

Sustainability Report 2006

Folksam is a mutual company

This means it is owned in common by its customers, and its profits are not distributed to shareholders but retained by its mutual owners. Folksam's vision states: *We work for a long-term sustainable society in which the individual feels secure.* In this year's Sustainability Report we seek to give an idea of what Folksam has achieved so far in fulfilment of this vision.

Folksam's fourth Sustainability Report is based as far as possible on the guidelines for sustainability reporting issued by Global Reporting Initiatives (GRI).

Sustainability Report 2006 presents all aspects of Folksam's outcomes and operations — economic, ecological and social.

The Report is addressed in the first place to our customers and employees. It is also available for download at folksam.se

Highlights of 2006

A year of change

In 2006 Folksam undertook an extensive change process with the aim of cutting costs. The change was implemented largely through restraints on external recruiting, retirements, and a small number of redundancies. A positive effect of the change process has been increased internal mobility, bringing new opportunities for many employees.

Seatbelt reminder systems save lives

During 2006 Folksam carried out a survey of the effectiveness of seatbelt reminder systems in Europe. It was found that 98 percent of occupants of cars fitted with reminder systems wore their seatbelts, compared to 86 percent of those in cars without. If all cars in the EU were fitted with reminder systems, at least 6,000 lives a year could be saved.

Folksam goes carbon neutral

In 2006 Folksam became a carbon neutral enterprise. This means that each year we plant the number of trees necessary to offset our carbon dioxide emissions.

The plantations, in Mexico and Uganda, are reforestation projects which not only capture carbon but also contribute to local ecological and social diversity.

Folksam contributes to Scandinavian climate work

Folksam is among the funding partners of the Scandinavian secretariat of the Carbon Disclosure Project (CDP). The project aims to encourage Scandinavian investors to make a more serious commitment on climate issues. The investors in CDP represent global assets of \$40 billion, equivalent to approximately 30 percent of the total global investment capacity.

Supporting abused women

In 2006 Folksam and the Swedish Municipal Workers' Union started a project to help women who suffer abuse and violence in their own homes. The women are given professional support by psychologists from the Crisis and Trauma Centre in the hope that they will find the strength to break out of the abusive relationships.

Euro NCAP adopts whiplash tests

As a result of series of crash tests carried out by Folksam and the Swedish Road Administration, Euro NCAP will test cars for whiplash protection from autumn 2007.

Since Euro NCAP sets car safety standards for the international market, this is a major step forward and an international endorsement of Folksam's research.

Bonus programme for all employees

A bonus programme covering all workers except chief executives was introduced this year as an incentive to all Folksam's employees to work towards agreed common goals. The goals were achieved, and in summer 2007 all Folksam employees will receive a bonus of SEK 10,000.

Review of anti-skid systems

To encourage car makers to prioritise anti-skid systems we conducted a review of these systems in different car models. Two thirds of the models were found to offer these systems as standard features. Our aim is to have anti-skid systems fitted in all new cars.

Slow growth of women in management

Folksam Equal Opportunity Index 2006, based on 238 publicly listed companies, revealed a modest 1.9 percentage point increase in women directors, from 17.0 to 18.9 percent. The percentage of women in executive groups is growing at an even slower rate, from 10.5 to 10.9 percent.

Business Car Index examines car buying practices

In 2006 Folksam published its Business Car Index for the first time. The index reflects the safety and environmental requirements of businesses, county councils, local councils and government agencies in their purchases of business cars. The survey showed that while new business cars have become considerably safer and more environmentally friendly, there is still plenty of room for improvement.

Corporate Responsibility Index

During the year Folksam launched a Corporate Responsibility Index. This survey, the first of its kind, examines Swedish listed companies' publicly reported activities in the interests of the environment and human rights.

More flexibility with holidays

Folksam employees now have greater flexibility to choose their days off. Workers have a certain number of days off each year as before, and they can now take three of these days any time they wish provided that it does not interfere with business operations.

Folksam initiates Swedish policy on children in cars

A new policy for child safety in cars was announced in June 2006. It is backed by the National Road Administration, the National Society for Road Safety, the Swedish Motor Vehicle Inspection Company, and numerous car makers.

Coaching training for managers

In 2006 all Folksam managers were trained in discussion techniques. Many of them also received training in coaching their co-workers and at the same time they were each assigned their own individual coach.

UN project on ethical investment principles

Folksam was a founder member of a UN project on international principles for ethical investment. The principles were launched in May 2006, and by the end of the year they had been adopted by 120 investment funds representing assets of \$6000 billion.

Expanded paint tests for consumer guidance

During 2006 Folksam expanded its annual testing programme for Sweden's best-selling exterior house paints. It was found that mould growth on paint is worst in the Stockholm area. After a year's exposure on Sweden's west coast the same paints were almost completely free of mould.

Serious deficiencies in listed companies' bonus schemes

Folksam's review of stock option systems run by listed companies showed a rapid growth in the number of stock option and remuneration programmes in 2006. The majority of programmes suffer from serious deficiencies, and Folksam has been actively engaged in discussions with a number of companies with a view to bringing about improvements.

130,000 car wrecks removed from the countryside

Over the last six years Folksam and the Keep Sweden Tidy Foundation have conducted a joint campaign against car wrecks. In the course of the campaign, which concluded in 2006, 130,000 car wrecks were recovered.

In the process, over 1.3 tonnes of mercury, 936 tonnes of lead and 195m³ of battery acid was removed from the environment, and 91,000 tonnes of metal was collected for recycling.

The Folksam Vision

We work for a long-term sustainable society in which the individual feels secure.

Folksam's values

- Security
- Commitment
- Humanity
- Professionalism

Overarching goal

Folksam will have the most satisfied customers in the insurance and savings industry.

Business concept

To create and provide, in cooperation with our customers, a full range of security solutions of high quality, optimum security, and top-ranking financial benefit. Folksam gives first priority to meeting the needs that are shared by many.

Personnel concept

Folksam's customers will meet the industry's top team of skilled, committed people, who are collectively characterised by diversity and who bear witness to our values.



Being on the right side of the future

A change has come over the public debate since I wrote the introduction to the 2005 Folksam Sustainability Report. The climate threat, indeed the whole issue of global warming, has become the mental property of everyman and everywoman. I may be exaggerating, but the explosion of coverage in the mass media should not be underestimated.

At the beginning of 2007 the EU Commission conducted an opinion poll in which 26,000 EU citizens were asked whether they were worried about climate change and global warming. In some southern European countries such as Spain and Cyprus 70 percent of people were very worried, compared to only 30 percent in Sweden.

The result reflects the ways in which climate change has affected different parts of the world so far. Last summer Spain suffered a severe drought. The Swedish summer, on the other hand, was just unusually warm and sunny. More worrying is the fact that only 22 percent of Swedes would consider changing over to more energy-efficient refrigerators, freezers and stoves, while the corresponding figure for the EU as a whole is 48 percent.

Thinking climate

I have pointed out previously the magnitude of the risks and threats that global warming presents. This time I want to comment on some paradoxes in the climate of thought that surrounds the whole climate issue. This is roughly the way I imagine a great many people think about the matter:

It looks like the earth is set to collapse because of climate change. I didn't believe it at first. Now I do, but I don't really want to because it's too dreadful. But if there are six billion people living on the earth, and the earth is starting to collapse because of the way people live and behave, only we people can stop the process, right? But there's not much I can do on my own, that's what we have the UN, politicians, governments and well-paid captains of industry for.

Maybe that just reflects my own prejudices, but I don't really think so. I have heard these feelings expressed by so many people, I have felt this way myself, and millions of others must do so too. But my own curiosity and my professional duties have led me to think further.

My conclusion is this: together we can stop global warming. But we can't manage without you.

I believe that from the community's viewpoint, what Folksam's customers do every day of their lives matters more than what politicians, governments, the EU

or even the UN decide. There are over four million of you after all.

How can I say that? Surely it's just empty rhetoric? No, it's more of a chicken-and-egg question. Obviously, climate decisions made at the national, international and global levels are of great importance. But what I am saying is that all governments, all politicians who wield power under democratic control, as well as the UN via the votes of its member countries, are dependent on what you want, on how you want to live your life. Power starts with you.

The choice is always yours

But you must make your will manifest. Don't feel overwhelmed by the global ramifications, don't imagine it makes no difference to global warming how you live. If the political and economic powers that be are allowed to conclude that global warming is not something you feel you can influence, but that you do want the tax regulations changed so that the family can afford another car – what do you think the debate will be about, what will your politicians be promising in the next election campaign, what will they be trying to sell you?

The choice is always yours, but now it's about everybody's survival. So be sure you make clear demands on the political and economic world that supplies you with goods and services! Folksam's insurance and savings services come with environmental and sustainability thinking built-in, through our ethical asset management and our extensive partnerships with contractors in our general insurance business. Our non-life insurance business, for example, is environment proofed: a house that has burnt down will be rebuilt of all environmentally friendly materials. And so on.

If we do the same as you

But insurance is not all you need. You need to change the way you live so as to conserve resources and use energy efficiently.

Based on that conviction, you must make tough new demands as a consumer, whatever it is you consume – travel, food, cars, light bulbs, white goods, heating systems, insurance, building materials or equity saving.

If we all do the same as you, what influence, what power that will give us over the market! I have noted in a debate on global warming in the business media that large-scale climate policy works best when it is supported by small-scale policy that is based on trust between people. Climate change is global – but reality is still always local. And that is always where the people are, whatever their nationality.

That was my first paradox: when there is a problem in the world that is so big that it must be overcome for all our sakes, and only people can overcome it – why are so many people in this situation doubtful and passive instead of going on the offensive and taking action?

Different views, different planets

My second paradox is this: how come parties in the public debate can still hold diametrically opposed views on the climate threat and its significance – despite the consensus in the scientific community that the risks are high? That consensus is clear from the latest report of the Intergovernmental Panel on Climate Change.

The report *The Economics of Climate Change* by Nicholas Stern, a former chief economist of the World Bank, helped to bring about the breakthrough in public awareness of the global warming crisis. Stern notes that the investments made in the next twenty years will deeply influence the earth's climate in the second half of this century and the next century.

Last weekend I read a debate article by Stefan Fölster, chief economist of the Confederation of Swedish Enterprise. His optimism is exemplary: “In ten years we will regard global warming the same way as we regard earlier threats like overpopulation, forest dieback or lake acidification.” (This may not be obvious to everybody in the next three years, he adds cautiously.) Fölster's prediction comes at the conclusion of a cavalcade of all the new advances in environmental technology that are happening around the world. “For purely commercial reasons”, he claims, this market will quickly minimise the need for “political intervention” to control global warming. He does have a point. Market forces are a powerful motor for rapid change. Everyone of course has the right to their own opinion on the climate issue as on anything else – even if that opinion represents a powerful stakeholder's position. But to claim that the problem of global warming will fade away within a decade to the point where it can be compared to an acidified lake? Holding different opinions is one thing. Living on different planets is another.

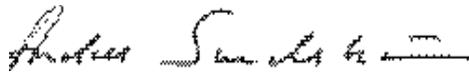
Folksam is carbon neutral

I am going to devote my last few lines to the most important environmental development at Folksam in 2006: we have made our entire operations carbon neutral. What does that mean? It means that we plant the number of trees it takes to offset the 4700 tonnes of carbon dioxide that our business operations discharge to the atmosphere each year, after having more than halved our previous level of emissions.

The trees are planted in Mexico and Uganda, where they contribute to reforestation and to the ecological and social diversity of the local areas.

The plantations cover an area equal to 80 football fields each year. These “carbon sinks” are the method Folksam has chosen to achieve carbon neutrality without losing pace. In the longer term we plan to bed down our zero emission status through partnerships in new wind power plants. To my knowledge Folksam is the first Swedish business to go carbon neutral.

Folksam turns 99 this year. But we're on the right side of the future.



Anders Sundström
CEO, Folksam

Folksam policies and management systems

Management systems for sustainable development

Folksam's management systems for sustainable development are founded on the Folksam Vision, which is set out in our publication of the same name. As well as describing Folksam's role as the mutually-owned insurance and savings company, the booklet also identifies our common overarching aims and indicates how we must act in order to achieve them. The booklet is a guiding light for all of Folksam's work.

Policy documents issued by Folksam's Boards

The Folksam Group consists of a life assurance and savings group and a general insurance group, each overseen by a board of directors. The boards each consist of customer representatives from the Swedish popular movements, the cooperative movement, and the union movement. Each year the boards issue a work agenda and a strategic agenda.

Folksam has a number of overarching functions charged with enforcing rules and minimising operational risks. Among the most important are the Audit Committee and the Directors' Fees Committee, which report to the boards, and the Lay Auditors, who review the internal audit. Another function is Compliance, which oversees and reviews compliance with rules in Folksam's operations, and a function for structured risk management.

In addition the boards have issued a number of instructions and policy documents which govern the Company's operations.

Examples of general guidelines

- Ethical rules
- The Folksam Vision
- Prevention of money laundering and financing of serious crime
- Actuarial guidelines
- Policy on information security
- Internal audit
- Management of complaints relating to financial services
- Guidelines for the management of issues falling under the Competition Act
- The management organisation
- Environmental Policy. Parts of Folksam are environmentally certified to ISO 14001
- Investment rules for assets management
- Reinsurance
- External corporate governance policy
- Managing conflicts of interest



Economic perspectives

Exerting influence for change

Folksam has over four million customers and manages SEK 172 billion of assets on their behalf. This gives us a power base from which we can influence and, over time, change our society in the direction of greater sustainability and greater security for the individual.

Vision of a sustainable society

Folksam's investment decisions are based on ethical investment criteria which reflect our vision of a sustainable society. There are positive, inclusive investment criteria relating to human rights, corruption, and the environment. Folksam prefers to invest in companies that take responsibility for the environment and for human rights and which are working to fight corruption. However, there are companies which are excluded from consideration no matter how good their work environment or environmental impact may be. Thus we have a negative, exclusionary criterion relating to tobacco.

Dialogue improves enterprises' social responsibility

Folksam is in a position to encourage enterprises to recognise their social responsibilities through active corporate governance. In 2006 Folksam reviewed the operations of over 2,750 companies. We identified the twenty enterprises at greatest risk of environmental and human rights incidents and contacted them with an offer to review their risk situation. A number of companies have set up environmental guidelines and goals after engaging in a dialogue with Folksam.

Our efforts in this direction are bearing fruit, with continued improvements being noted in companies' recognition of their social responsibilities. Many of Folksam's key arguments on corporate governance have received mass media attention which has focussed public attention on the issues.

Corporate bonus schemes examined

An important part of our corporate governance activities consists in monitoring bonus schemes run by listed companies. Folksam's view is that a good bonus scheme will improve employee motivation and performance, thereby creating value for the company and its shareholders. In the longer term, this ensures good returns for Folksam's customers.

This year's review, like last year's, revealed big differences between companies, with schemes run by O List companies having on the whole significantly more serious deficiencies than those of A List companies. There was a big increase in the number of stock option and remuneration schemes in 2006. Notwithstanding calls in recent years for greater openness and

clarity, most schemes still suffer from serious flaws. Folksam has engaged in active discussions with a number of companies with a view to bringing about improvements.

Audit committees forestall problems

Functioning communication between the directors and auditors of Swedish listed companies is important in order to forestall problems. Audit committees are a means to this end. Folksam believes that all listed companies should have an audit committee appointed by the AGM.

We have called on all companies to appoint a nomination committee, a directors' fees committee and an audit committee, whose reports should be returned in good time for the AGM and published in the Annual Report. These demands have been widely complied with.

Influence outside Sweden's borders

Since 2005 Folksam has exercised voting rights at AGMs in other countries. Acting in concert with a number of international institutions and banks, we have cast votes in favour of selected motions relating to companies' social responsibilities. As an outcome of the votes of Folksam and other owners, Coca-Cola's AGM resolved to conduct an independent review of labour rights at the company's Colombia plant.

Partnerships for a sustainable world

Working with the Institutional Owners Association among others, Folksam has been promoting better protection for minority owners.

In partnership with the United Nations Global Compact we are raising questions about the activities of listed companies in the Sudan, Nigeria and Burma. Folksam is also part of the UN project Principles for Responsible Investment, which aims to integrate consideration of environmental, social and governance issues into investment decision-making. PRI was launched in May, and by the end of the year 120 investment funds representing assets of \$6000 billion had become signatories.

Distance voting for democracy

In the interests of shareholder democracy Folksam has taken action to persuade more companies to moderate their AGMs to allow distance voting. Distance voting lowers the risks of shareholding by making it easier for the shareholder to influence decisions. This can be expected to lead to greater willingness to invest in Swedish stocks, which in time should increase their value. Only a few listed companies have taken this step so far.

Folksam Climate Index improved

For the last eight years we have published the Folksam Climate Index, a measure of the carbon dioxide emissions of listed companies. Companies are much more aware of their climate impact now than they were eight years ago. In 2006 has Folksam responded to changing conditions by evolving and improving its Climate Index ahead of future surveys. The index is designed to encourage Swedish enterprises to adopt a more systematic approach to greenhouse issues.

Stronger commitment on climate issues

As a member of the Carbon Disclosure Project (CDP), Folksam has identified measures that listed companies can take to reduce their contributions to global warming. Folksam contributes to the funding of the CDP Scandinavian Secretariat, which seeks to strengthen Scandinavian investors' commitment on climate issues. Investors involved in CDP represent assets of \$40 billion, or around 30 percent of the total global investor capital.

Lack of women at the top a profitability problem

Women continue to be underrepresented at listed companies. The Folksam Equal Opportunity Index 2006 showed that in 238 companies surveyed the percentage of women directors increased by only 1.9 percentage points, from 17.0 to 18.9 percent. The percentage of women in executive teams grew more slowly still, from 10.5 to 10.9 percent.

This gender inequity is both a woman problem and an enterprise problem. Long-term profitability suffers when skilled women and men are excluded from boardrooms due to gender, age, nationality, or for belonging to the "wrong" networks.

As a result of Folksam's opinion forming efforts, significantly more enterprises than before are reporting their equal opportunity goals.

Corporate responsibility rankings

During the year Folksam launched its Corporate Responsibility Index. This survey, the first of its kind, examines Swedish listed companies' publicly reported activities in the interests of the environment and human rights. The Folksam Corporate Responsibility Index aims to inspire more enterprises to improve their environmental and human rights record.

In the 2006 review the forest sector gained the highest ranking in the areas of environmental responsibility and human rights, while the media and entertainment industry was ranked last.

International climate initiative

Folksam was the only Swedish investor to be invited to assist in drafting UN guidelines for institutional investors on the environment, social issues and corporate governance.

The guidelines, entitled Principles for Responsible Investment (PRI), encourage listed companies to draw up action plans and measurable goals for the reduction of CO₂ emissions.

Folksam's engagement with Corporate Governance	2006	2005	2004
Number of companies with which Folksam has engaged in active dialogue	7	14	13
Number of AGMs attended by Folksam	18	15	15
Number of companies with which Folksam has been in contact about social responsibility	269	270	230
Folksam Equal Opportunity Index	2006	2005	2004
Number of listed companies reviewed	238	242	248
Percentage women employees	33,2%	32,5%	32%
Percentage women executives	10,9%	10,5%	9,5%
Percentage women directors	18,9%	17%	13,5%
Highest ranked	Poolia	Poolia	Poolia
Gender equity on Folksam boards	2006	2005	2004
Women			
Folksam Life	46%	55%	40%
Folksam General	42%	42%	42%
Men			
Folksam Life	54%	45%	60%
Folksam General	58%	58%	58%
Folksam Corporate Responsibility Index	2006	2005	2004
Number of listed companies reviewed	269		
Average ranking in human rights (out of 7 possible)	3,0		
Average ranking for environmental responsibility (out of 7 possible)	3,0		
Highest ranked, human rights	SCA		
Highest ranked, environment	KF		
Folksam Climate Index	2006	2005	2004
Number of listed companies reviewed	41	270	270
Average climate score (out of 5 possible)	3,0	2,5	2,4
Highest ranked	Ericsson	Prevas	Telia Sonera



Ecological perspectives

Folksam a carbon-neutral enterprise

It is beyond question that emissions of carbon dioxide are a contributory cause of global warming and climate change. In 2006, in pursuit of its commitment to fight global warming, Folksam became a carbon-neutral enterprise. This means that each year we offset our carbon dioxide emissions by planting trees. The plantations, in Mexico and Uganda, contribute to reforestation and to local ecological and social diversity.

In the longer term, Folksam plans to bed down its carbon neutral status through partnerships in new wind power plants.

The power to make a difference

Every second person, every second home, and every fourth motor vehicle in Sweden is insured with Folksam. This gives us the power to make a difference – in environmental issues among others. Folksam was among the first 19 insurers in the world to become signatories of the UNEP Statement of Environmental Commitment by the Insurance Industry. Folksam's strict environmental requirements have been a factor in establishing higher environmental standards at a number of large contractors.

Insurance repairs and the environment

Folksam keeps sight of the environment when settling insurance claims, enforcing strict environmental standards on the contractors we employ for repairs to houses and vehicles. Any company wishing to be considered as a supplier must complete a detailed environmental specification. There are specifications for building contractors, car repair shops, scrap yards, decontamination firms and commercial laundries.

Today Folksam has contracts with over 200 builders, 1000 car repairers and scrap yards, and 40 commercial laundries and decontamination firms.

Continuous improvements with environmental certification

Those parts of Folksam with the greatest potential to make a positive impact on the environment are environmentally certified to ISO 14001, recognised as the international standard for environmental management systems. Today our motor vehicle and building claims business and our traffic safety research are environmentally certified.

Reuse reduces environmental impacts

The environmental impact of car repairs is reduced by reusing original parts and by repairing plastic components and windshields instead of replacing them with new parts.

Reuse brings big economic savings too. In 2006 Folksam saved around SEK 60 million on vehicle repairs, and the total savings achieved over the last six

years by reusing parts and by repairing plastic components and windshields amount to SEK 310 million.

Paint tests give invaluable consumer help

In 2006 Folksam expanded its annual testing programme for Sweden's best-selling exterior house paints. This unique programme is designed to reveal the effects of the Swedish climate on exterior paints. Tests are conducted at four sites in different parts of Sweden: Stockholm (east coast), Borås (inland), Vindeln near Umeå (north), and Bohus–Malmö (west coast). The programme aims to cover around 90 percent of the exterior house paints on the market.

This year's results show that paints in the Stockholm area suffer by far the worst mould growth, while the same paints after one year's exposure to the climate of the west coast are almost completely free from mould. Eight of the paints tested were so severely affected by mould after just one year that Folksam recommends against buying them. One positive finding was that the environmentally friendly acrylic and linseed oil paints performed significantly better than the less friendly solvent-based oil/alkyd paints.

The background to this initiative is that many homeowners have been disappointed to discover rot, mould, colour changes and crazing on their newly-painted houses. If many Swedish homeowners have to repaint their houses more frequently than every 15–20 years due to poor paint durability, it means a significant extra cost for these households and for Folksam's customers.

Green power cuts CO2 emissions

Four years ago Folksam began using "green" electricity (Bra Miljöval-el) in its buildings, a step which reduced carbon dioxide emissions at a stroke by 90 percent from 220 tonnes to 15 tonnes a year. In 2006 Folksam reduced its heating consumption by 3.8 percent. Our electricity consumption per square metre rose by 7.4 percent, from 79.5 kWh/m² to 85.38 kWh/m². Our total electricity consumption in 2006 was 20,745 MWh. Our water consumption was close to that in the previous year, 173,357 m³, a rise of 2.4 percent.

Travel policy reduces emissions

To reduce emissions from travel, Folksam has a travel policy which calls for efficient car use through driving schedules and special "inspection days" for insurance claims. The policy also prescribes the means of transport to be used on different routes. One hundred Folksam employees have been trained in eco-driving, a set of environmentally friendly driving practices that can give fuel savings of 10–25 percent. The employees who have undergone training so far each drive an average of 15,000 km a year on business trips, and with

eco-driving this means a total reduction of 30 tonnes a year in carbon dioxide emissions.

Lower emissions from business travel

Folksam has implemented a number of measures to lower emissions from business travel, e.g. by reducing car travel and rerouting business travel from air to rail. In 2006 air and train travel at Folksam were both down by a total of 513 trips on the previous year. Car travel was down by 15.4 percent on 2005. In terms of distance the reduction was 1,075,150 km, equivalent to 211 tonnes of carbon dioxide. The percentage of kilometres travelled in vehicles meeting Folksam's environmental and safety requirements was up by 11 percent.

Safe, environmentally friendly cars

Every other year Folksam compiles a list of car models meeting high standards of safety and fuel economy, published in the report *How safe is my car?* Folksam uses this list not only to choose the cars it buys for its own needs but also to guide its choice of hire car services for customers with motor accident claims. Since Folksam customers drive close on 10 million kilometres a year in hire cars, the demands we make have a major impact. The Folksam report is also used by many other vehicle buyers, including local and regional government and large corporations.

Countryside cleansed of 130,000 car wrecks

Over the last six years Folksam and the Keep Sweden Tidy Foundation have been conducting a joint cam-

paign against car wrecks. Its aim has been to heighten awareness of the fact that it is an environmental offence to dump a vehicle in a manner that endangers the environmental. Car wrecks are not only a danger to children and animal life, they also release quantities of hazardous substances.

The campaign is to conclude in the spring of 2007, and as of the end of 2006 over 130,000 car wrecks had been recovered. Since it began, the Swedish countryside has been cleansed of over 1.3 tonnes of mercury, 936 tonnes of lead and 195 cubic metres of battery acid, all substances that can seriously harm the environment. In addition, 91,000 tonnes of metal has been collected and recycled.

Guide to environmental impact of building materials

In spring 2006 Folksam released a new edition of its *Byggmiljöguiden*. First published ten years ago, it is a guide to building products and materials that spare the environment and safeguard our health. It also shows where each product is made, since a locally manufactured product requires less transport and thus results in less emissions than an equivalent product that must be brought a greater distance.

Byggmiljöguiden is a unique publication: no other compilation gives such a comprehensive picture of the environmental impact of building materials. After ten years' research Folksam has observed progress in the environmental performance of building products. However, it is too early to be satisfied yet, and our research will continue.

Air travel at Folksam

Number of trips	2006	2005	2004	2003
Stockholm – Göteborg	660	904	627	663
Stockholm – Sundsvall	210	217	250	236
Stockholm – Malmö	940	821	808	856
Stockholm – Växjö	110	120	100	117
Stockholm – Jönköping	21	40	66	94
Total	1 941	2 102	1 851	1 966

Train travel at Folksam

Number of trips	2006	2005	2004	2003
Stockholm – Göteborg	951*	1 187	1 016	942
Stockholm – Sundsvall	528	571	523	587
Stockholm – Malmö	142	235	189	144
Stockholm – Växjö	95	110	122	179
Stockholm – Jönköping	164	129	130	113
Total	1 880	2 232	1 980	1 965

* includes 110 trips Stockholm – Borås

Bilresor i Folksam	2006	2005	2004	2003
Total business travel (km)	5 896 820	6 971 970	7 443 960	7 629 300
Whereof travel by cars meeting Folksam environmental and safety requirements	2 243 910	2 361 170	2 525 190	1 954 440
Reduction in CO2 emissions due to reduction in kilometres travelled (tonnes)	211	93	37	–

Heating guide for homeowners

In 2006 Folksam launched Värmeguiden, a web-based guide which compares the capital cost, operating costs, and greenhouse impact of different types of heating system, along with checklists for prospective purchasers. It also contains statistics of the relative frequency of failure of different heat pumps, based

on Folksam's surveys since 1999. In the years from 1999 to 2004 heat pump failures cost Sweden's homeowners nearly SEK 250 million. Out of 20,000 insurance claims, nearly 60 percent involved pumps which were no more than five years old, and the corresponding figure for geothermal heat pumps was as high as 76 percent.

Energy consumption	2006	2005	2004	2003
Heating (MWh)	26 012	27 044	30 035	29 856
Electricity (kWh/m ³)	85,4	79,5	88,3	–
Electricity (MWh)	20 745	19 142	18 763	19 933

Water consumption	2006	2005	2004	2003
Water (m ³)	173 357	169 317	166 784	175 247

Car wrecks

Substances	Quantity per car wreck	Quantity in 130 000 car wrecks
Lead (battery and tyres)	7,2 kg	936 t
Oil	6 liter	780 m ³
Fuel	5 liter	650 m ³
Ethylene glycol	2,5 liter	325 m ³
Concentrated sulphuric acid (battery acid)	1,5 liter	195 m ³
Mercury	10 gram	1 300 kg
High-aromatic oils (tyres)	2 kg	260 t
Metals (mainly iron)	650 kg	84 500 t

Contracted partners

Car repair shops	2006	2005	2004	2003	2002	2001
Number of partners	1 009	1 391	1 401	1 275	1 200	1 200
Number of environmental requirements	64	73	73	73	61	61
Number of fully compliant partners	405	465	255	255	279	261
Percentage of fully compliant partners	28%	33%	20%	20%	23%	22%

Car wreckers	2006	2005	2004	2003	2002	2001
Number of partners	43	43	43	46	43	43
Number of environmental requirements	60	58	58	58	51	51
Number of fully compliant partners	38	38	33	30	32	28
Percentage of fully compliant partners	88%	88%	77%	65%	74%	65%

Building contractors	2006	2005	2004	2003	2002	2001
Number of partners	221	218	195	195	225	173
Number of environmental requirements	30	23	23	23	17	17
Number of fully compliant partners	140	143	133	126	182	121
Percentage of fully compliant partners	63%	66%	68%	65%	81%	70%

Laundries and decontamination firms	2006	2005	2004	2003	2002	2001
Number of partners	42	41				
Number of environmental requirements (laundries)	25	25				
Number of environmental requirements (decontamination)	20	20				
Number of fully compliant partners	31	26				
Percentage of fully compliant partners	73%	63%				



Social perspectives

A year of change

The year 2006 was a year of change for Folksam, with an emphasis on more efficient work practices in the interests of cutting costs. Notwithstanding the savings realised, Folksam achieved lower sick leave figures for both men and women and across different age groups. We also achieved our goal for gender equity among managers with personnel and operational responsibilities, the figures being 41 percent women and 59 percent men.

A workplace for all

Folksam must be a workplace in which all are welcome without regard to gender, age, ethnicity, functional disability or sexuality. The recruitment process too must be non-discriminatory. In the interests of promoting equal rights and opportunities at work Folksam has developed a plan of action against ethnic discrimination.

Folksam is also an active member of a diversity network, a forum for businesses all over Sweden to exchange experiences with the aim of providing better conditions for diversity. All managers at Folksam have attended seminars on “measures against discrimination at work on the basis of ethnicity, religion or other faith-based belief”. The seminars included education about anti-discrimination law and about business benefit in a diversity perspective.

Equal opportunity an important goal

Folksam has been actively promoting equal opportunity for many years. Internally this means achieving gender equity among our employees. Externally it means investigating the gender balance of companies’ boards of directors.

Other concrete outcomes of our long-term work for equal opportunity include make-up pay for employees on parental leave, assistance with balancing work and parenthood, union involvement in equal opportunity discussions, a deliberate strategy for gender balance e.g. in attendance at seminars, and development groups for future managers.

Workforce gender balance

Forty-nine percent of Folksam’s workforce are women and 51 percent men. The goal of no less than 40 percent women in management functions was achieved for the third year in a row. To ensure continued progress in gender equity, it is Folksam’s practice that shortlists for management positions must always include one man and one woman with equal qualifications.

Combining work and family life

It must be open to all Folksam employees to combine an active working life with family life. For much of the time that an employee is on parental leave Folksam pays a parental wage which, together with the parental benefit from Social Insurance, makes up 90 percent of their regular pay. Folksam employees also have the right to work on a three-quarter time basis until their child’s twelfth birthday. Managerial staff are particularly encouraged to take out their parental leave entitlements.

More flexibility with holidays

In 2006 Folksam introduced more flexible rules for employees to choose their days off. Workers already had a certain number of days off each year, and they can now take three of these days any time they wish provided that it does not interfere with business operations.

Health programme cuts sickness rates

The health and wellbeing of our employees is an essential prerequisite for us to focus on our aims – providing benefits for our customers and owners. For several years Folksam has been conducting a programme to improve employee health. The result has been lower sickness rates among both men and women and across all age groups. There has also been a decrease in long-term sick leave, particularly among young employees.

Rehabilitation process

Folksam has a well-established rehabilitation process for the early identification of employees at risk of chronic illness, as well as rehabilitation management procedures for managers. The falling trend in long-term sick leave is continuing: 138 persons were on long-term sick leave at the end of 2006, down 16 percent on the previous year.

Health ambassadors encourage wellness activities

A programme for training employees as health ambassadors has achieved good results. Health ambassadors support and motivate their co-workers to get involved in our wellness programmes. Many workers are participating enthusiastically in activities which include health profile surveys, weightwatcher programmes, stress management and smoking cessation. Folksam also takes steps of a preventative nature, such as ergonomic checks of new furniture and computers and training courses in rehabilitation and work environment.

Skill provision activities at Folksam

In 2006 Folksam decided to initiate a number of skill provision programmes. The first of these, conducted in the autumn, was the development of a new goals and performance review for Folksam workers. The review aims to establish clearer links with the employee's agreed goals. Further skill-related activities are planned in coming years to follow up this programme.

Bonus programme for all employees

A bonus programme covering all workers was introduced this year as an incentive to all Folksam's employees to work towards agreed common goals. The goals were achieved, and in summer 2007 all Folksam employees will receive a bonus payment of SEK 10,000.

Coaching training for managers

As part of the extensive change process undertaken by Folksam in 2006, a number of training courses were offered to managers. All managers attended a course in discussion techniques. Many also underwent training in coaching their co-workers, and in the course of this they had access to individual coaches of their own.

Internal mobility

In 2006 Folksam continued its programme to increase internal mobility. A series of seminars was held on career planning, and attendees were offered help and support with planning their own careers.

Kompetensbanken, a database containing all Folksam employees' CVs, is consulted in all internal and external recruitments.

Folksam's personnel concept

Our customers will meet the industry's top team of skilled, committed people, who are collectively characterised by diversity and who bear witness to our values.

The attractive workplace

Our workplace and organisation will be characterised by interesting and challenging tasks in a flexible and stimulating environment. Folksam will be distinguished by good work environments that promote good health and job satisfaction.

Employees	2006	2005	2004
Number of employees	3 300	3 563	3 655
– of whom women	49%	49%	48%
– of whom men	51%	51%	52%
Mean age	45,7 yrs	45,5 yrs	45,1 yrs
Number of managers*	282	308	294
– of whom women	41%	41%	40%
– of whom men	59%	59%	60%
Personnel turnover	1,7%	2,6%	2,4%

*defined as “managers with personnel and operational responsibilities”.

Breakdown by age	2006	2005	2004
– 29 yrs	7%	8%	
30 – 39 yrs	24%	24%	
40 – 49 yrs	29%	28%	
50 – 59 yrs	30%	30%	
60 yrs –	10%	10%	

Terms of employment	2006	2005	2004
Permanent	92%	96%	
Temporary	8%	4%	
Full-time	86%	90%	
Part-time	14%	10%	
Union members	98%	98%	

Women – Gender balance, top management	2006	2005	2004
Board, Folksam Life	46%	55%	40%
Board, Folksam General	42%	42%	42%
Group executive	33%	22%	22%
Central departments and business areas	42%	40%	43%
Market areas	35%	42%	38%

Men – Gender balance, top management	2006	2005	2004
Board, Folksam Life	54%	45%	60%
Board, Folksam General	58%	58%	58%
Group executive	67%	78%	78%
Central departments and business areas	58%	60%	57%
Market areas	65%	58%	62%

Total sickness absenteeism 2006 (2005)

Age	Men	Women	Total
– 29 yrs	4,00 (4,55)%	3,77 (3,59)%	3,87 (4,04)%
30 – 49 yrs	3,13 (3,14)%	6,27 (6,83)%	4,78 (5,05)%
50 yrs –	5,13 (5,66)%	9,19 (10,22)%	7,16 (7,96)%
Totalt	4,04 (4,27)%	7,33 (8,00)%	5,74 (6,18)%

Varav långtidssjukfrånvaro 2006 (2005)

Age	Men	Women	Total
– 29 yrs	31,41 (50,58)%	12,93 (20,78)%	21,31 (36,29)%
30 – 49 yrs	56,39 (56,48)%	64,16 (67,43)%	61,75 (64,13)%
50 yrs –	70,21 (74,70)%	70,58 (73,36)%	70,45 (73,83)%
Totalt	62,99 (66,22)%	66,06 (69,18)%	65,01 (68,18)%



Traffic safety

Research reduces injuries

Folksam deals with a large number of traffic accident claims each year, and for over 30 years we have been conducting research on traffic safety. Recently mortality from traffic accidents has been falling steeply.

According to preliminary statistics, 440 traffic deaths occurred in Sweden in 2006. This is the lowest figure since 1945, when there were only 100,000 motor vehicles on Sweden's roads, compared with 4.6 million today.

Three decades of traffic research

Folksam deals with a large number of traffic accident claims each year. A problem that affects Folksam's policyholders calls for a preventative approach. It is not enough merely to raise premiums to cover rising indemnity payments while letting the problem continue or grow worse. This is the reason why Folksam conducts injury prevention programmes and why it has been engaged in traffic safety research since the mid 1970s.

The object of Folksam's traffic safety research programme is to contribute to a long-term sustainable society by reducing personal injuries in road traffic.

Folksam Business Car Index influences buyers

In 2006 Folksam published the second edition of its Business Car Index. The index shows how well the business cars purchased by enterprises, regional and local government, and government agencies comply with safety and environmental requirements. This is important because business cars purchased today will often be on the Swedish roads for 15 years or more. During this time their safety and environmental performance will have significant consequences both for road safety and for global warming.

This year's survey shows an improvement in compliance both in relation to safety and the environment. The percentage of "safe" cars has increased from 65 to 89 percent since the previous survey. The percentage of cars that comply with both safety and environmental requirements is up from 27 to 49 percent. But there is a long way to go before Sweden's entire fleet of business and company cars is 100 percent safe and environmentally friendly. There are still local authorities and government agencies in which not a single vehicle purchased meets either set of criteria.

Unique in-depth studies of car crashes

To gain a deeper understanding of how injuries occur in traffic accidents Folksam conducts in-depth studies of car crashes, resulting in a body of data that is unique in the world. Folksam's studies are important because they enable us to analyse accidents that lead to

disabling or fatal injuries and look for ways of preventing such injuries in the future. Black boxes are used to record impact forces, and these together with detailed information about the injuries caused, the sequence of events in the crash, and the deformations of the vehicle give us invaluable knowledge about the factors influencing the risk of injury in crashes.

Seatbelt reminder systems save lives

Folksam started work on modern seatbelt reminder systems in the early 1990s, and since then we have been involved in developing specifications and standards for these systems. In 2006 we measured the effectiveness of reminder systems in Europe. We showed that 98 percent of the occupants of cars with reminder systems used their seatbelts, compared with 86 percent in cars without reminder systems. If all cars in the EU were fitted with reminder systems, at least 6000 lives could be saved each year.

Earlier surveys have shown that in Sweden, seatbelt use is 99 percent in cars with reminder systems and 82 percent in cars without. This means that if all cars in Sweden had reminder systems about 80 lives a year would be saved. However, about 20 percent of all cars are still sold without reminder systems. Work is continuing.

Folksam examines anti-skid systems

Folksam's research shows that depending on road conditions, anti-skid systems can reduce accident risks by as much as 50 percent. This means anti-skid systems have an even bigger effect on safety than airbags.

To encourage car manufacturers to revise their priorities, Folksam carried out a survey of anti-skid systems in different car models. Two thirds of the models were found to offer these systems as standard. Folksam's aim is to have anti-skid systems fitted in all new cars.

Folksam's whiplash test adopted by Euro NCAP

Folksam has been actively promoting whiplash protection systems in cars for many years. As a result of crash tests conducted by Folksam and the Swedish Road Administration, Euro NCAP will test cars for whiplash protection beginning in autumn 2007. Since Euro NCAP sets car safety standards for the international market, this is a major step forward and an international endorsement of Folksam's research.

Whiplash accounts for between 60 and 70 percent of all the disabling injuries caused in car accidents, and about 2000 people in Sweden each year are diagnosed with long-term whiplash disability. Altogether whiplash injury costs Swedish society around SEK 5 billion a year.

In the last five years more car manufacturers have been fitting their cars with whiplash protection systems, and their impact can now be seen in the statistics.

Car seats vary in whiplash protection

Crash tests by Folksam have shown that anti-whiplash systems vary in the degree of protection they offer. With the Road Administration, Folksam has evaluated the protection afforded by over 70 different models of car seat. A wide range of variation was found.

If all car makers fitted their cars with anti-whiplash systems equal to the best available, at least half of all whiplash injuries could be prevented.

Unique new policy protects child car passengers

Folksam has been studying and evaluating child safety on the road since the 1980s. We have found that many children could be saved from injury or death if they were correctly belted. Children should use a rear-facing seat for as long as possible. A child runs a five times higher risk of injury facing forward than back.

In June 2006 Folksam released a draft national policy on child safety in cars. It recommends rear-facing seats for children up to four years and identifies the front passenger space as the best place to mount them. It is therefore important that this space is available. The policy is backed by the Swedish Road Administration, the National Society for Road Safety, and the Swedish Motor Vehicle Inspection Company in addition to Folksam. The car manufacturers who have endorsed the policy will take steps to allow the passenger seat airbag to be readily disabled.

Research objectives completed in 2006

- Analyse installation of anti-skid systems (ESC) in Swedish car models
- Crash tests to study whiplash protection afforded by different car seat models
- New edition of Folksam Business Car Index
- Evaluate effectiveness of seatbelt reminder systems in five European countries
- National policy on child safety in cars

In-depth studies of car crashes	2006	2005	2004
Number of crashes studied	164	215	171
Number of injuries followed up	164	84	73

Surveys	2006	Total
How safe is your car?		
Collisions reported to police	16 144	110 270 since 1994
Injuries (drivers and front-seat passengers)	4 348	27 242 since 1985
Child safety		
Collisions involving children		1 091 since 1993
Children injured		1 191 since 1993

The customer ombudsman

Aiming for the industry's most satisfied customers

It is important to Folksam that customers feel that they and their needs are seen and understood. We work actively to meet our customers' needs without regard to gender, functional disability, sexuality, ethnicity or religion. Employees who mirror the customer market will find it easier to relate to the customer in face-to-face meetings or on the phone.

Folksam's Customer Service provides service and information in fifteen languages and responded to over 80,000 calls in 2006.

The Customer Ombudsman – a safeguard for the customer

The Folksam Customer Ombudsman is there to help customers who want a review of Folksam's decision in an insurance or savings matter. He is completely independent of Folksam management and makes impartial determinations of customer complaints or disputes with Folksam.

The Ombudsman has the power to recommend that Folksam amend its decision. The review is free of charge, and the Ombudsman is answerable only to the shareholders in general meeting.

In 2006 the Customer Ombudsman responded to over 7000 queries about insurance and savings matters. He also adjudicated 1,079 disputes, resolving 24 percent of them in the customer's favour. The Fund Ombudsman, who deals with disputes about equity savings, works along similar lines.

Feedback leads to improvements

The Customer Ombudsman also exercises a preventive function by providing the Company with feedback from his activities. In 2006 the Ombudsman was still more closely involved than previously in revisions of terms and conditions, policymaking, and in-house education. This part of the Ombudsman's work leads to improvements in Folksam's practices, with the customer as the ultimate beneficiary.

Few cases disputed

Folksam manages around 17 million insurance policies and settles 600,000 claims each year. As a result of the Company's active commitment to dealing with problems at an early stage, only small numbers of claims give rise to disputes. In 2006, 115 cases were brought before the National Board for Consumer Complaints, 15 percent less than the year before. Of these cases, 3.5 percent were resolved in the customer's favour. In the majority of the 137 cases that went to litigation Folksam either reached a settlement or won the case.

Our aim: to have the industry's most satisfied customers

As a mutually owned company, it is vital to Folksam's success that all our contacts with customers are handled in a way that meets their expectations. In all their dealings with customers our employees strive to live up to our fundamental values of security, commitment, humanity and professionalism. Our overriding ambition is to have the most satisfied customers in the insurance and savings industry.

Each year we invite a large number of customers to tell us what they think of Folksam by completing a quality survey. We also follow up various types of customer contact by individual consultants and agents in the course of the year. The purpose of both the surveys and the follow-up calls is to measure how satisfied our customers are and to learn how we can do better. The latest surveys show that 87 percent of our customers were satisfied with the contact they had with us, up from 84 percent the previous year. A number of actions were initiated during the year to sharpen the focus on the customer, including a project to improve the handling of complaints.



Health and rehabilitation

Taking responsibility for health

Some 4 million of Folksam's customers hold group life assurance policies which pay out in the event of long-term illness. This means health is an important issue to Folksam.

As a mutual company, Folksam has a responsibility to keep down the costs of its insurance business. The fewer customers we have on long-term sick leave, the lower we can set our premiums. Our national economy too is more sustainable the fewer people there are off work for long periods.

Rehabilitation for security

Folksam's rehabilitation programme is one of many ways in which we build security for our customers. Rehabilitation efforts have the potential to reduce long-term sickness absentees by 25 percent, health insurance costs by at least SEK 4 billion a year, and future disability pension costs by at least SEK 30 billion. In this way Folksam's rehabilitation programme contributes to quality of life and to a long-term sustainable society.

Focus on health

Folksam's health-related programmes are a supporting activity to our insurance business and are run by the subsidiary Folksam Hälsa AB. This company undertakes work-oriented rehabilitation of persons with cardiovascular disease and also provides diagnosis and treatment of victims of hold-ups, violence, and serious accidents. Another field of activity is helping people who are at risk of cardiovascular disease and other stress-related complaints. The connection between day-to-day lifestyle and future health is absolutely central to this work.

The outcomes achieved by Folksam Hälsa are evaluated regularly with the assistance of experts from the Karolinska Institute and other research institutions. To take one example, the risk of death from heart disease is 80 percent less with the rehabilitation method developed by Folksam than with the usual aftercare offered in such cases.

Health, life quality, and work capacity at Föllinge

Folksam Hälsa runs the Föllinge Clinic, which offers live-in programmes for people off work because of illness as well as for those who need to change their lifestyle as a preventative measure against lifestyle-related disease. The connection between day-to-day lifestyle and future health is absolutely central. The programmes offered include stress management, diet, exercise habits and smoking cessation. A total of 178 people attended the clinic in 2006.

The Föllinge Clinic also offers a brief "Stress and Lifestyle Conference", targeted at companies, organisations and executive groups, with the aim of raising their awareness of the importance of lifestyle and a commitment to their own health and that of their co-workers.

Help to resume daily life

The Folksam Hälsa Crisis and Trauma Centre specialises in crisis treatment for victims of violent crime such as hold-ups and assaults. Many people who have experienced a violent incident have difficulty resuming daily life and work. They may relive the event in the form of nightmares and flashbacks. Professional help and understanding can enable people to get over the trauma more easily and avoid distressing symptoms.

The clinic's mission is to help victims resume normal life and to prevent long-term mental suffering. Over 1000 patients have attended the Crisis and Trauma Centre altogether, including 319 in 2006. Among them are retail workers, taxi and truck drivers, ambulance paramedics, volunteer aid workers, journalists, teachers and UN soldiers.

Support for women abused in the home

In 2006 Folksam and the Swedish Municipal Workers' Union started a project to help women who suffer abuse and violence in their own home. The women receive support from psychologists who work at the Crisis and Trauma Centre. With their experience of treating people who have suffered extreme trauma, these professionals have a good chance of being able to intervene effectively. The hope is that with this professional support the women may find the strength to break out of the abusive relationship. Basically the project is about giving women without other resources or opportunities the chance of a better life.

Folksam Research Foundation

In 2006 the Folksam Research Foundation awarded research grants totalling SEK 1.6 million for the prevention of disease and accidents and for scientific research in the fields of health, traffic and the environment. The Foundation will continue to hand out research grants totalling SEK 1.5 million or more annually.

Number of patients treated	2006	2005	2004
Föllinge Clinic – cardiovascular	178	212	248
Crisis and Trauma Centre	319	193	130

Mailing address Folksam, SE-106 60 Stockholm, Sweden

Street address Bohusgatan 14

Phone +46 (0) 8772 6000

Fax +46 (0) 8641 0350

Email kundservice@folksam.se

Text Lars Åkerkvist/Folksam, Janna Sundewal I/Westander Publicitet & Påverkan

Design and production Carina Persson, Birgitta Möller, Anna Lyrmark/Folksam graphics studio

Photography Eva Edsjö/VOL

Repro Citat Marcom

Printing Litografia AB

Paper Arctic Paper, cover Munken Lynx 300gm, insert Munken Lynx 150gm

Fonts Folksam Helvetica, Folksam Times



Tryckt på Munken Lynx 130, 150, 240 & 300 g/m².
Arctic Paper innehar FSC spårbarhetscertifikat.

