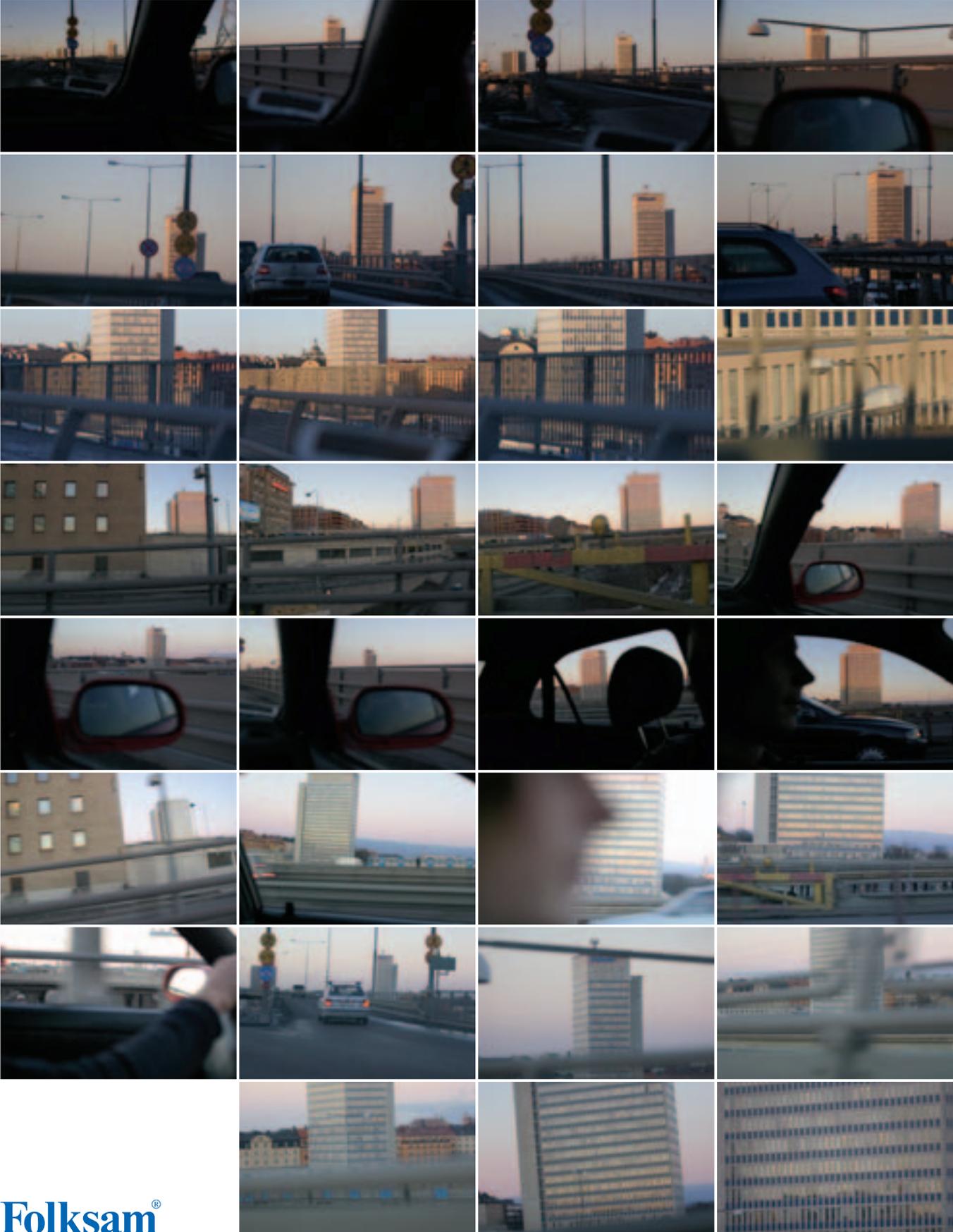


Folksam Sustainability Report 2004



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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 are retained by the 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.

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

Sustainability Report 2004 reflects all aspects of Folksam's outcomes and operations — economic, ecological, and social.

The Report is primarily addressed to our customers and employees. It is also available for download at www.folksam.se.

Anders Sundström, CEO



Cooperating against natural disasters

The tsunami in south-east Asia on Boxing Day 2004 took 300,000 lives. Many Swedish citizens are still missing. It is natural for people to look for sustainable life contexts. But then all of a sudden a major earthquake occurs on the seafloor off Sumatra. Once again we see how helpless we are in the face of natural disasters.

As an insurer, Folksam has had an obvious role in the aftermath of the disaster. We are one of the help force doing the best we can to restore and heal. We do our part of the job, that of the insurer. This also makes us an important part of the security that the survivors of the disaster need to regain. Yet it is painfully clear that an insurer can only pay back a fraction of the values that were destroyed in the tsunami.

Another question is how we can foresee future disasters and protect ourselves against them.

On 1 November 1755 the Portuguese capital, Lisbon, was devastated by a mighty tsunami caused by an earthquake under the Atlantic. Thirty thousand people died, prompting Voltaire to ask, "If something like this can happen to us, can there be a God?" Two hundred and fifty years have passed since then, and the world is utterly changed. Not of itself, but by us humans. There is no need for me to list all the good things that progress has brought, such as higher standards of living and universal welfare. But the progress of technology has brought new problems too — many of them global in their reach.

These problems are increasingly impacting on the basic conditions for our life — the air we breathe and the earth we walk on. On the sunny winter weekend when I am writing these paragraphs, two news items have come in which illustrate the point. Polar bears and glaucous gulls in the Arctic have been found to have high concentrations of environmental poisons — poisons that are produced by our industrial processes. And glaciers in the Himalayas are in rapid retreat. If they continue melting at the same rate as they are

today, there will be severe flooding in densely populated areas of India and China, followed by widespread drought in the same areas.

Such news only underscores the fact that the world in 2005 hangs together like a delicate network of communicating vessels. Things which are done for rational ends on which we all agree, such as increased production and consumption, can have unplanned and, for many of us, unpredictable consequences for the world's ecological cycles.

The connections are now becoming clearer and the consequences are impossible to ignore. The melting of the Himalayan glaciers is directly related to the biggest climate-impacting environmental threat today, the greenhouse effect. In this issue business and industry must become one of the lifelines between self-interest and the common interest. We are faced with environmental problems of a different order from before, which will demand bold, untried solutions. I believe that for us to succeed, many of society's traditional boundaries of responsibility will have to be crossed in a new spirit of cooperation. Industry bears a crucial responsibility. Industry, along with traffic, is one of the biggest global sources of carbon dioxide emissions from the combustion of coal, oil and gas.

In Folksam's Sustainability Report 2004 you can see the various things we are doing to take practical responsibility for a society in better economic, social and environmental balance. If industry mobilises every possible resource for greater sustainability in the world, a positive mass effect can arise. There is still a huge potential hidden here which is still unrealised. But together we can realise it.

I invite you to learn about Folksam's contribution to greater sustainability in 2004.

Anders Sundström
CEO, Folksam

2004 in brief

Folksam one of Europe's best workplaces

Folksam was one of the ten best workplaces in the Fortune ranking of European companies.

The Folksam Equal Opportunity Index

During the year Folksam launched its Equal Opportunity Index in a survey of 248 listed companies.

Tore Andersson in New York for Global Compact

In June CEO Tore Andersson was one of 400 business and political leaders attending a meeting convened by Kofi Annan.

Child safety first

Folksam has analysed 425 collisions involving children to review the level of protection provided by different child car seats.

Folksam aims to have the most satisfied customers in the industry

Satisfied customers will stay with Folksam and spread positive news about Folksam to those around them.

The Folksam Climate Index for the seventh successive year

In this year's study we measured the carbon dioxide emissions of 270 companies.

Folksam Business Car Index reviews car purchases

Purchases of business cars by a total of 528 companies, local and county councils, and government agencies were reviewed in terms of safety and the environment.

Gender equity on Folksam's boards

Folksam Life has 40 percent women and 60 percent men. 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 174 employees on long-term sick leave at the end of the year, down from 195 at the beginning of the year.

Folksam tests outdoor paints

In the spring Folksam presented tests on Sweden's forty best-selling outdoor paints. All but one of them displayed mould growth after just two years.

Folksam sponsors climate exhibition

Folksam is a sponsor of the exhibition Mission: Climate Earth at the Swedish Museum of Natural History.

Eco-driving for lower emissions

Folksam has trained 100 of its workers in eco-driving, reducing carbon dioxide emissions from their business car travel by a total of 30 tonnes a year.

Folksam policies and management systems

Examples of general guidelines

- Ethical rules
- Folksam's vision
- Prevention of money laundering
- 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
- Corporate governance policy. This lays down the demands that Folksam makes on companies whose shares it invests in
- Recruitment policy
- Wage policy

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 Folksam's overarching aims and indicates how the Company must act to achieve them. The booklet is a guiding light for all work at Folksam.

Policy documents issued by the Boards

The Folksam Group consists of a life assurance savings group and a general insurance group. The latter groups are 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 whose mission is to ensure that all relevant rules are complied with and that risks of all kinds are minimized. Among the most important of these functions are the Audit Committee and the Remuneration 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 the rules, 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.

Resistability – Folksam's promise to the customer

Our own resistability derives from the knowledge we have gained 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.

Living our values – exercises for all employees

Exercises in "living our values" provide a space for internal dialogue about the Company's values. A knowledge of these values and of how they can be brought to life in the encounter with the customer will enable all employees to do their part in building the customer's resistability — what Folksam stands for.

Everything we do is summed up by the concept of resistability. 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 to take our economic, ecological and social responsibility as a member of society, and through the work on traffic safety and in Folksam Hälsa AB (Folksam Health Ltd).

When accidents happen, Folksam aims to be there and give our customers resistability by mitigating the impact. We also do 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.

Folksam's vision

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

Folksam's values

Everything that Folksam does, in word and deed, is guided by:

- 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 the best financial benefit. Folksam looks in the first place to meet the needs that are shared by many.

Personnel concept

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

Carina Lundberg, Corporate Governance Manager



Ethics and customer assets

Ethical criteria lead to change

Folksam has over four million customers and manages over SEK 130 billion of assets on their behalf. Over time, we use this power base to influence and change our society in the interests of greater sustainability and greater security for the individual. Folksam has adopted a unified approach to its assets management in the form of ethical investment criteria. These criteria lay down what companies Folksam will invest in, and they are drafted to reflect our vision of a sustainable society. Several customer surveys confirm that customers feel that our ethical criteria match their own values.

There are companies in which we will not invest, however good their work environment or their environmental impact may be. For example, Folksam has a negative or exclusionary criterion relating to tobacco. Our positive, supportive criteria are about human rights and the environment. Folksam seeks to invest in companies that take more responsibility for the environment and for human rights. We engage in a constructive dialogue with the enterprises in which we invest in order to influence them in a positive direction.

Exerting influence through active corporate governance

Folksam also engages in active corporate governance, using its stockholdings to encourage enterprises to recognise their social responsibilities. Besides making demands on environmental and human rights issues in the enterprises' activities, we are also concerned with the work of their boards, including their composition, directors' fees, and gender equity issues. Dialogue is pursued through various channels, including letter and face-to-face meetings with corporate management.

In 2004 Folksam has focussed on its twenty largest Swedish stockholdings in terms of ethical investment criteria such as environment and human rights, as well as in terms of corporate governance. As part of this activity Folksam has held meetings with thirteen of the enterprises and conducted a dialogue around these issues.

During the year Folksam also worked with the government-appointed Commission on Business Confidence. The Commission is looking for ways to improve confidence in business by, among other things, preparing a draft Swedish code on corporate governance.

Folksam is seeking to improve contacts between the boards and auditors of Swedish listed companies, and active discussions were held with auditing firms in 2004. Audit committees are a useful instrument for this purpose, and Folksam encourages enterprises to set up such committees.

Reduced emissions and greater equity

For the seventh successive year the Folksam Climate Index 2004 measured enterprises' carbon dioxide emissions and the steps they are taking to reduce them. The survey covers all companies listed on the Stockholm Stock Exchange

	Women	Men
Gender equity on Folksam boards		
Folksam Life	40 %	60 %
Folksam General	42 %	58 %

Global Compact

In March 2002 Folksam was the first Swedish insurance company to adhere to the UN Global Compact. This also made Folksam the first Swedish insurer to support the equivalent Swedish compact, Global Responsibility. The Global Compact is based on the UN Declaration of Human Rights, ILO's eight core conventions and, on the environment, the Rio Declaration and Agenda 21. Companies adhering to the Compact promise to comply with the guidelines and to report on the progress of their work.

A- and O-Lists as well as about ten other large Swedish corporations. The Folksam Climate Index helps draw attention to one of our most serious environmental problems, carbon dioxide emissions. The intent is not to finger firms with high environmental impacts but to encourage them to continually improve their performance from whatever level they may be at.

In 2004 Folksam launched the Folksam Equal Opportunity Index. Data on female and male representation in executive groups, boards and workforces was collected from companies' 2003 annual reports. The survey covered all Swedish-registered companies listed on the Stockholm Stock Exchange. The Folksam Equal Opportunity Index showed that fifty listed companies had no women at all in their executive group or on their board, and that only one out of every three employees in Swedish listed companies is a woman. The index is a tool in Folksam's efforts to influence businesses to become more equitable, since we believe that the most competent boards will be recruited from the entire population, not just from the male half of it.

Folksam's corporate governance work

Number of companies with which Folksam has conducted active dialogue:	13
Number of AGMs attended by Folksam:	15
Number of companies which Folksam has contacted about social responsibility:	230

Folksam Equal Opportunity Index 2004

Number of companies reviewed:	248 listed companies
Percentage of women employees:	32 %
Percentage of women executives:	9.5 %
Percentage of women directors:	13.5 %
Highest ranked:	Poolia

Folksam Climate Index 2004

Number of companies reviewed:	270
Average total climate ranking was 2.4 out of max. 5	
Highest ranked:	TeliaSonera

R&D

In 2004 Folksam spent SEK 7.5 million on research and development in traffic safety.

Tore Andersson at Global Compact in New York

On 24 June 2004 four hundred business and political leaders from all over the world met for the Global Compact Leaders Summit chaired by UN Secretary General Kofi Annan at the UN Headquarters in New York. The summit was an important starting-point for a further evolution in the social responsibility of enterprises and for the translation of principles into action.

Global Compact was initiated by Kofi Annan five years ago to promote social and environmental responsibility among enterprises with international operations.

Folksam takes the environment seriously

Folksam was among the nineteen insurers in the world who were the first signatories of the UNEP Statement of Environmental Commitment by the Insurance Industry. The Statement now has over 180 signatories and the number is growing steadily. Because we live in a vulnerable world which is full of toxins and other threats, caring for the environment is one of Folksam's responsibilities. Given that Folksam insures every second person, every second home and every fourth car in Sweden, the contractors who repair the houses, cars etc. that we insure have to listen to us. We make full use of the leverage this gives us.

The aim: continual improvement

To ensure that Folksam's environmental objectives are made fully clear to all those concerned, parts of our business are now environmentally certified to ISO 14001. The areas that are certified are those in which Folksam is best placed to make a difference, namely automotive and building claims and traffic safety research.

Next in line for certification is Folksam Assets Management. An important aspect of the work connected with environmental certification is the process of continual improvement by constantly advancing the goals.

Work for the environmental saves money

Folksam makes big savings by setting high environmental standards. In the last four years we have saved as much as SEK 200 million on car repairs by reusing original parts and by repairing plastic parts and windscreens. The amount we saved through these practices in 2004 was SEK 62 million, money which is passed on to Folksam's customers in the form of lower premiums.

Steps to reduce the greenhouse effect

Scientists are unanimous that the greenhouse effect is real. They agree that humans are contributing to it by emitting greenhouse gases, particularly car-

bon dioxide. The Swedish Parliament has decreed that Sweden's emissions are to be reduced to half of today's levels by 2050. It will take big changes to achieve this, including more economical energy use and new fuels for boilers and cars.

Folksam has taken a number of steps to reduce its emissions, such as rerouting business travel from air to train, and cutting car use. We have also changed over to "green" electricity to run our properties, which in one stroke reduced our carbon dioxide emissions by 90 percent from 220 tonnes to 15 tonnes a year. The Folksam Climate Index annually draws attention to the greenhouse effect.

Changed travel patterns reduce emissions

Folksam's travel policy calls for efficient car use in connection with claims inspections by ensuring that driving schedules are full and by having special "inspection days". The policy also prescribes the means of transport to be used on different routes.

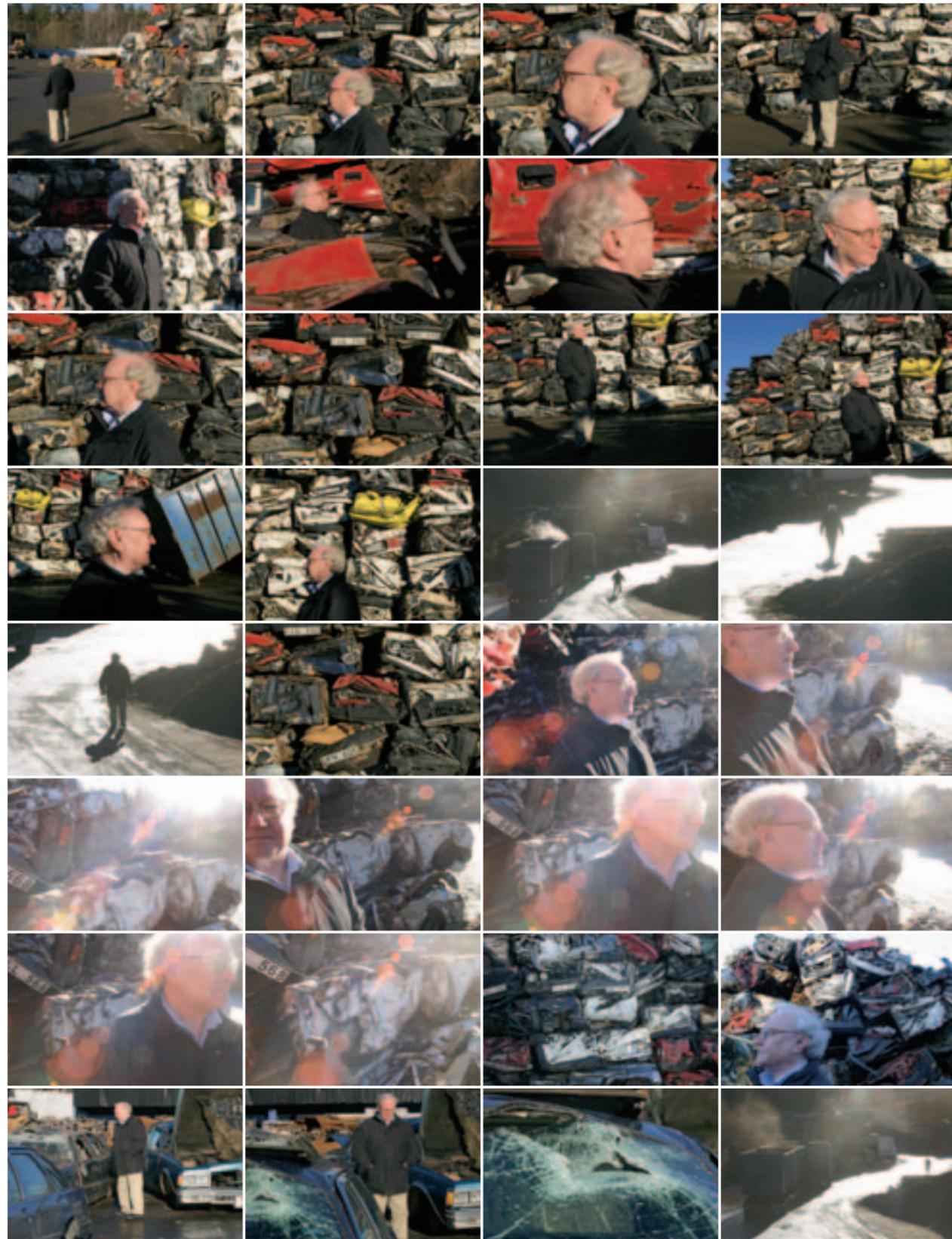
The number of air trips made by Folksam employees was cut by 410 in 2004, while train trips remained steady at the 2003 level. The cut in air travel meant a 19 tonne reduction in carbon dioxide emissions. Folksam employees travelled 185,340 kilometres less in 2004, equivalent to 32 tonnes of carbon dioxide.

In 2004 Folksam has trained a total of 100 workers 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, and eco-driving over this distance would realise a total reduction of 30 tonnes a year in carbon dioxide emissions.

Considering the environmental impact of the cars we buy

In terms of sustainability, reducing the environmental impact of traffic is as important as reducing traffic injuries. Each year Folksam compiles a list of car models which meet high standards of safety and fuel economy. Folksam

Jan Snaar, Environmental Manager



uses this list not only to choose what cars it buys for itself but also to guide its purchases of hire car services for customers who have lodged motor accident claims. The insurance industry purchases about half of the country's hire car services, so the requirements it lays down have a big impact on the safety and fuel economy of Sweden's hire cars. Folksam's list is used by many other car purchasers, including local and regional government and large corporations.

Business Car Index

In recent years we have used the Folksam Business Car Index to review the purchases of business cars by large corporations and the public sector in terms of their safety and their environmental impact.

The survey reveals a very wide range of variation. Purchases of new cars by the private and public sectors amount to nearly half of all car sales each year. The cars that businesses choose today — be they safe or unsafe, fuel-guzzling or fuel-saving — will continue having an impact for the next fifteen or twenty years. A car is run for an average of seventeen years before being scrapped. There is huge potential for improvement here in terms of the numbers of deaths and injuries on the roads as well as in terms of carbon dioxide emissions.

Ridding the countryside of car wrecks

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. The 5–10 grams of mercury in one wreck, for example, can poison a lake of a square kilometre in area. And since 85 percent of a car can be recycled, these wrecks represent a huge waste of resources.

Folksam is working with the Keep Sweden Tidy Foundation to create greater awareness of the fact that it is an environmental offence in Sweden to abandon a vehicle and leave it in a manner that may harm the environment.

Over 100,000 car wrecks have been recovered so far, 10,000 of them in 2004. Since the campaign began, our countryside has been cleaned of almost one tonne of mercury, 650 tonnes of lead and 140 cubic metres of battery acid, all of which could have damaged the environment. Another 60,000 tonnes of metal has been recycled.

A guide to environmentally conscious house renovation

Each year Folksam spends SEK 800 million on building repairs, which makes us one of Sweden's biggest buyers of building materials. As a big client, Folksam is in a position to make demands on price and on environmental performance. Another way we make a difference is through our annual publication *Byggmiljöguiden*, a comprehensive guide to building products and materials that spare the environment and safeguard our health. *Byggmiljöguiden* in its successive editions has become a unique source of information for builders, property managers, local councils, architects and home owners. There is no other collection of data that gives such a comprehensive picture of the environmental impact of building materials. One hundred thousand copies of the guide are in print so far.

Making demands on contractors

Folksam has agreements with 300 building contractors and 1200 car repair shops and scrap yards. Given that we have 25 percent of the Swedish home and car insurance market, many contractors in these industries are anxious to make agreements with us. This enables Folksam to impose exacting environmental and quality demands on those we select. Any firm wishing to be considered as a potential contractor must complete a detailed environmental specification. There are specifications for builders, car repair shops and scrap yards. Thanks to this approach, Folksam has been the first insurance company in the world to introduce green policy conditions. These represent a promise to the

customer that we will always pay attention to environmental considerations when settling claims. Since 2004 Folksam has also imposed environmental demands on decontamination firms and commercial laundries.

Folksam tests outdoor paints

At the beginning of 2004 Folksam presented the results of its tests on Sweden's 40 best-selling outdoor paints. All but one of the paints tested showed some degree of mould growth after just two years. In the next two years Folksam will be expanding the test programme to cover around 90 percent of the outdoor paints on the market. Tests will now be conducted at a number of sites around the country to reveal the possible effects of differences in climate.

The background to this initiative is that many homeowners have been disappointed to discover rot and mould attack, colour changes and crazing on

newly painted houses. Based on the test results, Folksam aims to publish a regularly updated consumer guide to outdoor paints.

Folksam reviews heat pumps

Another part of Folksam's review of the building industry and its suppliers is our annual list of the most failure-prone heat pumps. While environmentally sound in concept, heat pumps are subject to high failure rates, compromising the benefits they offer and causing problems for the homeowner. Folksam's study revealed a pattern of frequent failure at an early point in the product life cycle, just after the expiry of the two to five year warranty. This suggests inadequate quality control and poor-quality components, and the basic design of the pumps too has often been found lacking. The review is of great interest both to pump manufacturers and to homeowners and their organisations.

Folksam Business Car Index	Number	Number of cars
Companies (with at least 25 cars)	196	17,160
Local councils	255	4,226
County councils	20	2,047
Government agencies and departments	57	702
Total	528	24,135

In 2004 Folksam reviewed car purchases by the private and public sectors in terms of safety and environmental impacts. In response, many buyers have drafted or improved procurement procedures and guidelines.

Number of trips	By air		By train	
	2003	2004	2003	2004
Stockholm – Göteborg	663	627	942	1,015
Stockholm – Sundsvall	236	250	587	523
Stockholm – Malmö	856	808	144	189
Stockholm – Växjö	117	100	179	122
Stockholm – Jönköping	94	66	113	130
Total	1,966	1,851	1,965	1,979

In 2004 air trips were reduced by 115 in favour of train trips. The resulting reduction in carbon dioxide emissions was 19 tonnes per year.

Car travel at Folksam	2000	2001	2002	2003*	2004
Total business travel in Swedish miles	924,267	896,045	718,228	762,930	744,396
whereof travel by cars meeting Folksam environmental and safety requirements			174,511	195,444	252,519
Reduction in carbon dioxide emissions due to environmental requirements (tonnes)			41	46	60

Business car travel measured in kilometres has been falling continuously since measurements began in 2000. The proportion of travel by cars that meet Folksam's environmental and safety requirements is continuously increasing. *The figures in Folksam's Sustainability Report 2003 were incorrect and have therefore been corrected in the above table.

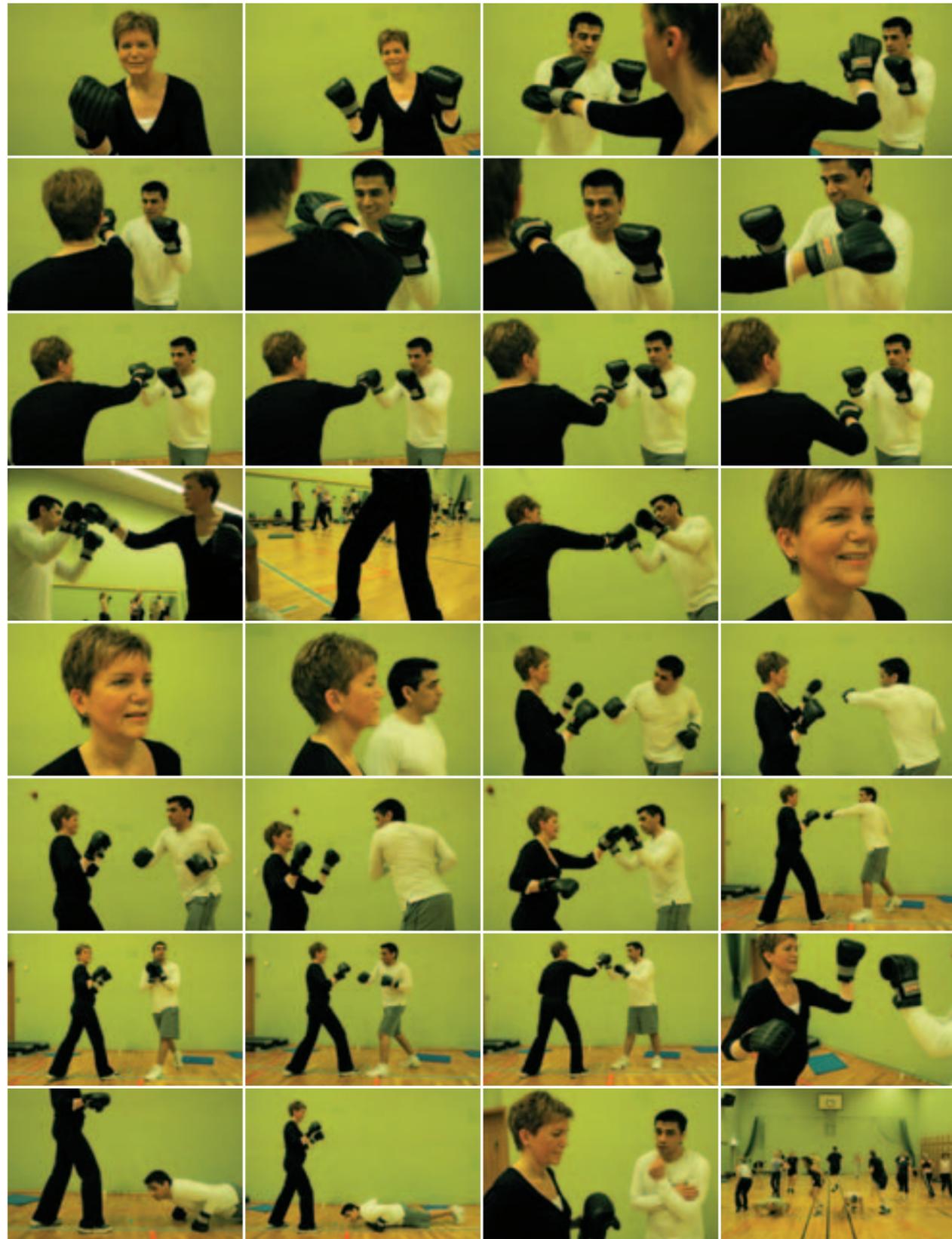
Car repair shops	1999	2000	2001	2002	2003	2004
No. partners	1,200	1,200	1,200	1,200	1,275	1,401
No. environmental demands	61	61	61	61	73	73
No. partners meeting all demands	55	155	261	279	255	377
% partners meeting all demands	5%	13%	22%	23%	20%	27%
Car scrap yards						
No. partners	40	40	43	43	46	43
No. environmental demands	51	51	51	51	58	58
No. partners meeting all demands	18	36	28	32	30	33
% partners meeting all demands	45%	90%	65%	74%	65%	77%
Building contractors						
No. partners	175	177	173	225	195	195
No. environmental demands	17	17	17	17	23	23
No. partners meeting all demands	38	90	121	182	126	133
% partners meeting all demands	22%	51%	70%	81%	65%	68%

Eco-driving

No. persons trained	100
Fuel savings	10–25%
Annual fuel consumption	1,275 litres
Reduction in CO ₂ emissions	300.9 kg per person per year

Total CO₂ reduction 30 tonnes per year

Birgitta Rennerstam, Personnel Manager
Johannes Widmark, HR Controller



Best possible conditions

We must give Folksam employees the best possible conditions to enable them to participate in growing the Company. Their participation contributes to our long-term profitability, from which our customers and owners benefit. To achieve this, Folksam has programmes on issues such as equal opportunity, diversity, leadership, skills development, and health.

Greater diversity

Conditions of work at Folksam must be such that they are appropriate for all employees regardless of gender, ethnicity, functional disability or sexuality. There must be no discrimination in recruitment. All job applicants must be assessed in terms of their skills and their individual aptitude. In 2004 Folksam participated in the diversity project Plural together with Respect Europe. In our latest employee survey six percent of respondents reported that they grew up speaking a language other than Swedish. Altogether 34 languages are represented. Folksam's multilingual National Customer Service in Malmö provides service and information in sixteen languages.

In the course of our work to promote equal rights and opportunities at work Folksam has produced the document "Plan of action against ethnic discrimination".

Equal rights without regard to gender

Folksam has a goal-managed gender equity plan which is reviewed once a year, with progress reported to the group executive, to Folksam's AGMs, and on our Intranet. The Company's workforce consists of 52 percent men and 48 percent women. In 2004 we achieved the goal of 40 percent women in management functions. The gender breakdown of departmental managers is 44 percent men to 56 percent women and of executive groups 57 percent men to 43 percent women. The proportion of men employed in Customer Service has increased in recent years from 11 to 32 percent. The gender breakdown of the claims organisation is 54

percent men to 46 percent women.

In Folksam's latest employees survey 87 percent of respondents agreed with the statement "In my team/department men and women are treated with equity." Female and male employees were approximately equally positive towards their work situation. This included questions about gender equity, where according to the survey firm it is usual for responses to differ by 20-25 percentage points between men and women. At Folksam the difference is only 11 percentage points.

Parenthood an important part of life

Folksam workers and managers must be enabled 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 reduce their working hours to three-quarter time until their child's twelfth birthday (the statutory requirement is up to the child's eighth birthday). Managerial staff at Folksam are particularly encouraged to take out parental leave.

Dynamic leadership maximises customer benefit

Working life today makes heavy demands on management. A manager at Folksam must produce results and commitment by being clear and communicative and must involve co-workers through dialogue and delegation. A Folksam manager must be capable of explaining and realising goals and strategies, driving, developing and following up activities.

New project managers and supervisors at Folksam attend a Managers' Basic Training programme to give them a fuller understanding and knowledge of Folksam's values, present situation and future challenges. The course also includes modules on dialogue with corporate management, leadership, communication, managerial responsibility, business development, and economics.

Folksam one of Europe's best employers

Folksam was named among "Ten Great Companies to Work for in Europe", a comparative study of European companies by the American business magazine Fortune. In "Sweden's Best Workplaces", a survey conducted by Veckans Affärer and the Great Place to Work Institute, Folksam came eighth overall and topped the list of large corporations.

Unionism

About 98 percent of Folksam's permanent employees are currently union members.

The best people

Every employee will possess a high level of skill and a deep commitment. Collectively we will be characterised by diversity and bear witness to our values.

Foundation of common values

Our workers will act so that Folksam is perceived to stand for security, commitment, humanity and professionalism. We must be characterised as challengers and innovators.

The attractive workplace

The environment and organisation in which we work will be characterised by interesting and challenging tasks, flexibility, and a stimulating environment. Folksam will be distinguished by good work environments that promote good health and job satisfaction.

Feeling good at work

Worker health is a cornerstone of the wellbeing that makes a whole workplace feel good. Feeling good at work means you can perform at full concentration and focus on Folksam's goals — for the benefit of our customers and owners.

Folksam as a whole has been granted a “diploma of health” according to the criteria laid down by Korpen, the Swedish Sport for All Association. Workers all over the country have been trained as health ambassadors to their colleagues. Growing numbers are getting involved in wellness activities as well as in health profile surveys, weight watcher programmes, stress management and quit smoking programmes.

Folksam also undertakes preventive measures including ergonomic checks when buying new furniture, computers and other tools, and training managers in preventive health work.

Focus on skills development

Folksam has a systematic skills development programme with individual development plans that are regularly reviewed. The executive group has directed that a strategic skills project is to be prioritised during 2004/2005. This will analyse business-critical skills and recommend measures to maintain and develop Folksam's competitive ability in insurance and savings.

During the year Folksam conducted certification training for customer contact employees who engage in investing in financial instruments. This is a step in a process of enhancing quality at the customer interface and in complying with the recent Enhanced Consumer Protection Act. An important element of the course is ethics and morals in selling.

Skills development at Folksam takes place partly through e learning. An advantage of this to our customers is that workers need not wait for a course to start, but can educate themselves autonomously. As a result, appropriately skilled workers are more quickly available to meet the customer.

Reducing long-term sick leave

At the end of 2004 Folksam had 174 workers on long-term sick leave, down by 21 on 2003. This reduction is the outcome of a purposeful, long-term programme of work on health issues at Folksam. Of the 174 employees mentioned, 89 were on full-time sick leave and 85 on part-time sick leave. Returning to work on a part-time basis is an important step on the way to an eventual return to full-time work.

Living our Values — exercises for all employees

Living our Values is an exercise to create an internal dialogue about the Company's values. The aim is for all workers to understand their role and to take responsibility for bringing Folksam's values to life for our customers. Our conduct towards all customers must be consistent with our values, which are the same without regard to person, channel or message.

The course material includes concrete examples of Folksam's values in practical everyday situations. Participants are asked to take a stand on the way we actually behave day to day. The situations discussed include contacts with customers and with co-workers.

Special trainers' courses have been conducted with nearly 120 attendees, most of them managers responsible for personnel. They have then undertaken to conduct the exercises with their co-workers.

Through their knowledge of the Company's values and the way they can be brought to life in the encounter with the customer, all our workers play a part in building the customer's resistability — what Folksam stands for.

Folksam Employee Survey	2002	2003	2004
Goal management ¹⁾	60 %	65 %	67 %
Skills development ²⁾	60 %	64 %	72 %
Leadership ³⁾	67 %	67 %	70 %

- 1) Folksam almost achieved its goal of 70 percent. Goal management means that each worker takes responsibility for Folksam's goals and is directly or indirectly involved in developing methods to achieve them. The score is a measure of the proportion of workers who assigned a ranking of 4 or 5 to the questions relating to goal management.
- 2) Folksam achieved its goal of 68 percent. Folksam's workers must possess the knowledge, experience, ability and will to discharge their duties in a manner satisfactory to the customer, whether internal or external. The score is a measure of the proportion of workers who assigned a ranking of 4 or 5 to questions relating to skills development.
- 3) Folksam achieved its goal of 70 percent. A manager at Folksam is a role model and is expected to act accordingly in word and deed. A manager at Folksam has an overarching responsibility to explain and realise goals and strategies and to drive, develop and follow up activities. The score measures the proportion of workers who assigned a ranking of 4 or 5 to questions relating to leadership. The questions can be found in Spegling, the Folksam Employee Survey. The ranking scale is from one to five, five being the highest.

Employees

Number of employees	3,655
of whom women	48 %
of whom men	52 %
Average age	45.1 years
Number of managers	294
of whom women	40 %
of whom men	60 %
Personnel turnover	2.4%

At 31 December 2004 Folksam had achieved its goal of having at least 40 women in managerial functions.

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

The goal for 2005 is for neither gender to have less than 40 percent representation in working groups and management groups.

Contributions to Kooperation Utan Gränser (Cooperation without Borders)

Voluntary pay deductions	SEK 400,000
Folksam's donation	SEK 400,000
The Swedish International Development Cooperation Agency's donation	SEK 3,200,000
Total donation	SEK 4,000,000

Folksam workers donate to Kooperation Utan Gränser through voluntary pay deductions. Folksam matches this donation annually, while SIDA contributes four times the sum.

Rolf Olausson, Customer Ombudsman



Understanding improves customer relations

We aim to meet our customers' needs without regard to gender, functional disability, sexuality, ethnicity or religion. Customer relations are good when customers feel that they and their needs are seen and understood. Employees who mirror the market can more easily relate to the customer in face-to-face meetings or on the phone. This is why Folksam's multilingual National Customer Service in Malmö provides service and information in sixteen languages.

Independent Customer Ombudsman

If a Folksam customer is unhappy with Folksam's final decision on a claim or any other insurance or savings matter, they have the right to refer the matter for review by the Customer Ombudsman. The Customer Ombudsman is independent of Folksam management and reports only to Folksam's AGMs. The Ombudsman's task is to make an impartial determination of customers' complaints or disputes with Folksam, and he has the power to recommend that Folksam amend its decision. The Customer Ombudsman must also alert Folksam to anything that may need improvement in policy conditions and claims management.

Folksam was the first insurer in Sweden to appoint a Customer Ombudsman, and the ombudsman began work at the beginning of 1975. In 2000 a special Fund Ombudsman was appointed to deal with matters and disputes connected with investment fund savings.

In 2004 the Customer Ombudsman dealt with approximately 8000 inquiries about insurance and savings matters. He also reviewed 1234 disputes, and in 27 percent of them the decision was changed in the customer's favour. Fifty-three disputes were reviewed by the Swedish National Board for Consumer Complaints, none of which was resolved in the customer's favour. The annual reports show that Folksam is the company that does best before the Consumer Complaints Board, having reported a lower proportion of adverse decisions than its competitors for very many

years. This testifies to the very high quality of Folksam's dispute resolution procedures with its customers.

Aim: the most satisfied customers in the industry

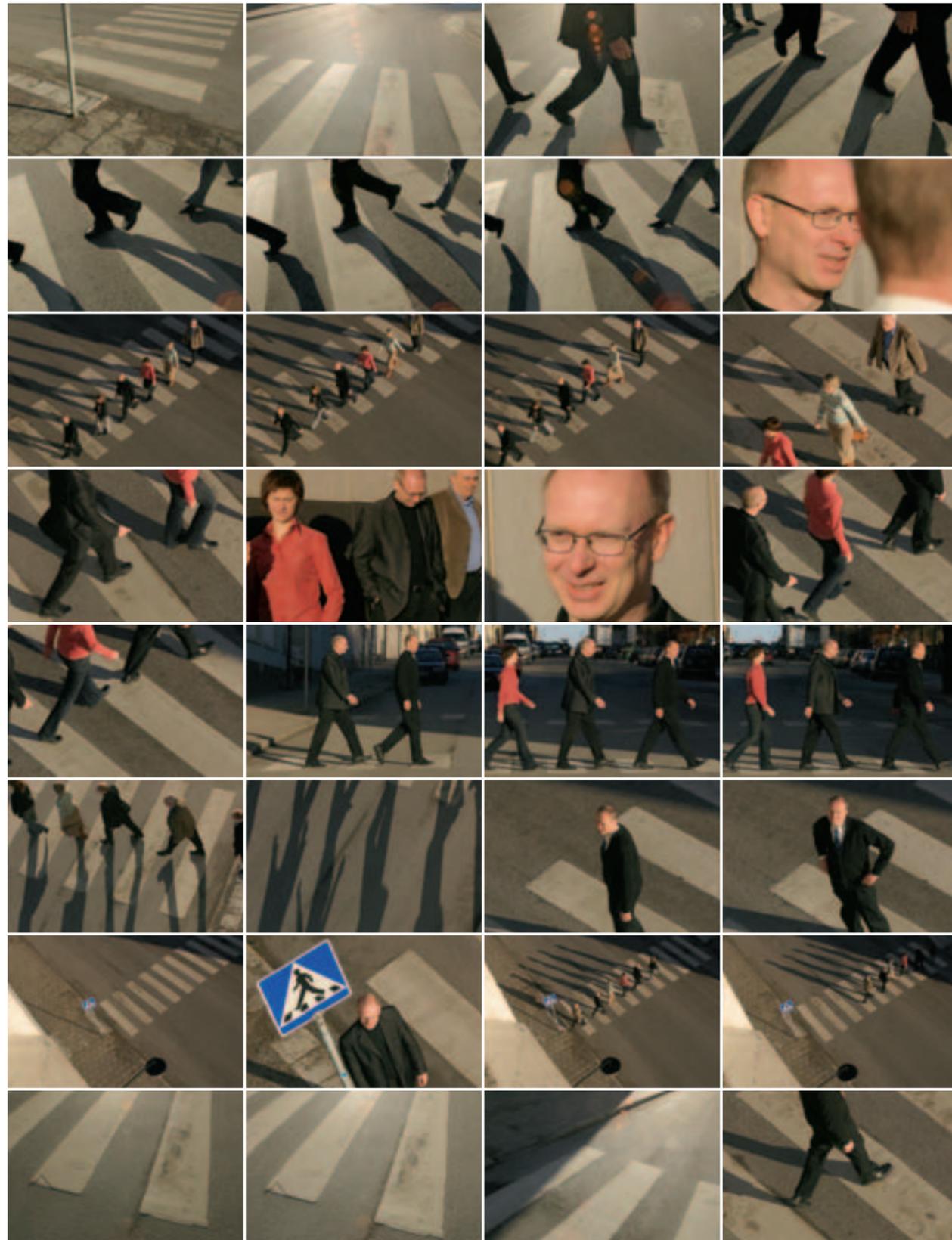
Folksam's overarching goal is to have the most satisfied customers in the insurance and savings industry. Given that Folksam manages about 17 million insurance policies and settles about 600,000 claims a year, Folksam's workers must live up to their obligations and their fundamental values, "security, commitment, humanity and professionalism", in every encounter with the customer. It is critical to Folksam's success as a mutually-owned insurance company that all customers' insurance and savings matters are handled in a manner that meets customer expectations.

Folksam has two main ways of measuring whether customers are satisfied. Each year a large sample of Folksam customers are invited to let us have their impressions in the form of a quality survey. We also follow up the various contacts that Customer Service, the claims organisation, and individual consultants and agents have with customers during the year.

The purpose both of the measurements and the follow-ups is to find out how satisfied customers are, as well as to find out from the customers themselves what Folksam can do better.

What we learn by this means is, as far as possible, implemented directly in our continued work. The latest measurement results show that 84 percent of customers were satisfied with their customer meeting.

Anders Kullgren, Maria Krafft, Sigrun Malm, Anders Ydenius, Anders Hägg and Helena Stigson, traffic safety researchers



Spotlight on safer traffic

Between 500 and 600 people die each year on Sweden's roads and over 4000 are severely injured, often with lifelong disability as a result. As an insurer, Folksam deals with large numbers of traffic injuries each year, and since the mid-1970s we have been conducting our own traffic safety research. This parallel work in the interests of injury prevention is symptomatic of Folksam's view of insurance. A problem that is affecting ever larger numbers of Folksam's policyholders must be attacked in a preventive spirit, not merely managed in the form of growing indemnity payments and increasing premiums while the problem itself remains or continues to grow.

The objective of Folksam's traffic safety research programme is build a long-term sustainable society by reducing personal injuries in the road transport system. Our research efforts are focussed on the areas with the greatest potential for reducing the numbers of traffic deaths and injuries, or where we believe Folksam has the ability to make a positive impact on the outcome of injuries.

Folksam report shows big differences in crash safety

Beginning in the mid 1980s Folksam has published a report entitled How safe is your car? This publication, updated every two years, shows the degree of protection afforded by different car models in crashes. One of its purposes is to provide consumer information to purchasers of used cars. But it also provides important information to car manufacturers about the injury profile of their models as compared with those of competitors.

The last report, issued in 2003, noted continuing wide variations in safety between the most and the least safe cars.

In the least safe cars one runs a five times higher risk of suffering disabling or fatal injuries than in the safest cars.

The report also shows that car makers, on the average, have been successful in their efforts to reduce risks of fatal injury. Since the early 1980s the risk has diminished by 90 percent. The next edition of the report is due in spring 2005.

Black box provides information about collision injuries

As a complement to the report How safe is your car? Folksam conducts in-depth studies of actual car crashes. Black boxes are used to record the impact forces in the crash. This together with detailed information about injuries, 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 and underlies the development of all consumer tests and all statutory requirements for measuring the risk of whiplash injury. Folksam's in-depth studies have recently been extended to analyse how whiplash injuries can be avoided in accidents resulting in disabling or fatal injuries.

Important information about whiplash

Whiplash accounts for between 60 and 70 percent of injuries leading to medical disability, and about 2000 people in Sweden suffer 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. It is to be hoped that this will result in a trend break.

In-depth studies of car crashes	2004
Number of crashes reviewed	171
Number of injuries followed up	73

Since 1992 Folksam has reviewed 2100 car crashes and the injuries sustained in them. The reviews have led to a better picture of the risk factors in car crashes.

Research goals achieved in 2004

- Study retrofittable anti-whiplash systems
- Publish report of child safety in cars
- Review the efficiency of traffic safety activities by the police and the Swedish Road Administration
- Review private and public sectors' environmental and safety requirements for purchasing business cars
- Update safety and environmental requirements for purchasing of cars and hire car services

Folksam has shown in crash tests that anti-whiplash systems vary in the protection they provide. The tests have enabled some car makers to improve their systems. Our researchers have shown that anti-whiplash systems from Volvo and Saab can reduce the risk of long-term whiplash disability by about 40 percent. If all car manufacturers fitted their vehicles with anti-whiplash systems equivalent to the best available, at least half of all whiplash injuries could be avoided.

In 2004 Folksam carried out crash tests to evaluate the anti-whiplash protection offered by 14 models of car seat. The evaluation revealed wide variations in the ability of different car seats to protect against whiplash.

Retrofittable anti-whiplash systems could save 250 injuries a year

In a joint project Folksam and Autoliv have developed a new, simple, low-cost anti-whiplash system that can be fitted in older cars. Until now, only the newest car models with advanced anti-whiplash systems have offered effective whiplash protection. Folksam's evaluation of the operation of the new system in real accidents has now shown that a large part of Sweden's car fleet could be made significantly safer if the new anti-whiplash system were widely introduced. If only ten percent of all used cars were fitted with this system, 250 people annually could be saved from disability.

Child safety

In 2004 Folksam analysed a total of 425 crashes in which children were involved. This exercise has led us to toughen our review of the protective capacity of different child seats.

Car makers' recommendation a death trap for small children

Folksam has been examining and evaluating child traffic safety since the 1980s. In 2004 we published the report Fara med barn. It contains important information about the safest way for children to sit in cars, focussing on the problem

of front-seat airbags. Sixty percent of car manufacturers 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 lack of space. A forward-facing child runs a five times higher risk of injury than does a rear-facing child. Folksam is therefore trying to encourage the car industry to solve the issues with passenger-seat airbags so that the front passenger seat can be safely used by children.

Folksam reviews the police and the Swedish Road Administration

For the third successive year Folksam examined the efficiency of other agents in traffic safety. This time we reviewed the country's police districts and the numbers of speeding, seatbelt, and drunk driving offences reported. Big differences in efficiency were found. If all police districts were as efficient in their work as the most efficient district, at least fifty lives could be saved each year. Folksam also examined how effectively the different regions of the Swedish Road Administration invested their traffic safety funds. Here too big differences were recorded.

It is gratifying to note that the Road Administration had almost doubled its efficiency since last year's review. In 2004 the sum of SEK 100 million was estimated to save 4.9 lives and serious injuries. The corresponding figure for 2003 was 2.7. This result illustrates the importance of independent review.

How safe is your car?

Reviews	2004	Total
Crashes reported by police	7,902	93,184 since 1994
Injuries	5,224 drivers and front-seat passengers	62,968 since 1976

Folksam has been reviewing injuries from car crashes since 1976 and crashes reported by the police since 1994. Every two years the collected data is summarised in the report How safe is your car?

	Influences consumer	Influences actors in traffic safety	Influences car manufacturers	Influences statutory requirements and standards
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Research activities

In-depth studies of accidents	Yes	Yes	Yes	Yes
Publication of How safe is your car?	Yes	Yes	Yes	Yes
Whiplash research	Yes	Yes	Yes	Yes
Reviewing of other actors in traffic safety	Yes	Yes	Yes	No

The fields of research prioritised by Folksam are ones that influence all the actors in traffic safety. By influencing consumers' demand for safety we put the car industry on notice to deliver the highest level of safety. By influencing government agencies, statutory requirements and standards we further increase the demands on the industry to deliver. A large part of our research activities consists of studies of actual accidents, providing the industry with important information for continual improvements in safety.

Jan Karlsson, CEO, Folksam Hälsa



Effective rehabilitation returns people to work

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 extended illness. As a mutually-owned company, Folksam has a responsibility to keep insurance costs down. The fewer of Folksam's customers are on extended sick leave, the lower we can keep our premiums, and the better also for our national economy, since it means more people at work instead of on sick leave.

Folksam's rehabilitation work is one of many ways we build security for our customers. Expenditure on rehabilitation can reduce the numbers of people on long-term sick leave by 25 percent, annual health insurance costs by at least SEK 4 billion, and future costs for disability pensions by at least SEK 30 billion. In a longer perspective, Folksam's work leads not only to better quality of life but also to a more long-term sustainable society.

Folksam Hälsa takes responsibility for health

Folksam's health-related programmes are the business of its subsidiary Folksam Hälsa AB (Folksam Health Ltd). This company specialises in the work-oriented rehabilitation of people suffering from pain in the locomotive organs and from cardiovascular disease. It also undertakes diagnosis and treatment of victims of robbery, violence and serious accidents. Another field of activity is helping people who are at risk of cardiovascular disease and other stress-related complaints. The relations between day-to-day lifestyle and future health are central to our work. Folksam also rehabilitates patients who have previously suffered cardiac infarctions or who are disabled by back and neck pain, such as after a road accident.

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 disorder is 85 per-

cent less with the rehabilitation method developed by Folksam than with the usual aftercare offered in such cases.

Föllinge Clinic changes lifestyles

For many years the Folksam Hälsa clinic at Föllinge has been a leader in lifestyle-focussed rehabilitation and secondary prevention of cardiovascular disease. The connection between day-to-day 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, organisations and management groups to increase awareness of the importance of lifestyle for their own health and that of their workers.

Ramlösa Clinic identifies causes of pain

Folksam Hälsa's Ramlösa Clinic works 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. This means they have 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 then select 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.

Crisis and Trauma Centre helps patients back to everyday life

The Folksam Hälsa Crisis and Trauma Centre specialises in crisis treatment for

victims of crimes such as robbery and assault. A person who has experienced a violent event 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, and some have flashbacks. Professional help and an understanding attitude 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 prevent long-term mental suffering. The Centre has treated over 500 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 which covers general crisis studies, trauma studies, after-reactions, post-trauma debriefing, and emotional first-aid.

Folksam Research Foundation

The Folksam Research Foundation supports accident and illness prevention and scientific research in the fields of health, traffic and environment. In 2004 it awarded research grants totalling SEK 1.3 million to five different projects. The Foundation will continue to award grants totalling at least SEK 1.2 million annually to various research projects.

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

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