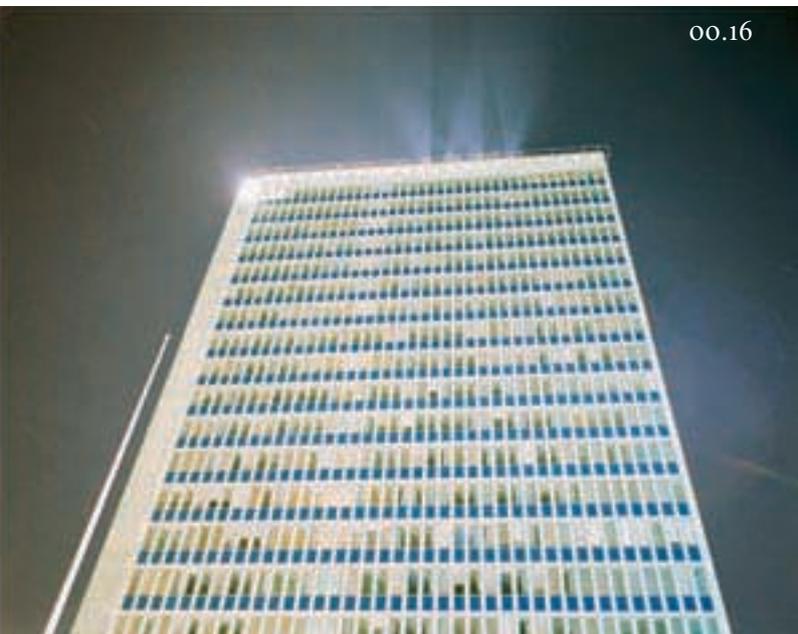


Folksam Sustainability Report 2005

Folksam®

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A year and a day.
In this Folksam Sustainability Report you will find everything of importance that has happened at Folksam in a year and in an ordinary day, captured in pictures. Enjoy!



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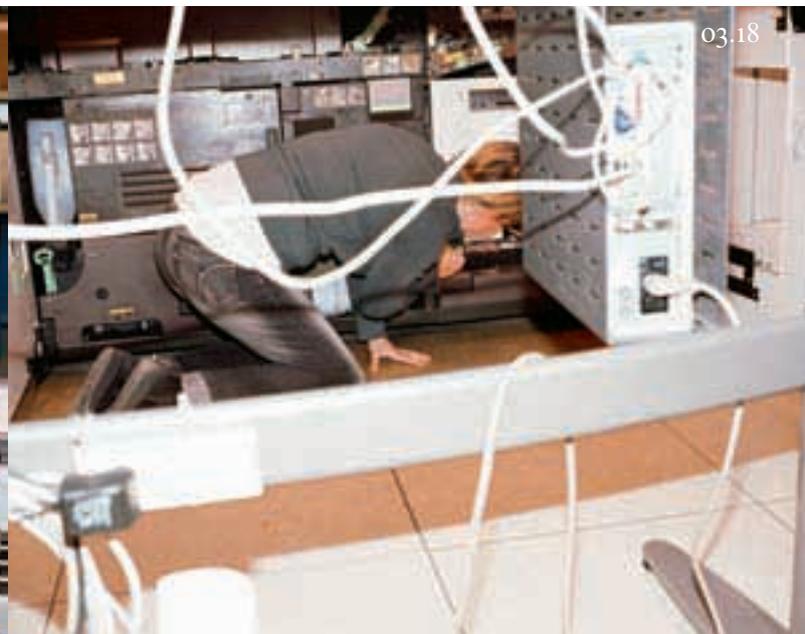
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Folksam is a mutual company. This means it is owned in common by its customers, and its profits are not distributed to shareholders but retained by its mutual owners. Folksam's vision states: *We work for a long-term sustainable society in which the 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 third Sustainability Report is based as far as possible on the guidelines for sustainability reporting issued by Global Reporting Initiatives (GRI).

Sustainability Report 2005 reflects 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 www.folksam.se.



The elements in conflict

“We are faced with environmental problems of a different order from before,” I wrote in last year’s Folksam Sustainability Report. I was referring to the greenhouse effect and to the responsibility of business and industry to contribute to new solutions in cooperation with other social partners: “I believe that for us to succeed, many of society’s traditional boundaries of responsibility will have to be crossed.”

A year has passed, and it is gratifying to see that growing numbers of companies in Sweden and worldwide are actively engaging with sustainability issues and particularly with the environment. So it would be wrong and unfair to claim that nothing is happening. But it is not enough. Scientists say it will take over one hundred years to get on top of the greenhouse effect — even if we do everything right from now on.

Life is short

When we talk about climate issues we are often dealing with vast periods of time. Take for instance the Larsen B ice shelf in Antarctica, which after 10,000 years of stability is now melting. The European Environmental Agency EEA reports that

climate changes in Europe are greater than they have been for 5,000 years. A human lifetime is short. But the way we live our lives, at our work and leisure, has changed radically. Most people today agree that our modern patterns of consumption and production are among the principal causes of the climate changes that underlie the melting of glaciers in Antarctica among other effects.

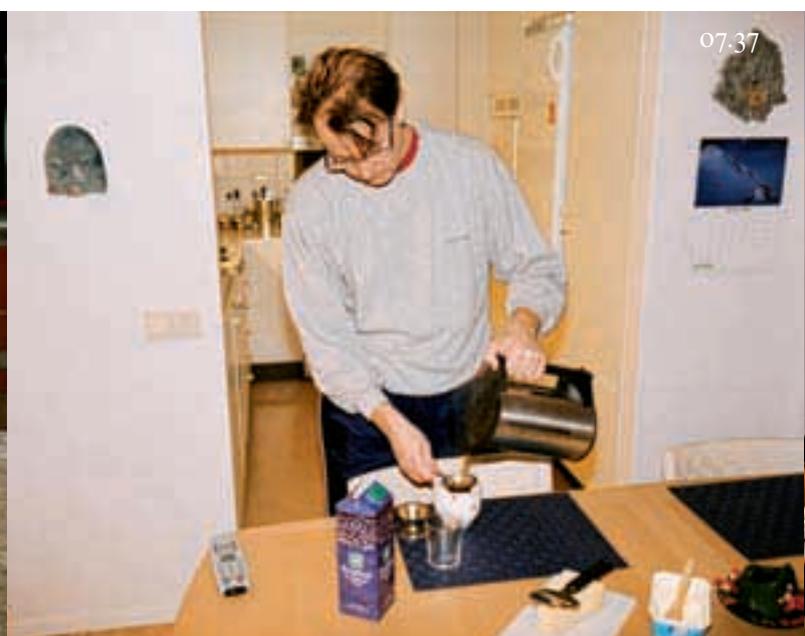
When will we realise that a series of large and small changes, all acting in the same direction, can have disastrous consequences for ourselves? In the worst case, not until disaster is hammering on the door and threatening to invade our lives and the way we have chosen to live them. We know already that melting glaciers are going to raise sea levels around the world — by how much remains to be seen.

Far-reaching consequences

I have mentioned the Larsen B ice shelf in Antarctica, which has warmed and collapsed after having been stable since the last ice age. Some time ago I read that the Greenland ice sheet is melting faster than experts had believed, with the result that sea levels will rise more than had been assumed.

Earlier in February 2006 Birgitta Boström, Director General of the Swedish Geotechnical Institute, published an article in which she notes that according to climate scenarios developed by the Swedish Meteorological and Hydrological Institute, the sea surface along Sweden’s south coast is expected to rise by 60–80 centimetres. Cloud-bursts will become more frequent and precipitation will increase by 30 percent over much of the country; “essentially the entire built-up area around Skanör and Falsterbo may be flooded by extreme high tides.” Boström emphasises that roads, railways and dams will be affected. She identifies geographical areas where climate change is likely to lead to erosion, flooding, subsidence and landslips. The Klarälven valley in Värmland, parts of the Mälaren valley and the Götaälv valley are among the regions at risk.

But Sweden will not be the country most seriously affected. According to earlier predictions by the UN Climate Panel, 200 million people are at risk of being made homeless in parts of Asia and Western Europe. The Climate Panel’s forecast covers a period of one hundred years — not



a vast period of time at all. We are talking about the next generation's reality.

New conditions

Faced with reports like these, many of us are aware of the threat from the greenhouse effect. It is going to have consequences for our own daily lives. We need to change the way we look at our Swedish welfare system. How do we define welfare today, and what will it take to continue building it in a sustainable manner? In the longer term, both human lives and huge investments in infrastructure and private and public property may be at stake. How can we resolve the conflict between the fact that our welfare is largely based on high resource utilisation and high consumption, and the fact that these factors are now adding to the greenhouse effect that threatens our welfare? How can we speed the development of environmentally friendly technologies, alternative energy sources and changed transportation structures?

Caring and solidarity

Sustainable development — ecological, social and economic — require

an attitude of caring for and solidarity with coming generations and with people everywhere in the world. It requires us to consider the impact of our actions on other people's opportunities to improve their daily life and their future. Folksam, of course, shares this responsibility. We live in a time of increasing globalisation, when we both affect and are affected by the way the world develops.

The issue of sustainable development deserves more thorough discussion in other contexts than this. But one way for businesses to help solve the issue is to put sustainability into practice throughout their operations. We are working towards this goal at Folksam. We want to do our bit.

On the next double-page you will find a summary of what Folksam has done to increase sustainability in 2005.

Anders Sundström
CEO, Folksam

Folksam's vision

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

Folksam's values

- security
- commitment
- compassion
- 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.

Human resources idea

To ensure that our customers are served by the best team of competent, committed people in the industry, who together are characterised by their diversity and are carriers of our core values.



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Highlights of 2005

The Folksam Equal Opportunity Index in its second year

The Folksam Equal Opportunity Index 2005 shows that listed companies are doing better at equal opportunity than in the previous year — but not well enough.

The Folksam Climate Index in its ninth year

In this year's study we measured the carbon dioxide emissions of 270 companies. Swedish listed companies have increased their carbon dioxide emissions for the third successive year.

The Folksam Health Index — a measure of sickness absenteeism

For the first time Folksam has measured sickness absenteeism in both the private and the public sector. The Folksam Health Index 2005 scores a total of 235 listed companies and 254 local councils.

Listed companies scored on sustainability

In 2005 Folksam gave sustainability scores to 228 Swedish listed companies. The sustainability score is an average of the company's earlier scores on the Folksam Health Index and Equal Opportunity Index and on the Folksam Climate Index for 2005.

Gender equity on Folksam's Boards

Folksam Life has 55 percent women and 45 percent men on its Board, while Folksam General has 42 percent women and 58 percent men.

Fewer employees on long-term sick leave

Long-range work on health issues at Folksam is bearing fruit, with 154 employees on long-term sick leave at the end of the year, down from 174 at the beginning of the year.

Folksam tests outdoor paints

In the spring Folksam presented its annual tests of Sweden's forty best-selling exterior house paints. All the paints tested showed mould growth after three years. During the year Folksam began new paint tests at another four sites around the country.

Big differences in car safety

In May Folksam presented its report How Safe is Your Car? for the tenth time. There are still big differences in safety between the safest and the least safe cars.

Seat belt reminders save lives

Folksam's evaluation of seat belt reminder systems shows that around eighty lives a year could be saved if they were fitted in all cars.

Review of local council's traffic safety

In 2005 Folksam reviewed the traffic safety activities of Sweden's larger local councils. While traffic safety activities have brought positive results in recent years, big regional differences exist.

Big differences in whiplash protection

During the year Folksam evaluated another ten car seat models for whiplash protection. Tests revealed big differences in the level of protection afforded by different seats.



Anti-skid systems prevent accidents

In 2005 Folksam studied the effectiveness of anti-skid systems. It was found that depending on road conditions, a functioning anti-skid system can reduce accident risks by up to 50 percent.

UN cooperation on sustainable investment

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

Folksam continues studies of heat pumps

In November Folksam presented its sixth annual review of heat pumps. Since tests began in 1999, faulty heat pumps have cost homeowners nearly SEK 250 million.

Folksam inspects Swedish businesses in China

During 2005 Folksam travelled to China to visit four Swedish listed companies with activities in that country. The purpose of the visit was to discuss and follow up the companies' work on codes of conduct on human rights.

Listed companies' bonus schemes in the spotlight

During the year Folksam examined the bonus schemes operated by Swedish listed companies. Deficiencies were found in the design of the schemes and in the information about them. O-List companies were found to have more serious deficiencies than A-List companies.

Diploma of Health by Korpen's criteria

In 2005 the whole of Folksam was awarded a diploma of health under the criteria issued by Korpen, the Swedish Federation for Company Sport.

Diversity seminars broaden views

In autumn 2005 all of Folksam's managers attended a series of seminars on "measures against discrimination at work on the grounds of ethnicity, religion or other faith-based belief".

Folksam the best employer

Folksam once more came among Sweden's top twenty employers and topped the list of large corporations in the survey Sweden's Best Workplaces.

Prompt intervention positive for hold-up victims

In 2005 the Crisis and Trauma Centre conducted a follow-up of patients who had been involved in hold-ups at work. It was found that prompt intervention and contact with the Crisis and Trauma Centre had helped victims return to work sooner.



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Folksam policies and management systems

Management systems for sustainable development

Folksam's management systems for sustainable development are based on the Folksam Vision, set out in our publication of that 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 work at Folksam.

Policy documents issued by Folksam's Boards

The Folksam Group consists of a life assurance and savings group and a general insurance group. Each group is 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 whose mission is to ensure that rules are complied with and that all operational risks are minimized. Among the most important of these functions 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 by which the Company's operations are governed.

Examples of general guidelines

- Ethical rules
- Folksam's Vision
- Prevention of money laundering and financing of serious crime
- Actuarial guidelines
- Policy on information security
- Internal control
- 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



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Resistability — Folksam’s commitment to the customer

Our resistability derives from the knowledge we have accumulated over the years through contact with our customers.

Resistability is everything we do to promote a better, safer, more secure society. And to give our customers strength of their own to resist misfortune and insecurity in their lives.

The link to the customer is also made through the ways in which Folksam engages with the larger issues of economic and ecological sustainability and social responsibility — issues that are related to our core business in the insurance industry and which also affect many people in their daily lives.

An example of our engagement is the compilation of public indices, such as the Folksam Climate Index, which measures the carbon dioxide emissions of listed companies and their engagement with the environment in their operations, or the Health Index, which measures sickness absenteeism in the private and public sectors for all of Sweden. Besides the annual Climate Index and Health Index, Folksam also compiles indices of equal opportunity and of business car purchases

by the private and public sector. We regularly bring these indices to public attention.

The aim of this approach is to provide better comparability of the measured parameters between companies, government agencies, and organisations as well as between different geographical regions of the country, so that everyone can see where improvements are most needed. At the same time, it gives those responsible an incentive to bring about improvement in their own activities.

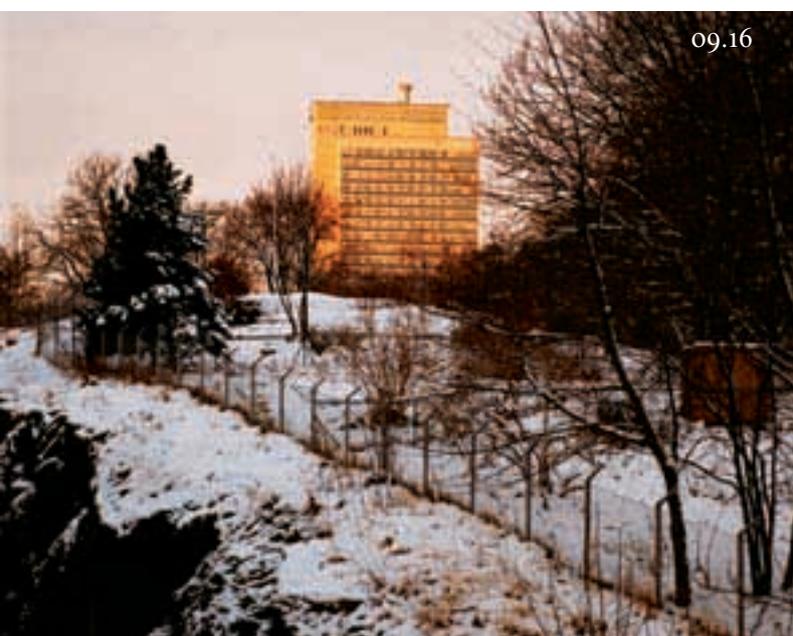
Living our values

Exercises in “living our values” have provided all our employees with an understanding of the Company’s values and of how they can be brought to life in the encounter with the customer. By means of clearly-defined desirable behaviours grounded in these values we can achieve our goals and build the customer’s resistability — that which Folksam stands for.

The concept of resistability sums up everything we do. We build resistability in two ways. One way is through the insurances and savings schemes we offer. The other is through all the things we do in should-

dering our economic, ecological and social responsibilities, as well as through our engagement with traffic safety and in Folksam Health.

When accidents happen, Folksam aims to be there and to give our customers resistability by mitigating their impact. We also engage in work of a preventive nature to avoid accidents happening in the first place. When our customers trust us with their savings, we must increase their security ahead of retirement or other life changes through professional assets management. This too is resistability.



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Ethics and customer assets Ethics and customer assets

Folksam has over four million customers and manages over SEK159 billion of assets on their behalf. This gives us a power base that enables us to influence and, over time, change our society in the interests of greater sustainability and greater security for the individual.

Ethical criteria reflect the Folksam vision

Folksam's decisions on the companies it invests in are based on ethical investment criteria designed to reflect Folksam's vision of a sustainable society.

We have positive, supportive investment criteria relating to human rights and the environment. Folksam seeks to invest in companies which take a greater responsibility for the environment and for human rights. However, some companies are excluded from consideration however good their work environment or environmental impact may be. Thus we have a negative, exclusionary criterion relating to tobacco.

Active corporate governance bears fruit

As a shareholder Folksam engages in active corporate governance with

the aim of encouraging enterprises to recognise their social responsibilities. As well as demanding attention to environmental and human rights issues in their operations, we are also concerned with the work of their boards, including their composition, directors' fees, and gender equity. Dialogue takes place through correspondence and at meetings with company management. Our work is bearing fruit and our interaction with enterprises has deepened. Many of Folksam's most important arguments on corporate governance issues have received mass media attention, increasing the weight of those issues in the public mind. Recognition of their social responsibilities by listed companies continues to improve step by step.

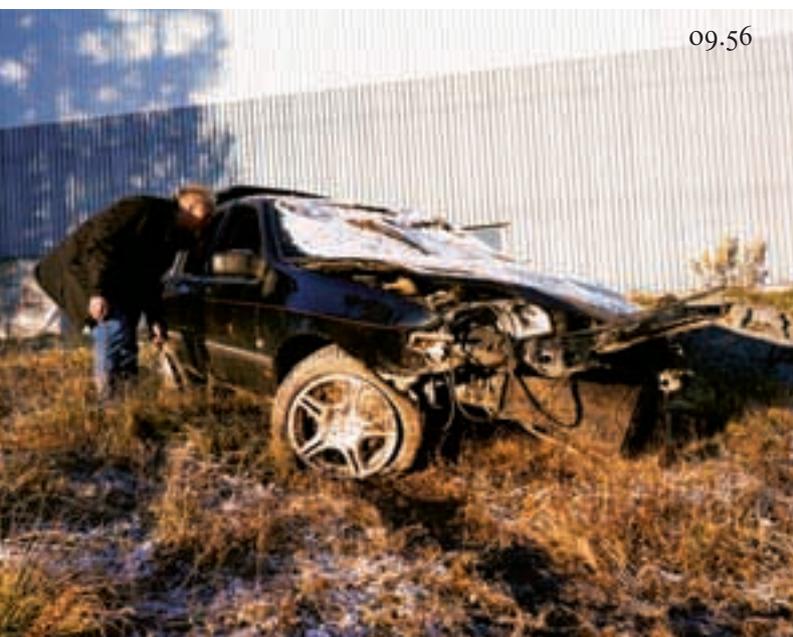
Review of listed companies' bonus schemes

An important part of our corporate governance activities is monitoring the bonus schemes operated by listed companies. The basis of Folksam's view of bonus schemes is that they are to improve employee motivation and performance, thereby creating value for the company and its shareholders. In the longer term this en-

sure a good return for Folksam's customers. This year's review revealed big differences between companies, with O-List companies having on the whole considerably greater deficiencies in their bonus schemes than A-List companies.

Functioning communication between the boards and auditors of Swedish listed companies is important in order to forestall problems. Audit committees are a means to this end. Folksam therefore believes that all listed companies should have an audit committee appointed by the AGM. We have called on companies to appoint a nomination committee, a directors' fees committee and an audit committee, and for the committees' reports to be presented in good time for the AGM and published in the Annual Report. These demands have been widely complied with.

In spring 2005 Folksam for the first time exercised its voting rights at foreign AGMs. Acting in concert with several international institutions and banks, Folksam voted at the AGMs of companies listed on the New York Stock Exchange in favour of selected motions relating to their social responsibilities.



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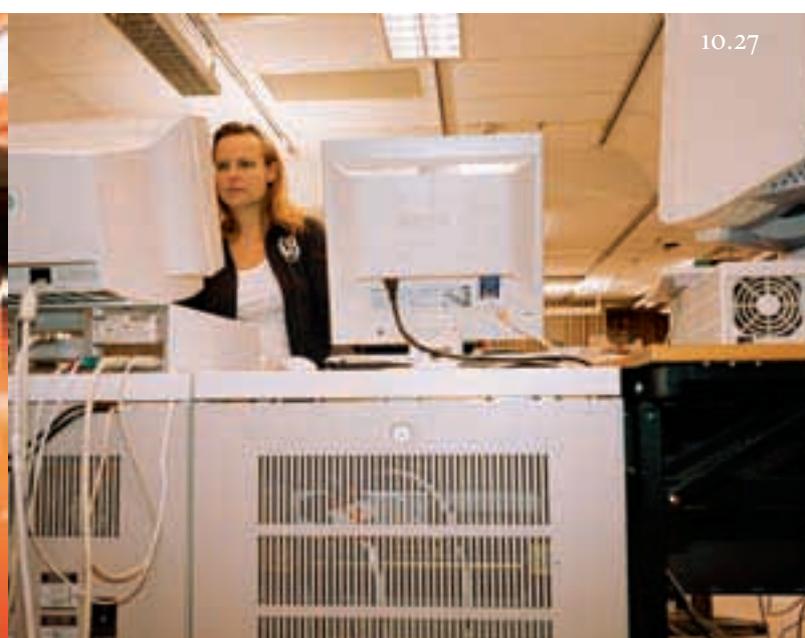
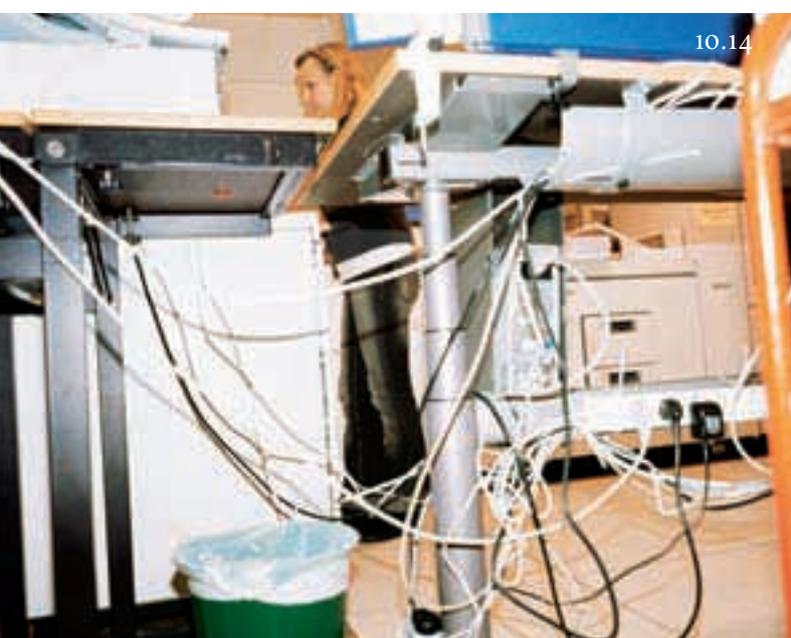
Folksam's engagement with Corporate Governance	2005	2004
Number of companies with which Folksam has conducted active dialogue	14	13
Number of AGMs attended by Folksam	15	15
Number of companies which with Folksam has been in contact about social responsibility	270	230

Folksam Equal Opportunity Index	2005	2004
Number of listed companies reviewed	242	248
Percentage women employees	32.5%	32%
Percentage women executives	10.5%	9.5%
Percentage women directors	17%	13.5%
Highest ranked	Poolia	Poolia

Gender equity on Folksam boards	Women		Men	
	2005	2004	2005	2004
Folksam Life	55%	40%	45%	60%
Folksam General	42%	42%	58%	58%

Folksam Climate Index	2005	2004
Number of listed companies reviewed	270	270
Average climate score out of five possible	2.5	2.4
Highest ranked	Prevas	Telia Sonera

Sustainability Company of the Year	2005
Number of listed companies reviewed	228
Average sustainability score (out of five possible)	2.55
Highest ranked	Q-Med



Climate Index measures carbon dioxide emissions

The Folksam Climate Index 2005, now in its ninth year, measures enterprises' carbon dioxide emissions and their actions to reduce them. The survey, covering all companies listed on the A- and O-Lists of Stockholmsbörsen (the Stockholm Stock Exchange) plus some ten other large Swedish corporations, revealed an increase in carbon dioxide emissions for the third year in a row. The Folksam Climate Index helps draw public attention to one of our most serious environmental problems. It is not intended to finger firms with high climate impacts but to encourage all companies to continually improve their performance, whatever level they may be at today.

Gender inequity at the top

Folksam actively encourages a broadening of skills on the boards of Swedish listed companies. In the last analysis the issue of board composition is a matter of profitability. An enterprise that excludes competent men and women from its boardroom on grounds of gender, age, nationality, or belonging to the "wrong" networks, is risking its own long-term profitability.

Folksam believes that all the above-mentioned factors are of central importance, but in our own active engagement we have hitherto placed greatest emphasis on gender equity. In 2005 Folksam presented its Equal Opportunity Index for the second time. It is based on a survey of 242 Swedish-registered companies listed on Stockholmsbörsen, which showed that 34 of them have no women at all either on their board or in their executive team, and that only one in three employees of Swedish listed companies is a woman.

Scoring listed companies for sustainability

In 2005 for the first time Folksam scored 228 Swedish listed companies for sustainability. The sustainability score is an average of the company's previous scores on the Folksam Health Index and Equal Opportunity Index and its score on Climate Index 2005. The object of this combined index is to inspire more enterprises to do better in these three areas.

Folksam also conducts in-depth analyses to identify companies with an outstanding sustainability record. Among other things, we look at their engagement with energy, transport,

recycling, waste, and conservation of natural resources.

Visits to enterprises in China

In 2005 Folksam visited a number of companies listed on Stockholmsbörsen that have substantial operations in China. The purpose was to discuss their work for human rights. The conclusions confirm the view that codes of conduct combined with verified monitoring systems are an effective way of ensuring good working conditions.

Folksam in UN project

Folksam is the only Swedish investor to be invited to assist with the drafting of the UN guidelines for institutional investors on environment, social issues and corporate governance. The background to Folksam being invited to join fifteen other institutional investors in this task is our commitment to environmental issues, labour law, and corporate governance. The project on institutional investment guidelines, called PRI, Principles for Responsible Investment, is being conducted by UNEP, the UN Environmental Programme.



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Focus on environment

Folksam insures every second person, every second home, and every fourth motor vehicle in Sweden. This gives us the power to make a difference — to environmental issues among others. The demands we make to ensure that the services we deliver to our customers are of high environmental quality have helped to entrench higher environmental standards at some of our large suppliers and contractors.

We make a commitment to our customers — always to keep the environment in focus when settling claims. Folksam was one of the nineteen insurers in the world who were the first signatories of the UNEP Statement of Environmental Commitment by the Insurance Industry. In 2005 Folksam was invited by the UN to be a member of the UNEP Insurance Working Group, a world-wide group of eight insurance com-

panies whose task is to monitor observance of environmental issues by the world's insurers.

Green policy conditions

Folksam always keeps the environment in focus when settling claims. For this reason we have written our environmental practice into our policy conditions.

It is a commitment which we take most seriously. For example, we enforce strict environmental standards on the contractors we employ to repair insured houses and vehicles.

Any company seeking to be considered as a potential supplier must complete a detailed environmental specification. There are specifications for building contractors, car repair shops and scrap yards.

For the last two years Folksam has also imposed environmental

demands on decontamination firms and commercial laundries.

Today Folksam has agreements with some 200 building contractors, 1,400 car repairers and scrap yards, and over 40 commercial laundries and decontamination firms.

Environmental goals continually raised by ISO certification

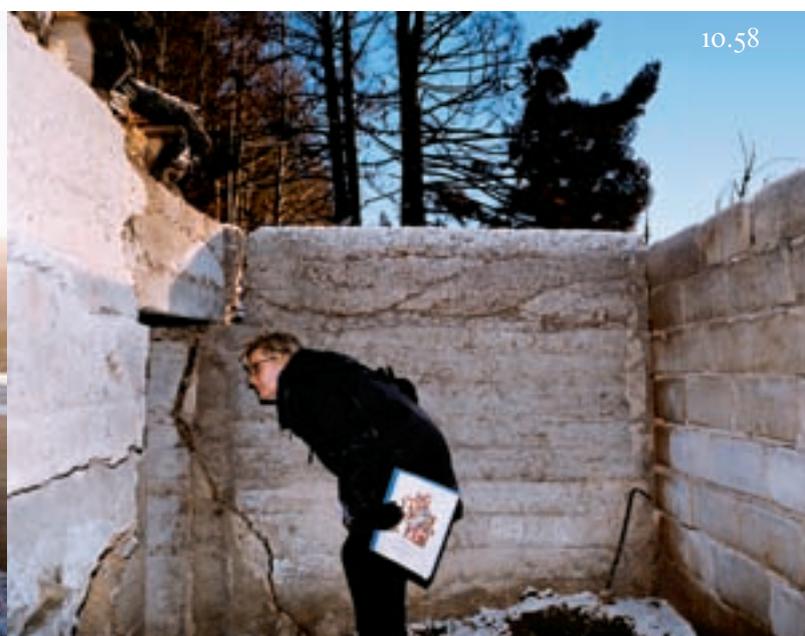
Parts of Folksam's operations are environmentally certified to ISO 14001, recognised as the international standard for environmental management systems, as a step towards ensuring that every employee concerned is made aware of what we want to achieve environmentally. The areas certified are identical with those in which Folksam is best placed to make a positive difference to the environment, namely motor vehicle and building claims and traffic safety

Energy consumption	2005	2004	2003
Heat consumption (MWh)	27,044	30,035	29,856
Electricity consumption per m ³ (kWh/m ³)	79.5	88.3	–
Electricity consumption (MWh)	19,142	18,763	19,933

Water consumption	2005	2004	2003
Water consumption (m ³)	169,317	166,784	175,247



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research. Right now we are in the process of gaining environmental certification for Folksam Assets Management.

Reuse good for environment and economy

In 2005 Folksam saved as much as SEK 60 million on motor vehicle claims by reusing original parts and repairing plastic parts and car windows. The total amount saved by these practices over the last five years has been SEK 250 million.

This means a correspondingly lower impact on the environment

than if we had used newly produced parts, with the environmental degradation that would involve.

Moreover, the money saved by this means is passed on to Folksam's customers in the form of competitive insurance premiums.

"Green" electricity in Folksam's properties

Three years ago Folksam began using "green" electricity (Bra Miljöval-el) in its properties, at a stroke reducing our carbon dioxide emissions by 90 percent, from 220 tonnes to 15 tonnes a year.

In 2005 Folksam reduced its heating consumption by ten percent. This was partly due to unusually warm weather; after correcting for this factor the drop in heating consumption was two percent. Electricity consumption during the year was down ten percent, from 88.3 kWh/m³ to 79.5 kWh/m³. Folksam's total electricity consumption for 2005 was 19,142 MWh.

Folksam's water consumption in 2005 was approximately the same as in the previous year, or 169,317 m³, up 1.5 percent.

Number of trips	By air			By train		
	2005	2004	2003	2005	2004	2003
Stockholm – Göteborg	904	627	663	1,187*	1,016	942
Stockholm – Sundsvall	217	250	236	571	523	587
Stockholm – Malmö	821	808	856	235**	189	144
Stockholm – Växjö	120	100	117	110	122	179
Stockholm - Jönköping	40	66	94	129	130	113
Total	2,102	1,851	1,966	2,232	1,980	1,965

* including Stockholm – Borås (108 trips) and Stockholm – Alingsås (34 trips), else 1,045

** including Stockholm – Lund (47 trips), else 188

Car travel at Folksam	2005	2004	2003
Total business travel (km)	697,197	744,396	762,930
Whereof travel by cars meeting Folksam environmental and safety requirements (km)	236,117	252,519	195,444
Reduction in carbon dioxide emissions due to reduction in kilometres travelled (tonnes)	93	37	–



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Efficient driving for lower emissions

Folksam's travel policy calls for efficient car use through the use of driving schedules and by having special "inspection days" for claims. The policy also prescribes the means of transport to be used on different routes.

Altogether 100 Folksam employees have received training in "eco-driving". Environmentally friendly driving can reduce fuel consumption by 10–25 percent.

The workers who have undergone training so far drive an average of 15,000 kilometres on the job each year, which with eco-driving means a total reduction of 30 tonnes a year in carbon dioxide emissions.

More business trips

Folksam has implemented a number of measures to reduce emissions

from business trips, e.g. by setting goals to reduce car travel and rerouting business travel from air to rail. In 2005, however, flights and train trips were both up by a total of 500 over the previous year. The increase in the number of flights was equivalent to an additional 36 tonnes of carbon dioxide emissions.

Car business trips in 2005 were down by 6.3 percent. In terms of distance travelled the reduction was 471,990 kilometres, equivalent to 93 tonnes of carbon dioxide. The percentage of kilometres travelled in vehicles meeting Folksam's environmental and safety requirements was down by 6.5 percent. However, this reduction is due to a fall in the number of kilometres travelled, not in the number of vehicles meeting requirements.

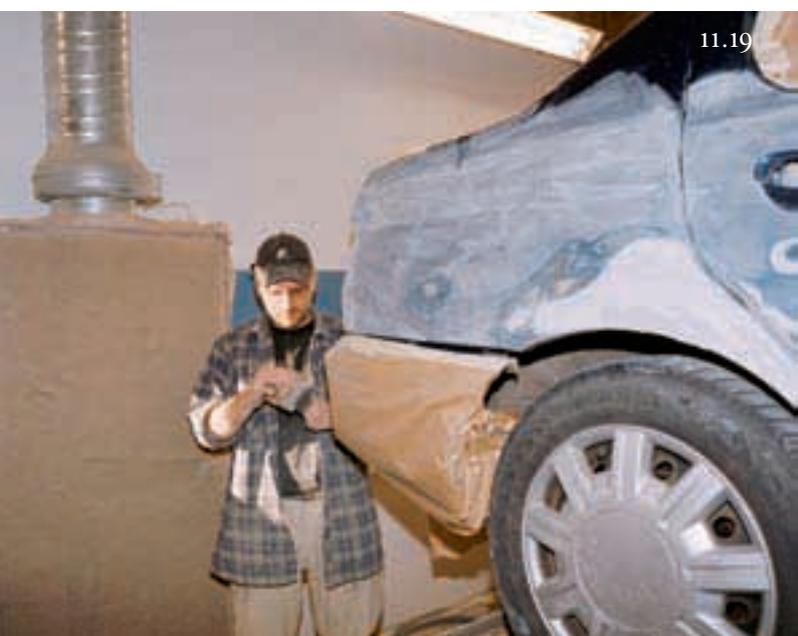
Vehicle safety and fuel economy

Every year Folksam compiles a list of car models meeting high standards of safety and fuel economy. Folksam uses this list not only to choose the cars it buys for its own needs but also to guide its purchases of hire car services for customers who lodge motor accident claims. The insurance industry purchases about half of the country's hire car services, and Folksam's customers alone drive close on 10 million kilometres a year in hire cars. Hence the demands we make have a major impact. Folksam's list is used by many other vehicle buyers, including local and regional government and large corporations.

The Business Car Index

In recent years we have used the Folksam Business Car Index to re-

Substance	Quantity per car wreck	Quantity in 125,000 car wrecks
Lead (battery+tyres)	7.2 kg	900 t
Oil	6 L	750 m ³
Fuel	5 L	625 m ³
Ethylene glycol	2.5 L	312.5 m ³
Concentrated sulphuric acid (battery)	1.5 L	187.5 m ³
Mercury	10 g	1,250 kg
High-aromatic oils (tyres)	2 kg	250 t
Metals (mainly iron)	650 kg	81,250 t



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view purchases of business cars by large corporations and the public sector. New cars purchased by these groups account for nearly half of the total number of cars sold each year. The choices that businesses make today — between safe and unsafe, between gas-guzzlers and fuel-miserly vehicles — will continue to have an impact for fifteen to twenty years down the track.

Ridding the countryside of car wrecks and hazardous substances

The car wreck campaign is a joint project of Folksam and the Keep Sweden Tidy Foundation. It aims to increase awareness of the fact that it is an environmental offence in Sweden to abandon a vehicle in a manner hazardous to the environment. Up to 350,000 abandoned car wrecks litter our countryside right now. Not only are they a danger to children and animals, they also release quantities of hazardous substances into the environment. To date over 125,000 wrecks have been recovered, 25,000 of them in the last two years. Since the campaign began, our countryside has been cleansed of over 1.2 tonnes of mercury, 900 tonnes of lead, and 187 cubic metres of battery

acid, all substances which can cause serious damage to the environment. In addition, over 81,000 tonnes of metal has been recycled.

Unique guide to environmental impact of building materials

Folksam spends SEK 800 million on building repairs each year and is one of Sweden's biggest buyers of building materials. As a big customer, we are in a strong position to influence both prices and environmental performance.

Folksam's regular publication *Folksam byggmiljöguide* is a comprehensive guide to building products and materials that spare the environment and safeguard our health. Over time, the guide has become a unique source of information for builders, property managers, local councils, architects and homeowners. No other collection of data gives such a comprehensive picture of the environmental impact of building materials. A new edition of *Folksam byggmiljöguide* will be released in spring 2006.

Outdoor paints uneven in quality

In spring 2005 Folksam presented the results of its annual tests of Sweden's best-selling exterior house

paints. The test programme aims to cover around 90 percent of the exterior paints on the market. The results for 2005 showed that all the paints tested had mould growth after three years. In 2005 Folksam began new series of paint tests at four sites around the country in order to detect possible effects of geographically determined climate differences. The background to this initiative is that many homeowners have been disappointed to find rot, mould, colour changes and crazing on newly painted houses. Based on the annual test results, Folksam publishes a regularly updated consumer guide to exterior house paints. If many Swedish homeowners have to repaint their houses at more frequent intervals than every 15–20 years due to poor paint durability, it means a significant extra cost for this group of households. The consumer guide also enhances the value to customers of Folksam's household insurance package *Det trygga boendet*.

Review of heat pumps reveals trend change

Folksam has been testing heat pumps every year since 1999. The 2005 study revealed a change of trend in



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that the number of failures has stabilised and even dropped for some types of pump. Earlier studies showed a pattern of frequent failures between

two and five years into the product life cycle, or just after the warranty had run out. This suggests inadequate quality control and poor-quality com-

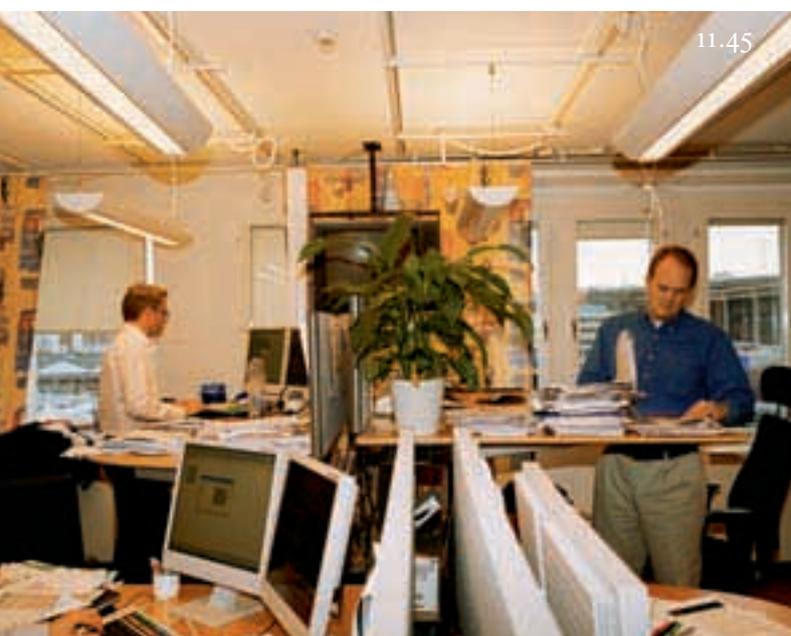
ponents, and the basic design of pumps has often been found lacking.

Car repair shops	2005	2004	2003	2002	2001
No. partners	1,391	1,401	1,275	1,200	1,200
No. environmental requirements	73	73	73	61	61
No. fully compliant partners	465	255	255	279	261
Percentage fully compliant partners	33%	20%	20%	23%	22%

Car scrap yards	2005	2004	2003	2002	2001
No. partners	43	43	46	43	43
No. environmental requirements	58	58	58	51	51
No. fully compliant partners	38	33	30	32	28
Percentage fully compliant partners	88%	77%	65%	74%	65%

Building contractors	2005	2004	2003	2002	2001
No. partners	218	195	195	225	173
No. environmental requirements	23	23	23	17	17
No. fully compliant partners	143	133	126	182	121
Percentage fully compliant partners	66%	68%	65%	81%	70%

Laundries and decontamination firms	2005	2004	2003	2002	2001
No. partners	41				
No. environmental requirements (laundries)	25				
No. environmental requirements (decontamination)	20				
No. fully compliant partners	26				
Percentage fully compliant partners	63%				



Participation grows the company

Folksam employees must be given the best possible conditions to participate in growing the company. Their participation contributes to our long-term profitability, for the benefit of our customers and owners. To achieve this, Folksam runs programmes on issues such as equal opportunity, diversity, leadership, skills development, and health.

Diversity drives profitability

Conditions of work at Folksam must be appropriate for all employees without regard to gender, age, ethnicity, functional disability or sexuality. There must be no discrimination in the recruitment process. To promote equal rights and opportunities at work, Folksam has developed a “Plan of action against ethnic discrimination”.

In 2005 all our managers attended seminars on “measures against discrimination at work on grounds of ethnicity, religion or other faith-based belief”. They included education on anti-discrimination law and on business benefit regarded from a diversity perspective.

Wheel of Diversity spreads knowledge

During the year Folksam participated in the Wheel of Diversity project together with the Stockholm Business Region and several other businesses. Its purpose was to create long-term conditions for spreading knowledge and experience of ways to leverage diversity as a growth concept for companies in the Stockholm region.

Equal rights without regard to gender

Forty-nine percent of Folksam’s employees are women and 51 percent men. Gender equity is an important Folksam goal, and for the second successive year we achieved the goal of 40 percent women in management functions. As a step towards ensuring equitable development, shortlists for management positions must always include a man and a woman with equal qualifications.

Folksam has a target-managed gender equity plan which is reviewed once a year and reported to the group executive, to Folksam’s AGMs, and on our Intranet. 87 percent of respondents to our latest employee survey agreed with the statement “In my team/department men and women are treated with equity.” Female and

male employees were equally satisfied with their work situation.

Combining work and family life

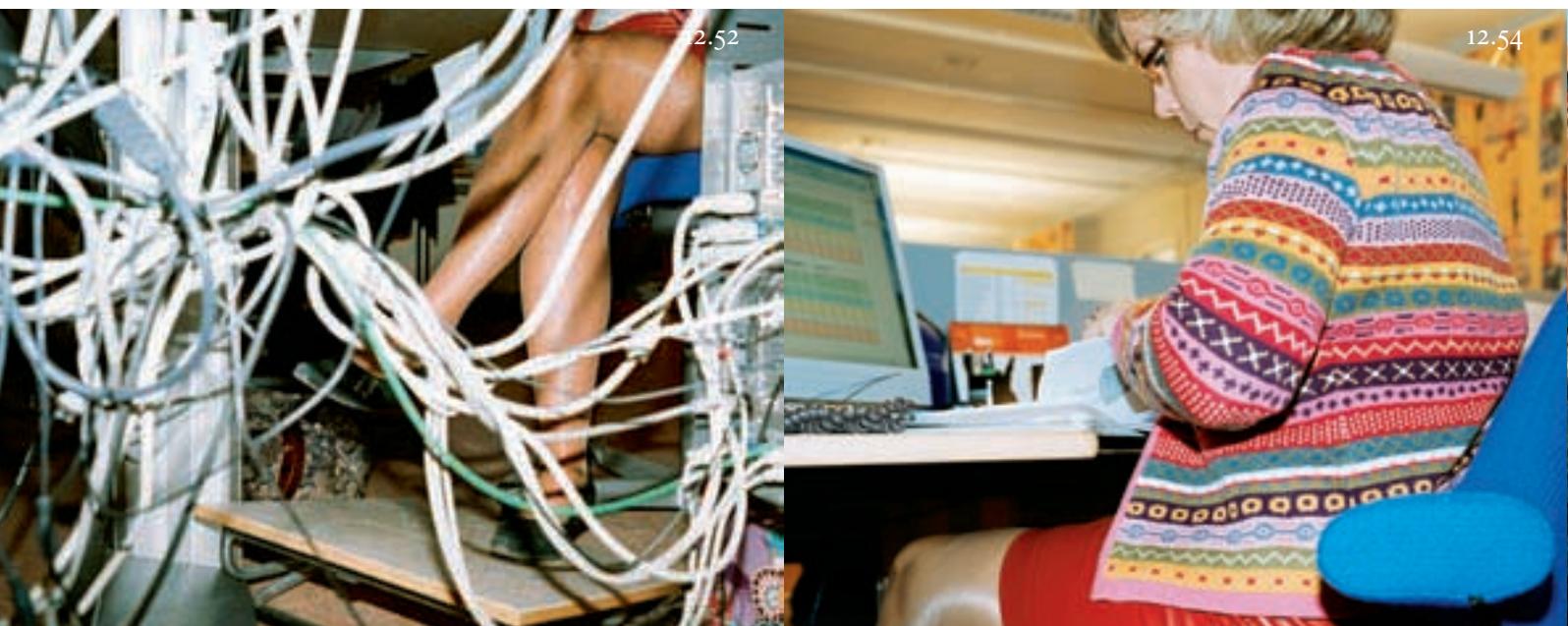
Folksam workers and managers must be able to combine an active working life with family life. For much of the time that workers are on parental leave Folksam pays a parental wage which, together with the parental benefit paid by Social Insurance, makes up 90 percent of their normal pay. Folksam employees 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 parental leave.

The best people

Our employees shall be distinguished by their high competence, commitment and enthusiasm. Together we shall be distinguished by our diversity and be carriers of our core values.

Shared values

Our employees shall conduct themselves so that our customers view Folksam as standing for security, commitment, compassion and professionalism, and so that we are known for being challenging and innovative.



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Healthier workers mean customer benefits

For several years Folksam has been working purposefully to improve its workers' health. Worker health and wellbeing is important to the ability to focus on Folksam's goals — for the benefit of our customers and owners.

Rehabilitation procedures

Folksam has a well-developed rehabilitation process, including signalling systems for the early identification of workers at risk of chronic illness as well as procedures for managers to deal with rehabilitation. The falling trend in the numbers on long-term sick leave, noted in 2004, has continued. At the end of 2005 we had 154 persons on long-term sick leave, down by 20 on the previous year. Over half of them are on part-time sick leave, which boosts the chances of eventually returning the employee to full-time work.

Health ambassadors motivate co-workers

In 2005 the whole of Folksam was again awarded a "diploma of health" according to criteria laid down by Korpen, the Swedish Federation for Company Sport. Workers have been

trained as health ambassadors to support and motivate their colleagues to take part in our wellness programmes. Many workers are enthusiastically involved in wellness activities including health profile surveys, weightwatcher programmes, stress management and smoking cessation. Folksam also takes preventive measures including ergonomic checks when buying new furniture and computers, and training courses in rehabilitation and work environment.

A talking therapy programme provided by an outside company, Visavi, was introduced during the year to assist employees with psychological or private legal and financial problems.

Skills development for competitiveness

In 2005 Folksam conducted a project analysing business-critical skills with the aim of improving our competitiveness in the insurance and savings industry. In coming years a number of actions will be implemented to enhance our competitiveness.

Changes to managerial training

In 2005 Folksam reworked its managerial training programme. The "Basic Leadership" course was devel-

oped in cooperation with the Swedish Leadership Training Institute (IFL), with the aims of increasing knowledge and understanding of Folksam's values, current situation and future challenges. All new managers and project managers will attend this course.

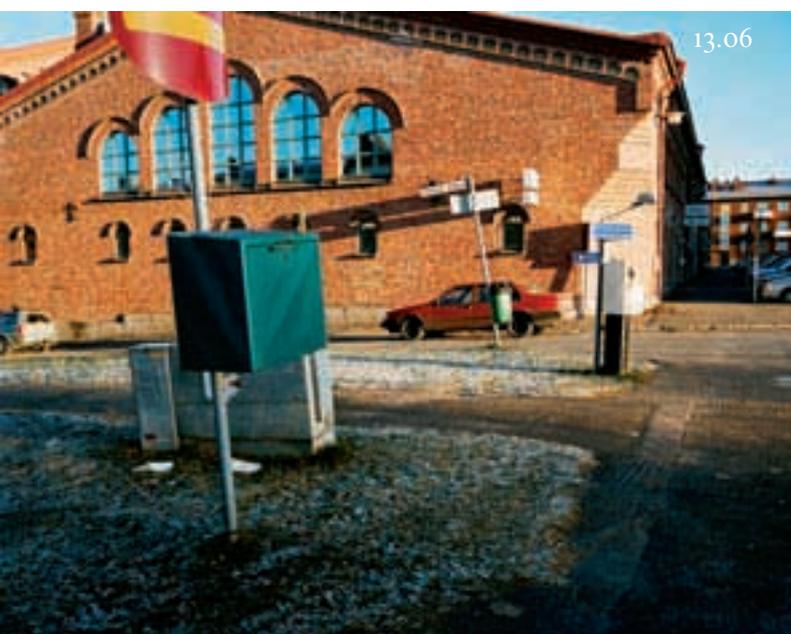
All customer service managers attended a further training course in communication. This included training in one-on-one conversa-

Folksam one of Sweden's best employers

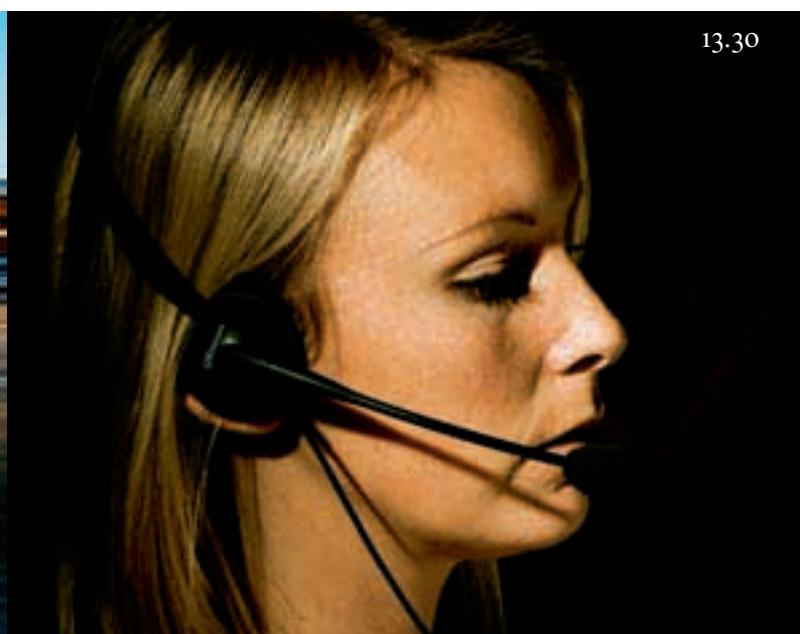
Folksam once more came among the top twenty and topped the list of large corporations in the survey Sweden's Best Workplaces. This is the biggest comparative survey of Swedish work places, conducted by the Great Place to Work Institute Sweden together with the business weekly Veckans Affärer.

An attractive workplace

We shall do our work within an environment and a work organisation which offer interesting and developmental tasks, flexibility and stimulation. We shall be known for our good working environment promoting good health and employee satisfaction.



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tion, conversation with a group, and projecting a message.

In 2005 we also initiated a mentoring programme in cooperation with Scribona. Selected managers at Folksam are appointed mentors, while other managers have been enabled to have a mentor for a period to develop their leadership qualities.

Greater internal mobility

In 2004–2005 Folksam employees were offered the opportunity to attend a series of seminars on career planning with a view to increasing internal mobility. Attendees were given help and support with their own career planning. We also set up Kompetensbanken, a database of employees' CVs, which will be used in connection with recruitment.

Employees	2005	2004
No. employees	3,563	3,655
of whom women	49%	48%
of whom men	51%	52%
Mean age	45.5 år	45.1 år
No. managers	308	294
of whom women	41%	40%
of whom men	59%	60%
Personnel turnover	2.6%	2.4%

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

Terms of employment	2005
Permanent	96%
Temporary	4%
Full-time	90%
Part-time	10%
Union members	98%

Gender breakdown, top management	Women		Men	
	2005	2004	2005	2004
Board, Folksam Life	55%	40%	45%	60%
Board, Folksam General	42%	42%	58%	58%
Group executive	22%	22%	78%	78%
Central units and business areas	40%	43%	60%	57%
Market areas	42%	38%	58%	62%

Age	Total sickness absenteeism			Of which long-term sick leave		
	Men	Women	Total	Men	Women	Total
–29 yrs	4.55%	3.59%	4.04%	50.58%	20.78%	36.29%
30–49 yrs	3.14%	6.83%	5.05%	56.48%	67.43%	64.13%
50– yrs	5.66%	10.22%	7.96%	74.70%	73.36%	73.83%
Total	4.27%	8.00%	6.18%	66.22%	69.18%	68.18%



Folksam meets customers' needs

It is essential to good customer relations that customers feel that they and their needs are seen and understood. It is therefore important that Folksam meets its customers' needs without regard to gender, functional impairment, sexuality, ethnicity or religious denomination. Employees who mirror the market can more easily relate to the customer in face-to-face meetings or on the phone. Folksam's multilingual National Customer Service in Malmö provides service and information in sixteen languages.

Independent assistance from the Customer Ombudsman

The Folksam Customer Ombudsman helps customers exercise their right to a review if they are dissatisfied with the final decision in an insurance or savings matter. The Ombudsman is charged with making impartial determinations of customer complaints or disputes with Folksam, and he has the power to recommend that Folksam amend its decision. The Customer Ombudsman is independent of Folksam management, reporting only to the AGMs. The Customer Ombudsman must also alert Folksam to any need for improvement in policy conditions and claims management.

In 2000 a special Fund Ombudsman was appointed to deal with matters and disputes connected with investment fund savings.

High-quality decision-making in insurance matters

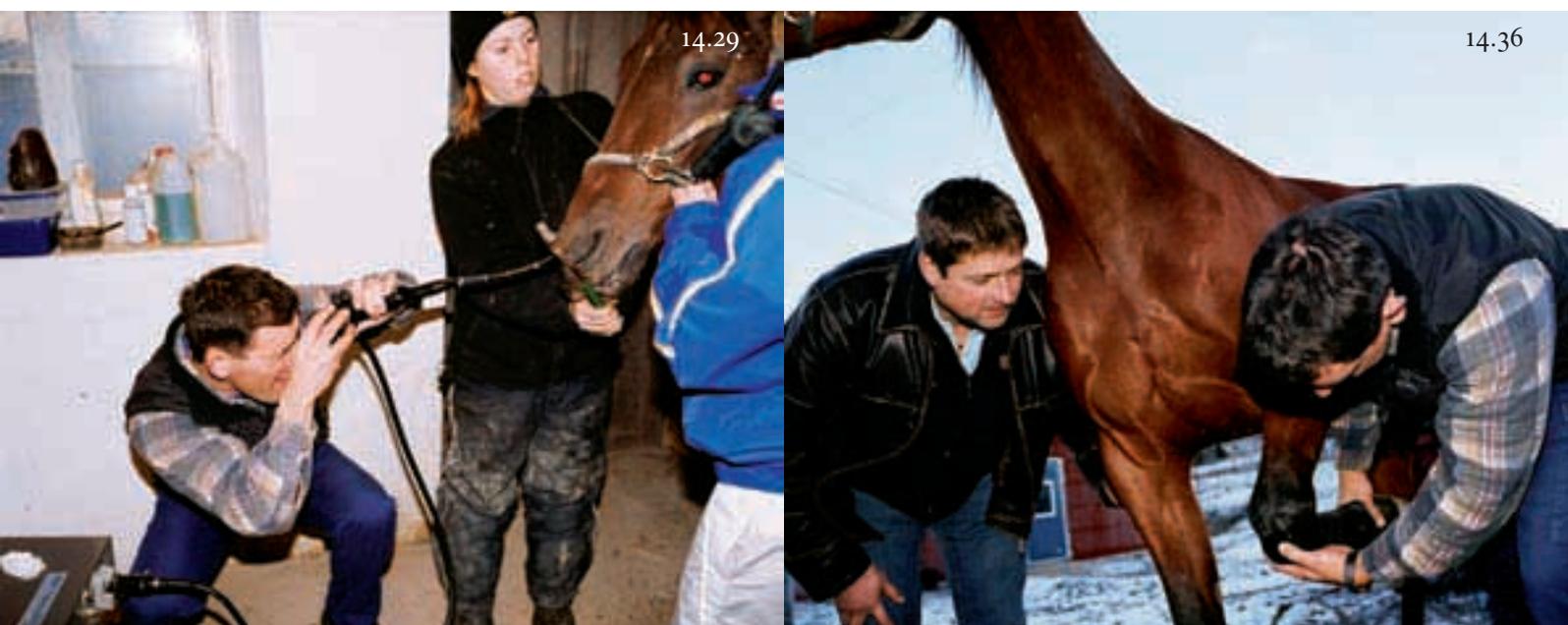
Folksam's management of disputes with its customers is of high quality. The yearly reports show that Folksam is the insurer that does best before the National Board for Consumer Complaints, having sustained a lower proportion of adverse decisions than its competitors for many years. In 2005 the Customer Ombudsman dealt with approximately 8,000 queries about insurance and savings matters. He also reviewed 1,088 disputes, resolving 22 percent of them in the customer's favour. 71 disputes were reviewed again by the National Board for Consumer Complaints, which resolved eight percent of them in the customer's favour.

Aim: the industry's most satisfied customers

As a mutually-owned company it is vital to Folksam's success that our customers' insurance and savings matters are handled in a manner that meets their expectations. Our over-

arching aim is to have the most satisfied customers in the insurance and savings industry.

Folksam manages about 17 million insurance policies and settles about 640,000 claims a year. This underscores the importance of Folksam's workers living up to our fundamental values of "security, commitment, humanity and professionalism" in every encounter with the customer. Folksam has two main ways of measuring whether customers are satisfied. Each year a large sample of customers are invited to state their opinion of Folksam by completing a quality survey. We also follow up various types of contact that our Customer Service, claims organisation, and individual consultants and agents have had with customers in the course of the year. The purpose of both the measurements and the follow-ups is to find out how satisfied our customers are and also to learn what we can do better. The latest measurements show that 84 percent of Folksam customers were satisfied with their customer meeting — the same percentage as in the previous survey. We aim to further improve this percentage.



Aim: fewer injuries

Traffic fatalities have been declining steeply in recent years. Preliminary figures for Sweden 2005 indicate around 440 road deaths, down from 480 in 2004. This is the lowest figure since 1945, when there were only 100,000 cars on our roads compared with 4.6 million today. However, disabling injuries have declined less than fatal injuries.

Thirty years of traffic safety research

Folksam deals with a large number of traffic accident claims each year. It is part of Folksam's view of insurance that we simultaneously work along preventive lines, and since the mid-1970s we have been conducting our own traffic safety research. A problem that is affecting increasing numbers of Folksam policyholders must be approached in a preventive spirit, not merely managed by growing indemnity payments and premiums while the problem itself remains or continues to grow.

The object of Folksam's traffic safety research programme is to contribute to a long-term sustainable society by reducing personal injuries in road transport. We focus our research efforts on the areas with the

greatest potential for reducing the numbers of traffic deaths and disabling injuries, or where we believe Folksam has the ability to make a positive impact on the outcome of injuries.

Dramatic increase in safer cars

In May Folksam published the tenth edition of its report *How safe is your car?* It found that vehicle safety has increased dramatically and shows no sign of levelling off. The risk of suffering a fatal injury in cars built in the years 2000–04 is at least 75 percent lower than in cars built in 1980–84. The risk of being disabled in a collision has decreased by 25 percent over the same period.

In-depth studies of car crashes

To gain a deeper knowledge of how injuries occur in traffic accidents Folksam conducts in-depth studies of car crashes. Black boxes are used to record the impact forces, and this together with detailed information about the injury, the sequence of events in the crash, and the deformations of the vehicle, provides invaluable knowledge about the factors influencing the risk of injury in crashes. The resulting body of data is unique

in the world, enabling us to analyse accidents leading to disabling or fatal injuries and to look for ways of preventing such injuries in the future.

New and effective safety systems

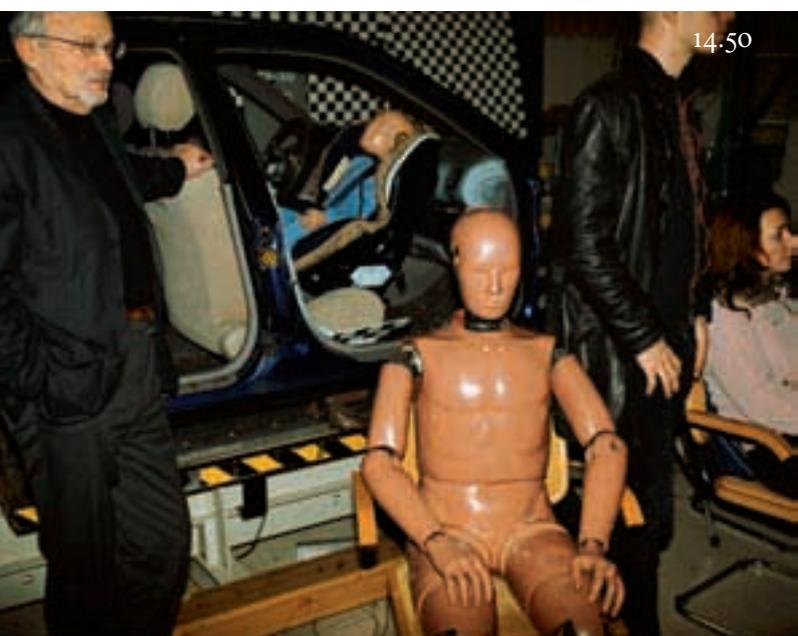
In recent years a variety of safety systems have been fitted in cars, some of which have been found very effective. In 2005 Folksam evaluated modern seatbelt reminder systems, and it was found that if all cars had these systems fitted it would save around 80 lives a year.

Folksam has also studied the effectiveness of anti-skid systems. They were found to reduce accident risks by up to 50 percent, depending on road conditions.

At ETSC, the European Traffic Safety Council, a body in which Folksam takes an active part in order to influence the traffic safety work of the EU Commission, Folksam was the principal author of a report on the effectiveness of seatbelt reminders, alcolocks and intelligent speed adaptation.

More cars have whiplash protection

Whiplash accounts for between 60 and 70 percent of disabling injuries, and about 1,800 people in Sweden



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are diagnosed with long-term whiplash disability each year. These injuries cost Swedish society around SEK 5 billion annually. The risk of whiplash has been increasing since the early 1980s, but in the last five years more car manufacturers have been fitting their cars with anti-whiplash systems.

Effectiveness varies

Crash tests by Folksam have shown that anti-whiplash systems vary in the protection they provide. In 2005 Folksam evaluated another ten car seat models for whiplash protection. Altogether 36 vehicle models have now been tested, with further tests planned for 2006.

The tests show wide variation in the degree of protection offered by different car seats. We also find that the testing programme has encouraged car makers in their efforts to build car seats with effective whiplash protection. If all car makers fitted their cars with anti-whiplash systems as good as the most effective type available, at least half of all whiplash injuries could be prevented.

Studies of child safety

Folksam has been studying and evaluating child safety on the road since the 1980s. In 2005 we analysed 689 crashes involving 789 children aged below six. The crashes occurred between 1996 and 2002. The analysis

showed that many children could have been saved if they had been correctly belted and if deficiencies in the road system had been corrected. It also showed that children should use a rear-facing seat for as long as possible.

Rear-facing children ride safer

A child in a forward-facing car seat runs five times the risk of injury compared with a rear-facing child. Despite this finding, 60 percent of all car makers advise parents to place their children in the back seat due to the risk from the passenger-seat airbag. This results in children being seated facing forward at too early an age because of the lack of

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

Studies	2005	Total
How safe is your car?		
Car crashes reported to police	942 crashes	94,126 since 1994
Injuries	698 drivers and front-seat passengers	22,894 since 1985
Child safety		
Car crashes involving children	689 crashes	1,091 since 1993
Number of children injured	789 children	1,191 since 1993



space. Folksam is trying to encourage the car industry to solve the issues with passenger-seat airbags so as to make the front passenger seat safe for children to use.

A product of this research is the report *Fara med barn*. It contains important information about the safest way of seating children in cars, focussing on the problem of front-seat airbags. We have also begun a project aimed at negotiating an agreed position by the car industry, government and consumer organisations on the best way of carrying children by car. The final document is due to be completed in the first quarter of 2006.

Local councils' engagement with traffic safety

In autumn 2005 Folksam carried out a comparison of the numbers of fatalities and serious injuries in traffic accidents in different local council areas. Big differences were found. In ten years Göteborg has reduced the number of fatalities and serious injuries by 73 percent, while the number in Stockholm has gone up by 260 percent. Although traffic safety has improved in Sweden's twelve largest local council areas,

the differences between councils are too large to be explained by differing regional conditions alone.

If all local councils with over 100,000 inhabitants were as effective as the best councils, Örebro, Jönköping and Göteborg, nearly 300 pedestrians and cyclists would be saved from death or serious injury each year.

Research objectives completed in 2005

- Present the report
How safe is your car?
- Present crash test results on car seats' whiplash protection
- Study impact of reminder systems on seatbelt use
- Evaluate local councils' engagement with traffic safety
- Evaluate effectiveness of anti-skid systems
- Analyse car crashes with injured children



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Effective rehabilitation gives customers security

Because Folksam has around four million group life assurance customers, health issues are an important part of our work. A group life assurance policy pays benefits in case of chronic illness. As a mutually-owned company, Folksam has a responsibility to keep insurance costs down. The focus is always on the individual and his or her perceived quality of life. A society's quality of life is better the more people are able to avoid chronic illness and all that it implies. For a society that seeks to be sustainable, a perceived high quality of life by its citizens is an invaluable asset. The further we can reduce the number of Folksam customers on long-term sick leave, the lower we can set our premiums and the more sustainable our national economy will be, as we can have more people at work instead of on sick leave.

Folksam's rehabilitation work is one of many ways in which we build security for our customers. Over time, Folksam's work results in better quality of life and a long-term sustainable society. Rehabilitation efforts can reduce long-term sickness absentees by 25 percent, health insurance costs by at least SEK 4 billion a year, and the costs of

future disability pensions by at least SEK 30 billion.

Folksam Health takes responsibility for health

Folksam's health-related programmes are the business of its subsidiary Folksam Hälsa AB. This company specialises in the work-oriented rehabilitation of people affected by pain in the locomotive organs and by cardiovascular disease. It also undertakes 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 daily lifestyle and future health is central to our work. Folksam also engages in the rehabilitation of patients who have already suffered cardiac infarctions or who are disabled by back and neck pain, such as after road accidents.

The outcomes achieved by Folksam Hälsa are evaluated regularly with the assistance of medical experts from

the Karolinska Institute and other research centres. To take one example, the risk of death from cardiac disease is 80 percent less with the rehabilitation method developed by Folksam than with the usual after-care offered in such cases.

Föllinge Clinic changes lifestyles

The Folksam Hälsa clinic at Föllinge is a leader in the lifestyle-focussed rehabilitation and secondary prevention of cardiovascular disease. The connection between daily lifestyle and future health plays a very central role. The Föllinge Clinic runs a successful stress and lifestyle programme to reduce the risk of stress-related disorders such as cardiac infarct and burn-out. The programme for lifestyle change includes stress management, dietary habits, exercising habits and smoking cessation. The Clinic does successful work rehabilitating people with cardiovascular disease. The Föllinge Clinic also offers a brief "Stress and Lifestyle Conference" for companies,

Number of patients treated	2005	2004
Föllinge Clinic – cardiovascular	212	248
Ramlösa Clinic – back/neck/shoulders	157	170
Crisis and Trauma Centre	193	130



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organisations and management groups to raise awareness of the importance of lifestyle to their own health and that of their workers.

Crisis and Trauma Centre helps patients back to daily life

The Folksam Hälsa Crisis and Trauma Centre specialises in crisis treatment for victims of crimes such as hold-ups and assault. A person who has experienced a violent incident can find it hard to go on working. A variety of reactions can occur: many people relive the traumatic event in the form of nightmares, while some also have flashbacks. Professional help and an understanding response can make it easier to get over shocking experiences and avoid distressing symptoms.

The Centre's mission is to help the victim resume a normal existence and avoid long-lasting mental suffering. The Centre has treated over 600 patients, including retail workers, taxi and truck drivers, ambulance paramedics, volunteer aid workers, journalists, teachers and UN soldiers. The Crisis and Trauma Centre has developed a training programme covering general crisis studies, trauma studies, after-reac-

tions, post-trauma debriefing, and emotional first-aid.

In 2005 the Crisis and Trauma Centre carried out a follow-up study of patients who had been held up at work. It was found that patients were very positive to the therapy, with the majority reporting that prompt intervention and quick contact with the Crisis and Trauma Centre had enabled them to return to work sooner.

Ramlösa Clinic identifies causes of pain

Folksam Hälsa's Ramlösa Clinic has worked with patients suffering pain in the back, neck, shoulders and the locomotive apparatus in general. The clinic's medical experts are specialists in orthopaedic medicine, with the skills to carry out not only ordinary medical examinations but also highly detailed examinations of the locomotive organs to identify the functional impairments underlying the patient's problems. They can then select appropriate therapies, training programmes and ergonomic measures to overcome the problems. The Clinic's work-oriented rehabilitation course has been most successful in helping patients return to work after extended periods of sick leave.

In recent years, despite the increased responsibility of employers for rehabilitation, there has been a notable lack of interest in rehabilitation services. 80 percent of Ramlösa's work today consists of insurance medical examinations ordered by the National Health Service. The mission of the Ramlösa Clinic is to rehabilitate patients back to work. In this situation, the directors of Folksam Hälsa AB have decided to close down the Ramlösa Clinic.

Folksam Research Foundation

The Folksam Research Foundation supports accident and illness prevention and scientific research in the fields of health, traffic and environment. In 2005 it awarded research grants totalling SEK 1.5 million to five different projects. The Foundation will continue to award research grants totalling at least SEK 1.2 million annually.



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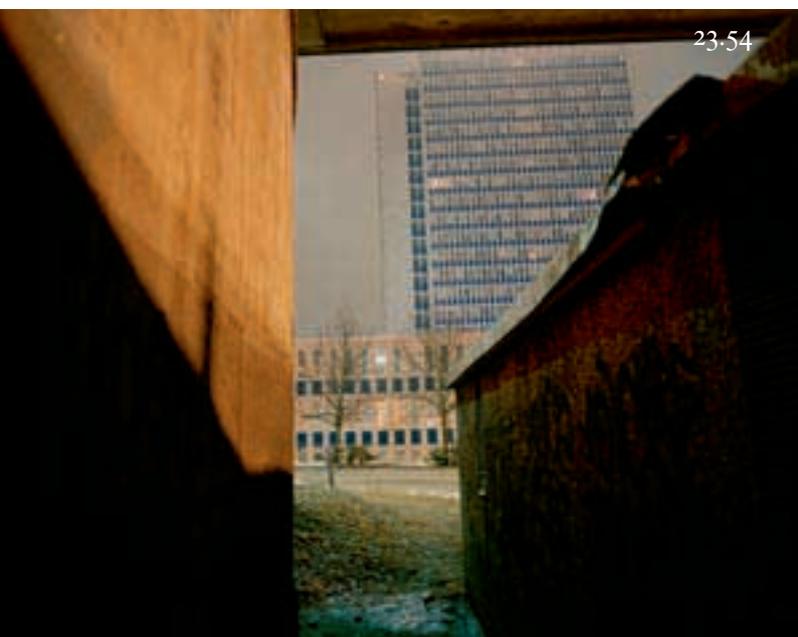
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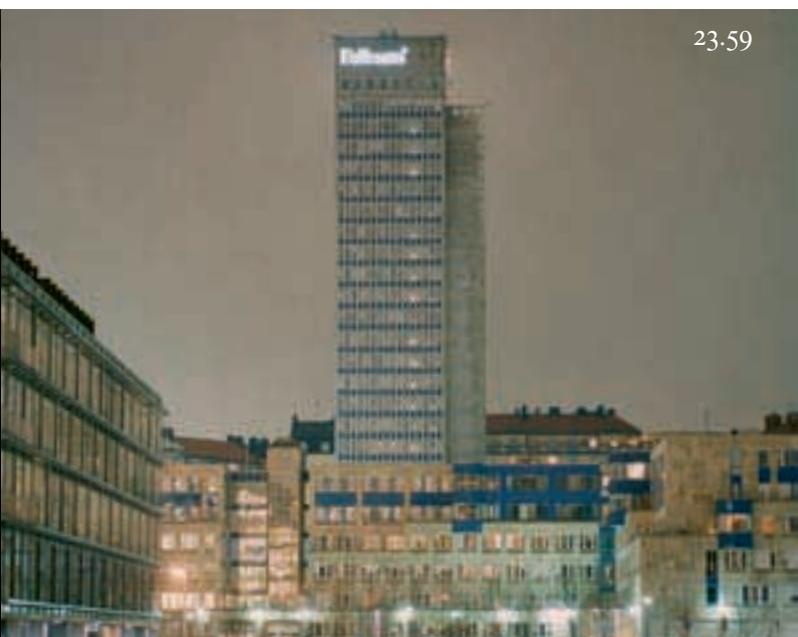


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