235,792	-224,816	-231,583	-206,125
KPA Pensionsförsäkring AB, Unit-linked*	-13,071	-10,989	-8,837	-9,517	-8,127
KPA Pension AB	-117,338	-111,961	-107,865	-103,801	-85,004
Pensionsvalet PV AB	-36,617	-29,752	-30,823	-31,312	-22,162
Total operating expenses	-423,676	-415,360	-399,860	-407,236	-350,975
- of which, personnel expenses	-252,157	-244,902	-233,344	-223,660	-201,578
<b>Insurance claims</b>					
KPA Livförsäkring AB	-411,429	-384,849	-418,712	-437,969	-432,550
KPA Pensionsförsäkring AB, Conventional	-849,818	-693,900	-535,544	-426,549	-320,713
KPA Pensionsförsäkring AB, Unit-linked*	-168,440	-193,290	-122,011	-80,254	-43,411
Total insurance business	-1,429,687	-1,272,039	-1,076,267	-944,772	-796,674
<b>Change in technical provisions</b>					
KPA Livförsäkring AB	- 66,459	16,789	12,047	-154,925	-231,628
KPA Pensionsförsäkring AB, Conventional	-10,685,160	-807,238	-813,819	-5,628,580	- 4,671,675
KPA Pensionsförsäkring AB, Unit-linked*	699,683	-142,839	- 629,423	- 919,541	-478,881
Total insurance business	-10,051,936	-933,288	-1,431,195	-6,703,046	-5,382,184
<b>Tax</b>	-664,396	-662,374	-637,344	-719,718	-660,439
<b>RESIDUAL ECONOMIC VALUE</b>					
<b>Result for the year in the insurance business</b>					
KPA Livförsäkring AB	-16,879	**101,250	102,304	252,896	136,055
KPA Pensionsförsäkring AB, Conventional	-3,117,269	2,704,132	4,370,792	641,000	1,652,580
KPA Pensionsförsäkring AB, Unit-linked*	2,179	380	1,463	-2,192	-1,834
Total insurance business	-3,131,969	2,805,762	4,474,559	891,704	1,786,801
<b>Result for the year in administrative operations</b>					
KPA Pension AB	2,017	1,242	82	6,891	14,822
Pensionsvalet PV AB	3,250	2,744	1,336	2,140	5,006
Total administrative operations	5,267	3,986	1,418	9,031	19,828

\* KPA Fondförsäkring AB merged with KPA Pensionsförsäkring AB with effect as of 30 December 2008.

\*\*The annual result for 2007 has been restated from the previous year and changed to the discount rate for technical provisions according to Finansinspektionen (Swedish Financial Supervisory Authority).

<b>FINANCIAL KEY RATIOS</b>					
<b>Managed pension assets</b>					
KPA Livförsäkring AB	3,699,250	3,597,000	3,431,000	3,262,000	2,824,000
KPA Pensionsförsäkring AB, Conventional	47,937,575	40,559,000	37,053,000	32,257,000	24,543,000
KPA Pensionsförsäkring AB, Unit-linked*	2,695,093	3,402,368	3,239,443	2,618,933	1,707,488
Direct saving in funds and PPM	1,474,633	1,998,180	1,971,823	1,527,117	1,369,065
Total insurance business	55,806,551	49,556,548	45,695,266	39,665,050	30,443,553
<b>Management expense ratio</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
KPA Livförsäkring AB	1.0 %	0.7 %	1.0 %	0.9 %	1.3 %
KPA Pensionsförsäkring AB, Conventional	0.5 %	0.6 %	0.7 %	0.8 %	1.0 %
<b>Solvency ratio</b>					
KPA Livförsäkring AB	179 %	176 %	145 %	139 %	131 %
KPA Pensionsförsäkring AB defined-contribution	126 %	148 %	140 %	125 %	118 %
<b>Expense ratio</b>					
KPA Livförsäkring AB	5.3 %	4.7 %	5.0 %	4.6 %	4.5 %
KPA Pensionsförsäkring AB	4.0 %	3.9 %	4.1 %	4.0 %	3.7 %
<b>Total return as %</b>					
KPA Livförsäkring AB	2.6%	1.1 %	2.3 %	6.7 %	6.1%
KPA Pensionsförsäkring AB, Trad	6.3%	-3.0 %	1.6 %	10.2 %	6.4 %
<b>KPA GROUP'S CUSTOMERS, NUMBER OF</b>					
Occupational pensions KAP-KL	1,041,432	986,932	934,261	865,458	707,122
Private pension insurance	35,466	37,556	38,256	39,468	40,150
Pensioners	385,000	360,000	345,000	320,000	320,000
Municipalities/county councils and regions	237 / 20	238 / 20	240 / 20	241 / 20	244 / 20
Other employer customers	1,000	1,000	1,000	1,000	1,000

#### FIXED SALARY FOR CEO – NO BONUS

For 2008, the CEO was paid salary totalling SEK 1,620,000. The KPA Group does not apply variable pay or bonuses in any context.

#### EMPLOYEE PENSIONS

The KPA Group's occupational pension commitment in respect of employees is secured with KPA Pensionsförsäkring AB. The pension plan, the KPA plan, is principally a defined benefit plan with a small defined-contribution element. Pension credits in the case of older pension agreements are secured with KPA AB's Pensions Foundation for former employees.

**Specification of reported pension costs in the KPA Group, pensions through insurance**

<b>Amount in SEK '000</b>	<b>2008</b>	<b>2007</b>
Insurance premiums	47,028	27,032
Special employer's contribution on pension costs	11,409	6,558
<b>Pension cost for the year</b>	<b>58,437</b>	<b>33,590</b>

**Pension commitment secured with KPA AB's Pensions Foundation**

<b>Amount in SEK '000</b>	<b>2008</b>	<b>2007</b>
Fair value of assets in the Pensions Foundation	32,618	36,952
Financial liabilities	-1,186	-1,189
Pension commitment secured with the Pensions Foundation	-30,275	-31,883
<b>Surplus value</b>	<b>1,157</b>	<b>3,880</b>

# Executive Management and Boards of Directors 2009

## Executive Management

Bertil Repfennig, CEO  
Stellan Dahnsjö, Development and Strategic IT  
Mia Liblik, Strategic Business Development  
Gudrun Wallin, Business Support  
Lars Olov Ohlsson, Employer Market  
Inge Bäckström, Individual Market



## Boards of Directors

### KPA AB

Anders Sundström, Chair  
Anders Knape, Deputy Chair  
Lars Burman  
Ilmar Reepalu  
Håkan Sörman  
Lena Ludvigsson-Olafsen  
Niklas Gillhög, employee representative, regular  
Anders Östberg, employee representative, deputy

### PENSIONSVALET PV AB

Lars Burman, Chair  
Anders Andersson, Deputy Chair  
Harald Mårtensson  
Bertil Repfennig  
Inger Hjærtström  
Åsa Forsberg  
Lena Dahl  
Lennart Hansson

### KPA PENSION AB

Gunnar Andersson, Chair  
Mikael Freimuth, Deputy Chair  
Lars Burman  
Daniel Eriksson  
Birgitta Nilsson  
Agneta Åhlin  
Harriet Pontán  
Elving Andersson

### KPA PENSIONS FÖRSÄKRING AB

Anders Sundström, Chair  
Håkan Pettersson, Deputy Chair, representative for the insured  
Stefan Ackerby  
Elisabeth Sasse  
Agneta Jöhnk  
Markus Gustafsson  
Åke Göransson  
Robert Leth  
Mikael Öhlund

### KPA LIVFÖRSÄKRING AB

Lars Burman, Chair  
Lars Gerhard Westberg, Deputy Chair  
Stefan Holm  
Christer Romilson  
Clas Olsson  
Staffan Löwenborg  
Annika Falk, representative for the insured  
Lisa Stener, employee representative, regular  
Johan Sjöström, employee representative, deputy

# GRI Index

Filled circle = fully reported indicator, unfilled circle = semi-reported indicator

LA-indicator	Description	Reporting	Page ref.
<b>Strategy and analysis</b>			
1.1	CEO's Statement	•	4-5
<b>Organisational profile</b>			
2.1	The name of the organisation	•	6-7
2.2	Primary products and/or services	•	6-7
2.3	Operational structure of the organisation	•	6-7
2.4	Location of the organisation's head office	•	6-7
2.5	Countries where the organisation operates	•	6-7
2.6	Nature of ownership and legal form	•	6-7
2.7	Markets served	•	6-7
2.8	Scale of the organisation	•	6-7
2.9	Significant changes during the reporting period	•	8-9
2.10	Awards received in the reporting period	•	Not relevant for 2008
<b>Report parameters</b>			
3.1	Reporting period	•	2
3.2	Date of previous report		KPA Pension's first report
3.3	Reporting cycle	•	2
3.4	Contact point for questions regarding the report	•	2
3.5	Process for defining report content	•	2
3.6	Boundary of the report	•	2
3.7	Specific limitations on the scope or boundary of the report	•	2
3.8	Basis for reporting subsidiaries, joint ventures		Not relevant for KPA Pension
3.10	Comparability with previous reports		KPA Pension's first report
3.11	Significant changes from previous reporting periods		See above
3.12	Table with GRI Index	•	30
<b>Governance, commitments, and engagement</b>			
4.1	Governance structure of the organisation	•	*
4.2	The Chair's role in the organisation	•	*
4.3	Proportion of independent, non-executive board members	•	*
4.4	Mechanisms for the shareholders and employees to provide	•	*
4.14	Stakeholder groups engaged by the organisation	•	2
4.15	Basis for identification and selection of stakeholders	•	2
<b>Economic</b>			
EC 1	Direct economic value generated and distributed	•	26-27
EC 3	Coverage of the organisation's defined benefit plan obligations	•	28

Environment			
EN 4	Indirect energy consumption per primary energy source	o	19-21
EN 16	Total direct and indirect greenhouse gas emissions	•	19-21
EN 17	Other relevant indirect greenhouse gas emissions	•	19-21
EN 18	Initiatives to reduce greenhouse gas emissions	•	19-21
Working conditions and working environment			
LA 1	Total number of employees	•	25
LA 2	Employee turnover	•	25
LA 4	Percentage of employees covered by collective bargaining agreements	•	100 %
LA 6	Percentage of total workforce represented in formal joint management-worker health and safety committees	•	4 %
LA 7	Rates of injury, occupational diseases, lost days **	o	23-25
LA 8	Education, training, counselling, prevention, and risk control programmes regarding serious diseases	o	23-25
LA 12	Number of employees that regularly participate in staff development interviews	•	23-25
LA 13	Composition of executive management and other employees	•	25
Product responsibility			
PR 5	Customer satisfaction	•	6-7
Active ownership			
FS 10	Number of companies with whom a dialogue is pursued regarding environmental and social issues	•	13-16
FS 11	Proportion of investments that undergo screening	•	13-16

\* See KPA AB's Corporate Governance Report for 2008 at [www.kpa.se](http://www.kpa.se)

\*\* Personnel injury and lost-time injuries do not occur in the business and are accordingly not reported.

# Glossary

**Capital base** Corresponds to equity in the balance sheet.

**Collective solvency margin** The ratio between the value of assets and the company's total commitment.

**Defined-contribution pension** Pension agreement where the future pension depends on the premiums paid and on returns during the savings period.

**Expense ratio** Operating expenses' percentage-wise (%) share of premium income. This figure shows how large a share of savers' premiums go to cover the insurance company's costs.

**GRI** Global Reporting Initiative.

**Management expense ratio** Operating expenses' percentage-wise (%) share of managed pension assets (investment assets). This figure shows how large a share of all the savings go to cover the insurance company's costs.

**Pension agreement** KPA Pension primarily administers four collective pension agreements: KAP-KL for municipalities, county councils and regions, PA-KFS for municipal companies, the KPA plan, and AIP for employees of theatre, dance and music institutions.

**Premium income** Premiums paid during the year.

**Rate of return** The interest which is the return on the insured's savings (pension assets). KPA Pension distributes the actual return on the assets directly to the customers' insurances at the end of every quarter.

**Solvency ratio** The ratio between the company's assets (less financial liabilities) and technical provisions made to cover future insurance commitments.

**Total return** The sum total of direct yield (less management charges) and realised and unrealised changes in the value of the investment assets.





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**KPA**  
PENSION

*A better future*

