

Sustainability report 2012

Folksam

Our responsibility as a customer-owned company

Every time we meet a customer, we meet an owner. Customers now expect companies to take responsibility, and increasingly choose companies with higher moral standards and an ethical approach to business.

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Our responsibility in our investments

We at Folksam firmly believe that companies that take responsibility for the environment and human rights are more profitable in the longer term. We therefore actively influence the companies we invest in.

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Our responsibility to the employees

Folksam aims to be an attractive employer with committed staff. To achieve this, we constantly work on improving employment terms, skills development, leadership, working environment and health.

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Our responsibility in society

We handle 50,000 traffic claims every year. We therefore also know how damage and injuries arise, how they can be avoided and how their consequences can be mitigated. Our main road traffic research goal is to save lives and make road traffic safer.

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Our responsibility to the environment

The environment is of key importance to Folksam. We therefore make demands both on ourselves and our suppliers and make active efforts to minimise the impact of our operations on the climate.

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CEO's statement

We did our first sustainability report ten years ago. We have since seen a huge increase in corporate social responsibility (CSR) and sustainable growth among companies in Sweden and around the world. Sustainability reporting is becoming increasingly more common and growing numbers of countries are introducing compulsory sustainability reporting. The European Commission has also made a proposal that points in this direction. At the time of writing this report, the European Parliament's stance is that CSR work should be based on voluntary measures, but that the companies shall weigh in environmental issues and corporate social responsibility in their business models. Five years ago, it became compulsory for state-owned companies in Sweden to provide sustainability reports and they have since also been required to begin integrating the sustainability issues into the business operations. The desired direction is clear both in the EU and the Swedish state – these issues are on the agenda and they will end up higher up on the agenda.

It is often said that it is difficult for companies in the service sector to be able to influence their environment. This is nothing we recognise. On the contrary. We have major opportunities to influence environmental issues and I would like to even claim that it is natural for the insurance company to lead the way in environmental and sustainability issues. The insurance industry pays large sums in weather and climate-related claims. This kind of compensation has doubled every decade since the 1980s. We are a major purchaser of building materials and spend SEK 900 million on building repair and SEK 1.2 billion on car repair. All of this can be environmentally adapted and we have chosen to do so to the furthest extent possible.

Folksam is also one of the largest owners in the stock market with managed assets of SEK 281 billion. If we look back, discussions were not uncommon of what place ethical funds had.

Having the highest possible returns was the objective and was rarely put up against investing according to ethical principles. This kind of discussion is not heard as often today. Companies that are run according to ethical principles are considered to be more well-managed and a safer investment that provides better returns.

Folksam's vision is a sustainable world in which people feel secure. The sustainability report for the year is aimed at providing a picture of what the company has accomplished to date in order to fulfil this vision. As investors, Folksam has the goal of influencing the companies it owns shares in. After an extensive dialogue with Lundin Petroleum, we decided in May to sell our holdings in the company. The decision to sell is nothing we view as a victory. The news made a major impact in the media and resulted in a large number of comments in social media, of which an overwhelming majority is positive. As owners, we have also been visible in the case of TeliaSonera and the suspected bribery accusations in Uzbekistan. Hopefully, the attention to our active ownership work contributes to opening the public's eyes to these issues. The fact that our head of Responsible Ownership, Carina Lundberg Markow, was ranked second among Sweden's "super communicators" is a direct result of our active owner work. The best would of course be if this kind of monitoring was not necessary and that events of this kind did not occur. However, if they do occur, we gladly accept our responsibility as owners and do what we can to influence the companies in the right direction.

Another trend is that employees care about how their employees act to an increasingly greater extent - being a responsible company is of significance to attracting employees. One of Folksam's focus areas is to be an attractive employer and a sustainable approach will be a part of daily life for our employees.

Folksam has always been a customer-owned company, but this year we are making it even clearer by deciding to give bonuses to our customers. Being customer owned was a clear trend in 2012. As a customer-owned company, it is important that our work, besides leading to a sustainable world, also benefits our

customers. We represent several million customers who invest their savings with us, money that we invest in a number of different companies to obtain a good return. But return is not everything – we know that those we represent also require us to make ethically sound investments, investments that contribute to a sustainable world.



Photography: Alexander Pihl

A handwritten signature in blue ink, reading "Anders Sundström".

Anders Sundström, President and CEO

Did you know that...

Folksam has around **SEK 281 billion** under management on behalf of just over **four million customers**. This empowers us to exert influence and change our society in the long term.

Folksam purchases **SEK 900 million in building contracts** and **SEK 1.2 billion in car repairs**. Every year. This provides opportunities to set tough requirements.

Folksam **audited** the activities of **2,140 companies** with a focus on the companies' performance in terms of the environment and human rights.

Folksam **avoided a 1,330 tonne mountain of waste** and **saved more than SEK 100 million** during the year by re-using spare parts in car repairs.

The subsidiary KPA Pension was named **Sweden's most sustainable brand** in the finance industry in 2012 and Folksam Life came third.

Folksam is developing an insurance policy that promotes a safer style of driving. Benefits include – **40 lives saved** per year, **lower carbon dioxide emissions** and **less expensive insurance** as well as **lower fuel costs** for the car owner.

Folksam administers more than 20,000 sporting injuries per year. The knowledge in research is now being used to **prevent sporting injuries**.

Folksam's home, holiday home and car insurance bear the **Good Environmental Choice** label since 2011.

Folksam was the only Swedish investor that **was involved in the drafting of the UN Principles for Responsible Investment** (PRI). Folksam was also one of the first investors worldwide to endorse the principles in 2002.

Folksam was the first Swedish company to pursue **climate compensation for its carbon dioxide emissions** – the climate footprint is entirely compensated through the tree-planting project, Vi-skogen. In 2012, Folksam signed its first green lease.

Folksam has more than **30 years' experience** of research in **road safety** and has expanded its road safety work to conduct research on bicycle injuries as well. Less damage and fewer injuries in traffic mean lower costs and thereby lower insurance premiums.

About the 2012 sustainability report

Folksam has published a sustainability report every year since 2002. This is the tenth consecutive report.

Folksam is one of the largest investors in the stock market and we conduct our own analyses of the companies we invest in based on their sustainability reports. Just like we require them to clearly present what they do, it is important that we provide a fair and clear view of our own work in the sustainability area.

The sustainability report is based to the furthest possible extent on the Global Reporting Initiatives (GRI) G3 guidelines for sustainability reporting and is audited externally by the public accounting firm KPMG. Folksam's understanding is that the report meets the B+ GRI application level, and this has also been confirmed by the external auditors. Our GRI index is available for download at folksam.se. The report also forms part of reporting under the UN Global Compact (Communication on Progress, CoP) and the UN Principles for Responsible Investment (UNPRI).

Folksam's sustainability report presents an account of the events during the 2012 financial year. It supplements the information in the annual report and it applies for all of Folksam, including the subsidiaries. In 2012, 51 per cent of the shares in Aktia Skadeförsäkring was acquired and the report does not cover these operations. In-depth sustainability information and the GRI index for the subsidiary KPA is available at kpa.se. This does not cover the external auditor's review. The sustainability report is not printed and is only available by download from folksam.se, kpa.se or forenadeliv.se. Last year's sustainability report was published in March 2011. We welcome comments and questions regarding the report. Please contact Helena Hjelström at helena.hjelstrom@folksam.se or 08-772 8361.

Brief facts about Folksam

Folksam conducts non-life and life insurance business with a focus on the Swedish market under several brands. The product offer can be divided into three central groups: pension savings, personal risk, and general insurance.

- We were founded in 1908 and are a customer-owned company.
- Today, we have 3,500 employees with approximately as many men as women.
- We offer a broad range of insurance policies - and we are the first company in Sweden to offer several eco-labelled insurance products.
- We offer various kinds of savings - all with a broad range of ethical investment funds.
- We insure one out of two people and one out of two households in Sweden.
- We insure one out of five cars in Sweden.
- Folksam's vision is for people to feel secure in a sustainable world.
- Our annual premium volume is SEK 35 billion.
- We manage SEK 281 billion in assets.

Financial value creation

Folksam creates value for its stakeholders in various ways. By being a profitable company, we can also create value from a societal perspective.

Folksam, 31 December 2012

Financial value generated

Revenues*	42,834
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Financial value distributed

Operating expenses**	-19,937
Salaries and remuneration	-2,614
Payments to capital providers	-231
Payments to central government	-999

Financial value retained	19,045
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* This item also covers unrealised gains and losses.

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

This report is published in two language version, Swedish and English. In the event of any inconsistencies between those language versions the Swedish version shall prevail.

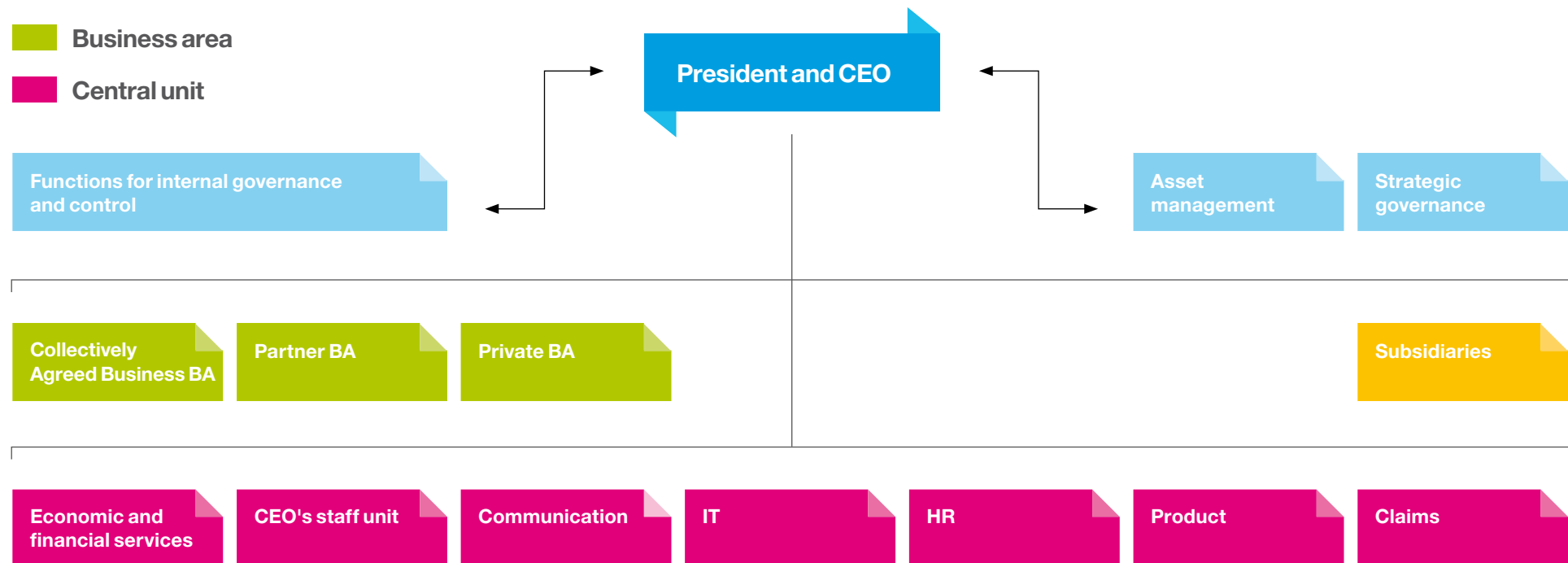
Folksam's organisation and governance

Folksam is organised into three business areas: Private, Partner and Collectively Agreed Business and subsidiaries. In addition, there are seven central units.

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

The Partner business area is responsible for Folksam's business with partner and organisational customers. It includes the group insurance business and commercial insurance. The business comprises non-life insurance, personal insurance and savings.

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



A company in constant change

In recent years, a large number of activities have been carried out to develop and improve the efficiency of the organisation and processes in order to achieve business and cost synergies. The IT, actuarial, communication and legal functions, among others, are now coordinated centrally for the whole of Folksam. In addition, large parts of the insurance administration were also coordinated in a joint function. As part of this concentration of resources, the operation and maintenance of IT in workplaces was outsourced to Logica. The integration of Kooperationens Pensionskassa and KPA Pension was intended to coordinate operations to create an effective service for the customers. There is now a common purchasing organisation to make the purchasing process more cohesive and create conditions for lower purchasing costs in both claims and operations.

An extensive change in sales and claim's customer organisation has been implemented. Regional managers were previously responsible for geographical areas, whereas today we have channel managers who are responsible for the various distribution and claims channels – regardless of where the contact with the customer takes place. The change was made to achieve greater efficiency through shorter decision pathways and to meet customer requests.

A change project that concerns the office workstations is under way. The project is focused on activity-based workplaces and the objective is to obtain a more efficient work organisation and to lower premises costs. During the year, Folksam also launched the opportunity to have virtual meetings by computer, which has a positive impact on both the environment and finances.

Corporate governance

Good corporate governance is concerned with ensuring that a company is run as effectively as possible for the owners. An overall objective with Folksam's corporate governance – apart from conforming to the company's vision and ethical principles – is to ensure good returns for its customers. Corporate governance in Folksam is based on legislation, principally the Insurance Business Act and the regulations and general guidelines of the Swedish Folksam also applies the Swedish Code of Corporate Governance.

Folksam consists of one corporate group for life insurance and pension savings, and one for non-life insurance and has two mutual parent companies; Folksam ömsesidig livförsäkring (Folksam Life) and Folksam ömsesidig sakförsäkring (Folksam General). Both Folksam Life and Folksam General also operate through subsidiaries. In the companies, there are approximately 80 internal regulatory codes (such as ethical rules, guidelines for external corporate governance, actuarial guidelines, internal governance and control policy, environmental policy and security policy) that are classified as comprehensive. The rules are examined annually and revised if necessary. They are established by the general meetings, the boards and the presidents.

The illustration on the next page shows the structure of the overarching bodies in Folksam. Because Folksam is customer-owned, it has no shareholders. The influence of policyholders in the form of voting rights, the right of expression and proposal at the general meetings is exercised in part through specially elected delegates (appointed by organisations that represent the policyholders) and in part through direct elections of policyholders (which are held by a specially appointed election coordinator).

How our boards operate

The boards of the parent companies are made up of customer representatives from the Swedish popular movements (the cooperative movement, the trade union movements, the sports movement and the senior citizens movement). It is the Nomination Committee that proposes to the general meetings who should sit on the boards and strives to ensure that the boards are given an appropriate composition with regard to competence, age and gender. The boards of the parent companies held nine (Folksam Life) and eight (Folksam General) board meetings during the year. Ahead of each meeting, the boards received a written report from the CEO on major events in Folksam, but also in the industry in general.

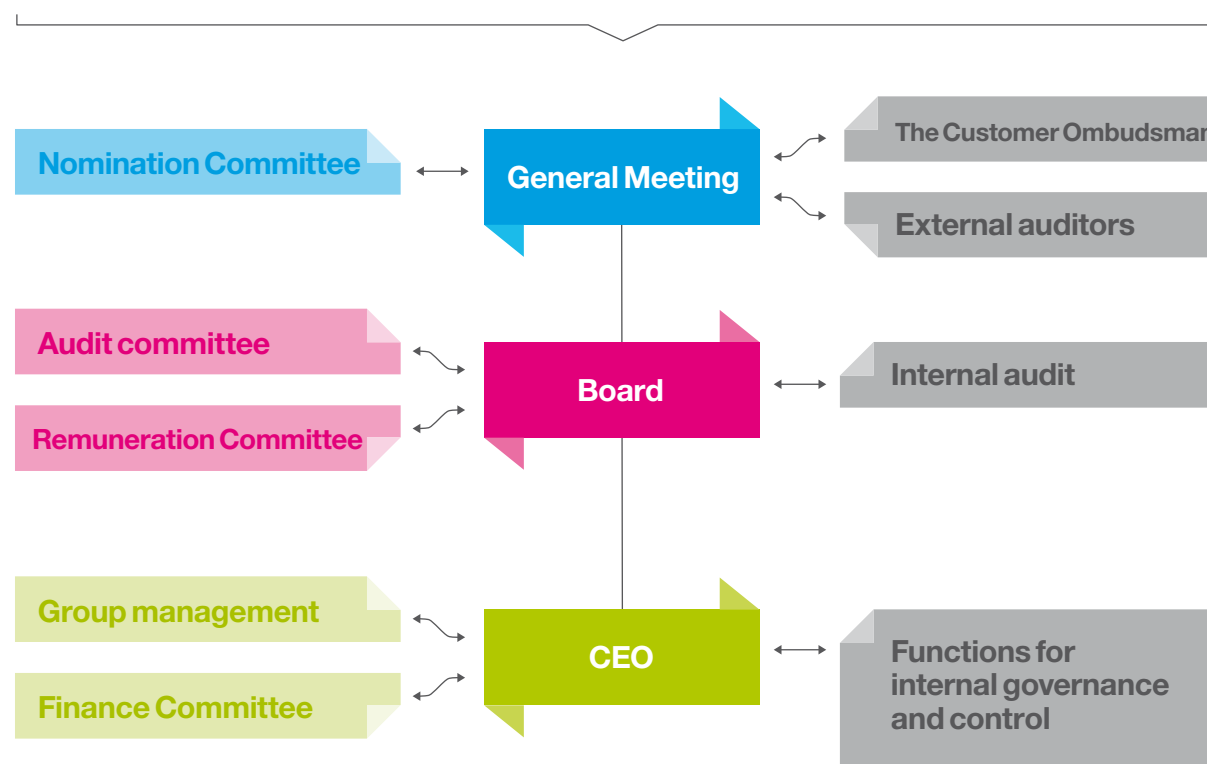
The boards followed up the strategic goals in accordance with Folksam's strategic agenda. They also reviewed the subsidiaries' operations, finances, surrounding world analyses and internal audit reports, and approved the 2011 sustainability report. In order to discuss strategic and future issues in greater depth, the boards held a joint two-day seminar during the year. The themes discussed at the seminar were surrounding world analysis, pricing, skills provisioning, challenges and critical activities, reviewing financial targets and a review of the Medium Term Plan. For more detailed information, refer to the corporate governance reports on folksam.se.

* Until the end of September 2012, the policyholders were represented in Folksam Life and Folksam General, respectively, by 54 delegates in each of the companies. Folksam Life's and Folksam General's respective general meetings in 2012 resolved to broaden the parliamentary representation and increase the number of delegates to a total of 75 delegates in Folksam Life and 80 delegates in Folksam General through the next mandate period.



Policyholders

Represented by delegates at the General Meeting
80 people in Folksam General and 75 in Folksam Life.*



Risk management in Folksam

Folksam is exposed to a number of different risks that can affect the company's financial position and identifying, preventing and managing these risks are becoming increasingly more important. As a support in this work, Folksam as a risk management process that includes identifying, evaluating, managing, monitoring and reporting all substantial risks. To clarify governance and responsibility, operations are divided into three lines of responsibility.

- The first line of responsibility is made up of business areas and units, parent companies and subsidiaries and outsourced business. These are responsible for directing operations so that the targets established by the board are achieved. They own and manage risks, that is to say, they are responsible for risk management, monitoring and compliance.
- The second line of responsibility is comprised of the risk function, the compliance function, conflict-of-interest management and the part of the actuarial function that is comprised of the Chief Group Actuary or independent actuaries. The risk management function supports and follows up the first line of responsibility on the basis of frameworks for risk management, and is responsible for having an overall picture of the risk situation in the company and report this to the board and the CEO.
- The third line of responsibility consists of the internal audit, which reviews and evaluates internal management and controls, including risk management, on behalf of the board.

Incident reporting in Folksam

In Folksam, there is an incident-reporting system that all employees can use. The system is intended to capture undesired incidents in Folksam. The definition of an incident is an undesired event – that can be intentional or unintentional – that has caused or could have caused Folksam harm. The handling of incidents is taken care of by the business with the aim of preventing the incident from happening again. All employees also have a possibility to report incidents directly to Group Security without a superior manager being made aware of the report. Such incidents may, for instance, involve improprieties.

Solvency 2

Solvency 2 is the collective name for the new solvency regulations under development within the EU, governing insurance companies. Solvency 2 is a part of a broader effort to create a common European financial market and is intended to strengthen the connection between the solvency requirements and the risks to insurance companies. Through greater risk control, the companies will be governed in a more sound and suitable manner. It also includes a clear customer perspective.

Folksam began the adaptation to the Solvency 2 regulations as early as 2009. The work has since mainly focused on coordinating the adaptation of processes and system support for governance and reporting of the business. Otherwise, efforts have primarily concerned a strengthening of the qualitative characteristics in the companies' organisation and regulations. Solvency 2 is an important part of the modernisation of Folksam and the rest of the industry, a development that is good for both the customers and Folksam.

According to the original timetable, Solvency 2 should have entered into effect on 1 November 2012, but after a number of delays, the current assessment is that it will enter into effect at the beginning of 2015 at the earliest. Folksam has adjusted its timetable to this and for 2013 has reduced the intensity of the reporting project above all.

Integrated sustainability work

All work that takes place at Folksam must be targeted towards the vision that “people should feel secure in a sustainable world” and the overarching goal of “having the most satisfied customers in the insurance and savings industry”. Working for a sustainable world creates security. Sustainability is also important for us with regard to our claims activity and our investments. In addition to human suffering, an insecure, unsustainable world leads to high claims costs and high premiums, which are not compatible with customer benefit. This is extra important to us as a customer-owned company.

Folksam's responsibility as an insurance company and our sustainability work have long been an integrated part of the business. The boards of Folksam Life and Folksam General each adopt strategic plans that convey the focus and requirements the board concerned has for these companies. The plans cover operations, organisational culture, financial targets, ownership governance of subsidiaries and internal governance and control.

The strategic plan also establishes areas that both boards want Folksam to work towards and focus on: perceived customer benefit, organic growth, better than the competition, attractive employer and responsible influence. “Responsible influence” comprises Folksam's financial, social and environmental responsibilities and establishes that Folksam must differentiate its operations from that of competitors by taking more active responsibility for the world around us and our future, and by formulating offerings with responsible influence in mind.

The boards adopt targets for all focal areas every year. The goals for responsible influence are concerned with our customers being aware of the fact that we work on road safety research, the environment and corporate governance and ethical investments. Although awareness of the work in these issues has grown, there is a way to go to achieve the set goals. However, in the area of road safety research, responsible influence is measured by the proportion of safe, newly insured cars Folksam has - cars that meet the safety requirements in the “Green and safe discount”. The logic is that if the customers travel more safely, it leads to a reduction in claims and claims costs. Lower claims costs in turn lead to less expensive insurance. Lower speeds also reduce the environmental impact. Here, measurements show that Folksam has a significantly larger percentage increase compared with the rest of the market (see page 11).

Bribery and money laundering

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

In basic management training, the new managers receive training in Folksam's ethical rules for e.g. gifts, conference travel and participation in events. This is important so that they can in turn guide their employees in what is permitted to give or receive, for instance.

Ethical rules – always a topical issue

Folksam's ethical rules cover the entire business and indicate how Folksam's employees shall relate to various situations. The regulations set out rights and obligations for all employees. Folksam's values reflect an ethical approach and shall permeate everything we do. Safeguarding human rights and rejecting all forms of discrimination are two examples. The ethical rules form the basis of how the employees should act when they represent Folksam in various contexts - how the employees are perceived affects how Folksam is perceived in its surroundings. The ethical rules are distributed to all employees, and staff are encouraged to contact their superior or any of Folksam's legal specialists if they are unsure about anything.

Our responsibility as a customer-owned company

Every time we meet a customer, we meet an owner.

Folksam is a mutual company - this means that the customers are also owners. The fundamental purpose of Folksam being customer-owned, mutual, is to provide services that the customers as owners are pleased with and to create long-term profit. Folksam, which insures one out of two homes and one out of two people in Sweden, is also a well-run company. With the surplus Folksam now has, we can distribute a bonus beginning in 2013 to customers in Folksam General - something that the customers welcome.

We get involved in what our customers care about

The customers say that the most important is that they will feel welcome, untroubled and that they get the security that suits them in particular. If the basic need is met, they think that a bonus is an added benefit. It is important to work with a long-term approach to find and maintain as good relationships as possible with the customers based on what creates value for them, and Folksam therefore works systematically by basing its activities on the customers. As a complement to the collaborative forms that general meetings, committees and customer meetings, Folksam continuously conducts studies of what customers, companies, parties and partners think, how satisfied they are, what leads to satisfaction and what causes annoyance and dissatisfaction. Work groups draw conclusions, prepare recommendations based on these customer insights and establishes them in the organisation. The results are reported quarterly to Folksam's Group management and boards. When Folksam develops new offers and improves products that are relevant and liked by the customers, the customers are actively involved in various phases of the development process.

What do the customers say?

Since Folksam introduced the new brand strategy in 2010, growing numbers of customers associate the company with the core values of being personal, committed and responsible.

Relate to:	Target 2012	Result 2012	Result 2010
Personal	42%	43%	40%
Committed	40%	40%	37%
Responsible	52%	54%	48%

The customers that have been in contact with Folksam - through everything from phone calls to customer service and advisers to claims matters - are satisfied. Our customer meeting measurements show that nine out of ten customers are satisfied with the case management.

However, Folksam has the goal that all customers, regardless of whether they have had direct contact with Folksam or not, should be satisfied. The goal was exceeded even though we early in 2012 had declines in satisfaction due to worse availability in the non-life claims area. The customer group that showed decreased satisfaction are those that migrated from the smaller subsidiary KP to Folksam, where these customers perceive worse contact. Steps to resolve this have been prepared.

Every year, Svenskt Kvalitetsindex (SKI - Swedish Quality Index) measures customer satisfaction in several public and private sectors. SKI shows that Folksam increased its already positive lead over the industry average satisfaction for private vehicle and life insurance, as well as commercial non-life insurance. The area of private non-life insurance increased more for Folksam than for the industry average. The subsidiary

Strategic target areas	Target	Results
Satisfied customers (%)	76	77
Brand approval total	14.25	15.35
Folksam	18.50	19.70
KPA Pension	10.00	11.00
The proportion of safe cars* is increasing more at Folksam than the rest of the market (%)	>0	19

* Cars, max seven years, manage safety requirements in the "Green and safe" discount, 31 December 2012 compared with 31 December 2011. Cars on the list of green and safe cars receive a 10 per cent discount on car insurance. Read more about the criteria and see the entire list on folksam.se.

KPA Pension continued to maintain high levels of satisfaction over the industry average for occupational pensions.

The customers have generally been more satisfied and expressed their appreciation of Folksam and KPA Pension more strongly during the year. The proportion of safe cars with Folksam increased sharply during the year, which means that the customers travel safer and in extension, this should lead to a decrease in claims, claims costs and environmental impact.

In January 2013, the evening press newspaper Aftonbladet wrote that Folksam has inappropriate methods to investigate insurance fraud. The insurance industry has a clear mandate from the state to conduct investigative activities to avoid insurance fraud. Folksam follows the recommendations for investigation activities that the insurance industry has prepared and does so in a manner that is reasonable for both the individual customer and for the customer collective. The article resulted in the Swedish Data Inspection Board initiating an audit of Folksam.

Action taken in 2012 to achieve more satisfied customers

To develop better products and service for the private customers, Folksam is working on multiple activities. It is easier to contact Folksam's customer service via folksam.se and there are new needs guides there to facilitate direct purchases on the website. Improvement measures have also been prepared to improve availability in non-life claims.

For our customers in collectively agreed business, the measures have been directed at strengthening and developing the relationships with agreement parties, improving the personal customer meeting with the employers and establishing the Folksam and KPA brands on the employer market.

For our partner customers, several improvements have been implemented to improve and facilitate communication, including a catalogue of offers that was prepared to be able to adapt partner offers.

Customer Ombudsman – a security for the customers

The principal task of the Customer Ombudsman is to offer those customers who are not satisfied with Folksam's decisions an impartial review of their case. The Customer Ombudsman is impartial and reports directly to Folksam's general meetings. In 2012, Folksam concluded approximately 730,000 claims. The Customer Ombudsman handled approximately 1,140 cases, of which 22 per cent led to some form of change to the benefit of the customer - a relatively high change frequency.

Only 108 cases went on to the Swedish National Board for Consumer Complaints (ARN). ARN issued rulings in 91 cases during the year and 4 per cent involved changes to the customer's benefit. In 2012, 139 cases went to court in 2012. Folksam

won or reached a settlement in the majority of the cases decided during the year. This shows that Folksam has good quality in its case handling and that the company prioritises resolving conflicts at an early stage.

Around 8,000 customers consulted the Customer Ombudsman during 2012. The possibility to be able to call and ask questions to an impartial body is appreciated by the customers. The number of customers who have consulted the Customer Ombudsman has decreased in comparison with the previous year.

Contributes to business improvements

An important part of the work of the Customer Ombudsman unit is to feed back experience from its activities to Folksam. In 2012, the Customer Ombudsman took part in Folksam's internal work with reviews of terms, policy work and internal further training. During the year, the Customer Ombudsman has further developed the cooperation with the vehicle claims area. This cooperation means that the Customer Ombudsman on multiple occasions during the year convenes a group of specialists and discusses interesting and guiding issues. The objective of the meetings is to achieve uniform and correct claims adjustment in the whole of Folksam. The cooperation has also meant that complaints in the vehicle area are now handled according to a common procedure that is beneficial to the customers.

Folksam considers that complaints are so important that they should be received like a gift from the customers, which is why work to illustrate attitude issues concerning complaints was conducted during the year. Folksam's staff have been trained in receiving complaints in a humble manner and also take advantage of facts from the complaints to develop the operations.

Diversity – an increasingly important business issue

Folksam has been working actively on diversity for many years. The view is that a high degree of diversity leads to increased customer benefit as well as attractiveness as an employer. Several activities were undertaken in 2012 to develop Folksam's work towards increased diversity.

Growing numbers of multi-lingual

Folksam continues on its chosen path of multi-lingual customer service and today has customer service in 18 languages. The work moving forward concerns integrating language knowledge into the entire organisation and ensuring that both employees and customers know where it is. During the year, the pace increased of recruitment of staff with non-European language skills in customer service, sales and claims operations. Folksam is thereby raising the level of service for customers with a different ethnic background, at the same time that the organisation is strengthened by greater diversity. Besides the greater customer benefit, this work also leads to direct cost savings when the claims organisation can handle, translate and check the receipts without language barriers.

The next language in the multi-lingual customer service will be sign language and one person was recruited during the year who knows sign language. The selection of technical solutions to take the calls remains and will be finished at the beginning of 2013.

Folksam Amanah fund approved by the Muslim Council of Sweden

Folksam asked the Muslim Council of Sweden for advice in reviewing Folksam's Amanah fund, which they did and issued a Fatwa regarding the fund. The Fatwa means that the Muslim Council of Sweden confirms that the fund complies with Muslim principles and is therefore an alternative for Muslim customers to save in – something that is unique. Fatwa is the technical term for a legal statement that a Muslim mufti, a legal scholar that interprets religious law, issues in a legal matter he has been asked to assess. It is a strength that Folksam has obtained a document that is useful in various contacts with Muslim organisations and individual customers when they will make decisions on any savings in Folksam's Amanah fund.

Folksam wants to prevent breast cancer among immigrants

Immigrant women often refrain from attending a mammo-graphy examination and this results in mortality from breast cancer being significantly higher in this group than in women born in Sweden. In connection with the health company Unilabs, Folksam therefore invests in increasing knowledge of breast cancer among immigrant women. During the year, six information meetings were held in Angered, Rosengård and Rinkeby. Information has also been distributed over 35 radio stations in 18 languages in the areas.

Low pension for Swedes born abroad

In 2013, the work to spread knowledge about pensions and pension savings to Swedes born abroad is continuing. The need for pension savings is extra large in this group and the level of knowledge about pensions is low. The work is mainly taking place in cooperation with a number of large organisations, such as the National Greek Association and the National Turkish Association, and in the form of Folksam holding training sessions about the pension system and how much one can count on receiving in the pension. The background of this activity is the report "Warning for low pension" that Folksam and Statistics Sweden prepared in 2011.

Damage-prevention work in Ronna and Hovsjö

Folksam is a co-owner of Telge Tillväxt, which has the objective of halving unemployment among young people in Södertälje. In 2011, Telge Tillväxt conducted a project on behalf of Folksam, where five immigrant youths were employed to go door to door in the city districts of Ronna and Hovsjö - areas with the highest claims statistics in Södertälje. Their task was to provide general damage-prevention information, covering such topics as fire alarms and locks, and to offer insurance information by being phoned by the multilingual customer service unit in their mother tongue.

In the latter half of 2012, a follow-up was done of the claims trend. Here, a clear deviation is visible compared with both Sweden and the Municipality of Södertälje - Ronna and Hovsjö cut the number of break-ins in half whereas the rest of the country remained unchanged or increased cautiously. It cannot be determined for certain if Folksam's information on the importance of damage prevention is the reason for the positive development. What can be established is that the activity led to 700 families choosing to be contacted by Folksam to find out more about insurance, and that even more received information on how one can easily prevent damage from occurring. Telge Tillväxt is not aware of any other activities of this kind having taken place in the area during the period.

Diversity Charter – international cooperation on diversity

During the year, Folksam also became members of Diversity Charter, which is a European organisation that aims to use experiential exchange to spread the significance of diversity to the development and recruitment possibilities of the companies. Folksam is on the Swedish Board of the organisation through Mikael Petersson, Diversity Business Manager. Information on the activities is available at www.diversitycharter.se.

Our responsibility in our investments

Folksam's customers care about how listed companies handle the issues of sustainability. We at Folksam firmly believe that companies that take responsibility for the environment and human rights are more profitable in the long term. Folksam influences the companies it invests in by applying environmental, human rights and anti-corruption criteria.

On the other hand, there are companies Folksam has deliberately chosen not to invest in, regardless of how small their environmental impact is or how good a working environment they have. The disqualifying criteria are tobacco and illegal weapons such as cluster munitions, anti-personnel mines and nuclear weapons. All companies within Folksam apply these criteria. The subsidiary KPA Pension has also adopted even tougher disqualifying criteria and, it does not invest in the tobacco industry, the arms industry, the alcohol industry or commercial gambling.

In 2012, Folksam General continued its work to achieve the requirements for the Good Environmental Choice label – something we are first in doing in the insurance industry. It means that Folksam General disqualifies investments in alcohol, all weapons, tobacco, coal-fired power, nuclear power and uranium. For the rest of the Folksam Group, tobacco and illegal weapons are among the disqualifying criteria. Our influencing criteria for human rights, the environment and anti-corruption cover all companies in the Folksam Group. Folksam manages around SEK 281 billion on behalf of just over four million customers. This gives us the ability to influence and change society in the long term. All the assets Folksam manages, regardless of whether they are funds, insurance portfolios or personal savings, are covered by ethical investment criteria. Folksam's objective of persuading companies to assume their social responsibility is very much for the public good, as we believe that knowledge helps bring about positive change. Folksam regularly publishes reports and indices in

which we present information on the companies' performance in areas such as the environment, human rights and gender equality.

A decade of sustainability

Sustainability issues increasingly influence the decisions that private persons and institutions make in their capacity as both consumers and investors. Ten years ago, it was common for companies to not report any information in their preparedness to handle risks in the sustainability area. Folksam therefore decided to go through and evaluate all of the companies listed in Sweden for their performance with regard to corporate social responsibility. On several occasions, we have published the results in Folksam's Index of Corporate Social Responsibility. The trend is very pleasing in many respects. Many of the companies now publish detailed reports on their efforts on the environment and corporate social responsibility. In both the environmental area and human rights, the number of companies that have not reported any information on the company's preparedness to handle these risks has dropped sharply. The reason for this is a generally higher interest in sustainability issues, but it is likely that Folksam's systematic work to emphasize the listed companies' efforts has also contributed to it.

UN principles guide Folksam

The UN Principles for Responsible Investment (PRI) are a UN initiative launched in 2006 and aimed at introducing sustainability issues into the investment process for institutional investors and pension managers. Folksam was the only Swedish investor to take part in drawing up the guidelines, which apply to the environment, social issues and corporate governance (ESG issues). Folksam was also one of the first investors to endorse the principles. In this year's sustainability report, we have chosen for the third consecutive year to report the year's events based on these principles to clarify how Folksam fulfils its commitment as a signatory to PRI.

Principle 1

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

Ethics influence all investments. Folksam engages Swedbank Robur as asset manager for large parts of the assets under management and for the ethical screening of all investments. Folksam also engages independent consultancies for various analyst services. This analysis forms the basis for decisions on which companies Folksam invests in and which companies Folksam chooses to conduct a more in-depth dialogue with. Folksam votes both for and against share-related reward schemes. We report when we vote against, otherwise we vote in favour. Folksam participated in 39 annual general meetings and three nominating committees during the 2012 general meeting season. Besides this, Folksam was involved in a number of dialogues with corporate boards with regard to sustainability work and incentive systems.

Folksam made use of its right to vote against three companies' proposals for variable remuneration.

The information on the companies' sustainability work supplied to shareholders has been substantially improved in recent years. In 2012, many company presidents spontaneously spoke about the sustainability work in their presentations at the annual general meetings. This is largely a result of the questions Folksam has posed at the annual general meetings in recent years. A summary of the questions Folksam has asked at the general meetings in 2012 as well as the responses provided by the companies are on Folksam's website.

Dialogue helps companies to see the business potential in sustainability issues

Folksam's work to influence companies in sustainability issues is partly aimed at reducing the risks associated with →

environmental crime, human rights abuse and corruption, and partly to make more people see and utilise the commercial potential of a responsible business. This is done in part through active corporate governance. In 2012, the activities of 2,140 companies were audited focusing on corporate performance regarding the environment and human rights. Folksam's 20 largest holdings were contacted and meetings were held during the year with six of them. In addition to these, 43 Swedish companies were identified that were at greatest risk of being involved in incidents relating to the environment and human rights. All companies were contacted and nine were chosen where meetings and/or phone conferences were held with a review of the companies' risk situation. The review has resulted in several companies restructuring and improving their environmental activities or the way in which they work on human rights following a dialogue with Folksam.

Principle 2

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

Folksam's Boards of Directors have established a corporate governance policy and ethical investment criteria for the companies' holdings, which are available at folksam.se. These activities are followed up by an internal corporate governance committee. The corporate governance committee comprises Folksam's CEO, chairmen and otherwise includes the head of asset management, the presidents of the subsidiaries (KPA, Förenade Liv, Lärarfonder) and the Department for Responsible Ownership as well as a person from the Fund Group. The result is reported to the boards.

Folksam in dialogue with listed companies regarding incidents

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

Lundin Petroleum

In 2012, Folksam had multiple contacts with the Swedish oil company, Lundin Petroleum. In recent years, the company had received considerable media attention in conjunction with two imprisoned Swedish journalists in Ethiopia and the pretrial investigation of suspected violations of international law led by the international prosecutor's office in Stockholm.

Together with several other oil companies, Lundin Petroleum was active in Sudan between 1997 and 2003. The operations in the area were criticized by multiple NGOs such as Amnesty International, Human Rights Watch and Christian Aid. Representatives of Lundin Petroleum have denied all allegations that the company, its management or board in any way, directly or indirectly, or through failure to act was involved in any misdeeds in Sudan.

Folksam therefore proposed that the annual general meeting assign the company's board to initiate and finance an independent audit of Lundin Petroleum's operations in Sudan and Ethiopia. The main objective of the audit would have been to investigate accusations of violations of principles 1 and 2 in the UN Global Compact and corresponding guidelines in the OECD Guidelines for Multinational Enterprises that have been presented in the aforementioned reports and publications. The proposal was voted down despite being supported by 22 per cent of the shareholders.

Folksam has the goal of influencing the companies we hold shares in. We remain committed owners as long as we consider that we can get the companies to improve their sustainability work. After a long dialogue with Lundin Petroleum, Folksam decided in May to sell its holdings.

TeliaSonera

As early as 2011, TeliaSonera was linked to questions about human rights violations in connection with regimes that had bought equipment from the Swedish companies having used it for phone-tapping, monitoring and tracking down political dissidents. Folksam therefore prepared a proposal to the 2012 annual general meeting to assign the company's board to adjust the ethical guidelines in accordance with the UN Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises in 2011. The board was positive to Folksam's proposal and had already decided to adjust the company's ethical code and proposed that the board's emphasis should be clearly stated in the minutes from the general meeting.

Later in the spring, Sveriges Television broadcast a report about TeliaSonera's activities in a number of non-democratic countries in Central Asia. This led to Folksam initiating an intensive dialogue with the company. Folksam also met TeliaSonera's principal owner, the Swedish state, to discuss how the company could improve its operations. TeliaSonera decided to implement an external audit of its sustainability work with particular focus on the freedom of speech and integrity issues. In parallel, internal efforts were begun to develop risk analysis, strengthen reporting, increase transparency and train the employees in human rights. In the autumn, the media's scrutiny of TeliaSonera's activities in Uzbekistan continued. In a number of reports, the company was alleged to have used bribes to conduct business in the country. The company has categorically denied all accusations, but at the same time initiated an external review of their activities. The prosecutor at the national unit against corruption began a pretrial investigation.

At the time of this report's preparation, the results of the review were presented after which TeliaSonera's CEO and the majority of the board resigned. Folksam continues to pursue its dialogue with the company and hopes that the changes can lead to progress.

Folksam in dialogue with foreign companies

If Folksam becomes aware of a holding that violates any of our investment criteria, we initiate a dialogue with the company to bring about a change. Sometimes, our efforts do not succeed and we are forced to divest the holding. This occurred in two cases in 2012, Motorola Solutions and Potash.

Motorola Solutions' subsidiary Motorola Israel provides radar-based surveillance systems for the Israeli settlements on occupied land. The systems have been installed in many of the settlements. According to the fourth Geneva Convention, it is illegal for an occupying state to allow part of its population settle on occupied land.

Folksam votes at AGMs abroad

Folksam has also used its influence to vote at AGMs abroad since 2005. This takes place through electronic voting. In 2012, a technical shift meant that the number of elections was strongly limited.

Class actions

In 2008, the Department of Responsible Ownership took over work on Folksam's U.S. class action suits. In 2012, Folksam received a total of nearly SEK 4 million. Enron and Royal Dutch Shell are examples of companies that have now had to agree to pay their shareholders compensation after having published incorrect and misleading financial information.

Principle 3

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

Sustainable value creation

Since 2009, Folksam has been one of 14 Swedish investors to take part in the Sustainable Value Creation project, with a view to putting pressure on Swedish listed companies to achieve sustainable development and create long-term value. For the second consecutive year, in the autumn of 2011, the Sustainable Value Creation project conducted a questionnaire-based survey among the 100 companies with the highest market value on the Stockholm Stock Exchange. The results, which were presented in a report in January 2012, showed that one third of the listed companies had a far too low pace of change and that the gap to the forefront had grown since the first survey in 2009.

Folksam takes part in the debate

Folksam participated in the conference Stockholm+40 – Partnership Forum for Sustainable Development, which was held in Stockholm on 23-25 April 2012. The conference was held in memory of the first UN global conference on the human environment in Stockholm in 1972 and had three themes: sustainable innovation, sustainable production and sustainable lifestyle. Folksam's main message was that the companies can become more open when problems related to international norms occur. Voluntary sustainability reports according to GRI are a step in the right direction, but a common regulatory framework at a national or international level can strengthen the process further.

Folksam presented at the UN environmental meeting

Folksam participated in the UN Global Compact Rio +20 in Rio de Janeiro, Brazil and spoke of how the results from Rio +20 can contribute to sustainability reporting becoming standard practice among companies worldwide. We also provided examples of how Folksam was able to contribute to creating greater security in Sweden over one hundred years.

Negative experiences in 2012

- After a long fruitless dialogue, Folksam divested its holding in Lundin Petroleum.
- Folksam's participation at foreign general meetings was strongly limited due to technical problems.
- Folksam's ambition to present proposals at the Swedish general meetings was inhibited by a large number of proposals being presented by private, very small shareholders at several general meetings.

Principle 4

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

Folksam provides information to external funds

Folksam distributes several different fund manager's funds and Folksam's Group management established a policy for externally managed funds in 2010. In the case of all funds, the fund management companies engaged by Folksam must be encouraged to sign the UN Principles for Responsible Investment (PRI). Folksam will continuously inform external companies about the exclusions that have been made on the basis of Folksam's ethical investment criteria and ask for information on how the company acts on the basis of this information. An additional requirement in the case of ethical funds is that they meet the conditions laid down by the "ENF" (the Ethical Board for the Marketing of Funds). Ethical funds must have a well-defined selection process and clearly presented ethical criteria. Folksam presents which external fund managers have signed the PRI in the fund brochure and on the website.

In 2012, meetings were held with all fund management companies. Folksam also arranged a breakfast seminar on the mining of oil sand in Alberta, Canada. This was in cooperation with speakers from Greenpeace and WWF, who described what consequences the extraction has for the environment and climate, as well as for the indigenous people in the area. Folksam also described what financial risks the extraction has as well as what a responsible investor can do.

Principle 5

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

Nordic cooperation for corporate social responsibility

Folksam has cooperated since 2008 with the insurance company Norska Liv, the life insurance company KLP and the Finnish pensions company Ilmarinen, in Nordic Engagement Cooperation (NEC). The purpose of NEC is to coordinate corporate governance activities for the environment, human rights and anti-corruption. The focus is on companies where contraventions of international guidelines and conventions have been observed. In 2012, NEC had a dialogue with 13 different companies, all based outside the Nordic region.

During the year, major progress was achieved with a few companies, such as Wesfarmers. The Australian company Wesfarmers has been disqualified by Folksam for several years because they had not opted to end their imports of phosphates from the West Sahara illegally occupied by Morocco. Wesfarmers has since invested in a new factory to be able to handle phosphates from other place than West Sahara. The company currently imports no phosphates from West Sahara and if Wesfarmers provides a clear statement that no imports will take place in the future, it may be current to approve the company for investment again.

Global Network Initiative

In 2011, Folksam was accepted as a member of the Global Network Initiative (GNI), an international organisation whose purpose is to work to safeguard human rights in IT and telecommunications. GNI was founded by the IT companies Google, Microsoft and Yahoo after they had been heavily criticised for their operations in China. Folksam's aim in becoming a member of GNI, as an investor in IT and telecom companies, is to be able to draw the attention of these companies to what impact they have on freedom of expression and internet privacy and what responsibility they should take. These efforts continued in 2012.

Initiative for greater responsibility in oil sand extraction

In 2012, Folksam signed an initiative with nearly 50 other investors to encourage oil sand companies to take greater responsibility for the environment and human rights.

Principle 6

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

[A cat among the pigeons](#) – a blog on corporate governance

Folksam's Department for Responsible Ownership has run the blog A Cat Among the Pigeons (www.agarstyrning.folksam-blogg.se) since 2009. The blog is also supplemented with a Twitter account, @etikatt, where continuous updates are published.

Sharing information

Both internal and external presentations on how we work on Responsible Ownership were made in 2012. As in previous years, we were also interviewed by students and researchers for academic essays and dissertations.

Swedbank

Folksam owns just over 9 per cent of the shares in Swedbank. Its objective as a shareholder is for Swedbank to be an independent Swedish bank built on the values that have contributed to building the economic values that exist today in Swedbank and Swedish savings banks, namely healthy everyday economics for private individuals and companies, along with local endorsement. Folksam's view is that these values should continue to be reflected in the bank's operations. Eleven savings bank foundations own just over 2 per cent and independent savings banks own around 9 per cent. A joint declaration on ownership issues has been drawn up between these shareholders, which together hold more than 20 per cent of the shares in Swedbank.

Fact box Folksam's corporate governance work

	2012	2011	2010	2009	2008	2007	2006	2005
Number of companies with which Folksam held an active dialogue	45	57	77	45	38	41	7	14
Number of Swedish general meetings in which Folksam participated	39	42 ¹	39	35	28	21	18	15
Number of nominating committees Folksam is in	3	2	3	4	2	1	—	—

¹ Includes one extraordinary annual general meeting

Important milestones in responsible ownership

- 2012** Folksam speaks at Rio +20 about how important it is to report on sustainability work
- 2011** Folksam was accepted as a member of the Global Network Initiative (GNI), an international organisation whose purpose is to work to safeguard human rights in IT and telecommunications
- 2010** Folksam decides to divest holdings in the companies that still produce nuclear weapons
- 2009** Folksam is one of 15 Swedish investors to take part in the Sustainable Value Creation project, with a view to putting pressure on Swedish listed companies to achieve sustainable development and create long-term value
- 2008** Folksam established the Nordic Engagement Cooperation, NEC, together with Norwegian KLP and Finnish Ilmarinen
- 2007** Folksam co-finances a Scandinavian secretariat for the Carbon Disclosure Project, CDP
- 2006** Folksam Index of Corporate Social Responsibility was presented for the first time
- 2005** Folksam participates in the drafting of the UN initiative Principles for Responsible Investments, PRI
- 2004** Folksam introduces corruption as an influencing criterion
- 2003** Folksam begins voting at Swedish general meetings
- 2002** Folksam becomes a signatory of the UN Global Compact



Photography: Lars Nyman

Our responsibility to the employees

In the past ten years, the world has changed at a rapid pace. So has Folksam. In this time, Folksam has improved its expertise and its offering as an employer and is today a more effective organisation. In ten years, Folksam will be a more attractive, development-oriented and learning organisation. To get there, Folksam is working on further development of the terms of employment, strengthening Folksam's attractiveness, increasing recruitment accuracy and improving occupational health and safety. In addition to this, development is being conducted to improve performance management, expertise and leadership. In ten years, Folksam will have better processes to support the development of the services customers demand. There will then be interactive communication channels and flexible meeting places that provide better conditions for employees to generate customer benefit.

Staff survey shows continued engagement

To support the development of operations, expertise, leadership and the working environment, an employee survey is conducted every year. In this year's survey, the total index was 72 per cent and the response frequency was 93 per cent. These results show that commitment and job satisfaction increased. Leadership remained at a good level. The proportion of employees who have individual targets for their performance increased from 91 to 93 per cent. In the work groups, several areas improved – including cooperation and the perception that targets, plans and decisions are clear and that targets and activities are followed up in a good way. More employees than before feel that it is easy to implement necessary changes in the organisation. However, an area that dropped in this year's results is the perception that the immediate manager provides good support in skills development. Current organisation changes and outsourcing, which took place when the survey was done, may have influenced this result. The overall results of the employee

survey was utilised in the form of dialogue, action plans and development activities at all levels of the company. Folksam has established routines for follow-up work, for example individual coaching for managers, workshops and support in group development.

Personal development and career support

An important part of Folksam's offering to its employees is stimulating work, clear career paths and personal development support. To increase awareness of this among the employees and to encourage active career choices, an internal career day was held during the year. There, the employees had the opportunity to participate in activities and lectures on the career theme and there was an exhibition with Folksam's various operations and professional areas. Information was also provided here on benefits and the support offered by HR and external partners in career and development. The career day was carried out as a pilot activity at Skanstull and some 400 people took part. The evaluation of the day showed very positive scores and a clear majority of the respondents feel that this kind of activity is a good support. During the year, Folksam's new performance and development process was also launched with the aim of creating the conditions for every employee to perform and develop in a way that helps Folksam achieve its goals. The new process is more flexible and tailored to the business' needs than the previous one. The manager and the employee jointly prepare an individual plan of objectives and a development plan that they check off on a running basis. Focus is on a coaching approach, clear expectations in the role and what activities the employee should pursue to achieve his or her goals.

In 2012, Folksam's middle-management programme (MCU) was launched. The objective of the programme is to develop the leadership of managers of other managers or specialists. MCU combines development in programme format with coaching in groups. One of the programmes is also directed at more senior managers.

Good start for new employees

To make new employees feel welcome and give them the conditions to rapidly get into their jobs, a new introduction process was developed in 2012. The introduction is common to all of Folksam and comprises both one's own workplace and the company as a whole. The process begins as soon as the employment contract is signed. The new employee then receives access to a mobile website that includes a welcome video by CEO Anders Sundström and where more information is provided about Folksam as an employer. In the first few weeks, this is followed by a local introduction arranged by the employee's immediate manager and colleagues, interspersed with various online training sessions. One of the online training sessions, "Introduction to Folksam", was awarded third prize in the "Best E-Learning 2011" category of the Swedish Learning Awards competition. After three to six months, the employee participates in an introduction day at the head office at Skanstull in Stockholm. There, the employees learn more about the various parts of Folksam and what others work with by meeting other new employees. After around one year, the introduction process is followed up by Human Resources and the immediate manager, and the process transitions to continuous development. The new introduction process will be evaluated at the beginning of 2013, but the opinions expressed by the participants have been very positive so far.

Health promotion to reduce sickness absence

Folksam shall have a working environment that promotes good health, motivation and productivity, which is why efforts have been conducted for many years to reduce sickness absence. Sickness statistics remained at 3.4 per cent in 2012, despite an increase in Sweden in general. During 2012, a telephone service was introduced offering medical advice in conjunction with staff reporting in sick. With this, Folksam wants to provide the employees support in staying healthy, rapidly identifying signals of poor health and working more preventively. In 2013, the telephone service will be integrated with the new personnel and salary administration system, which will mean that the employees avoid reporting sick manually. Work with targeted support efforts for individuals and groups will continue during the year.

Competitive expertise and organisation

To adapt Folksam's workplaces to the future way of working, one floor of the office in Skanstull was converted to an activity-based office. Focus is on a flexible way of working and good technical solutions, which support a more learning organisation. This first renovation is a part of a pilot project and, after evaluation, a decision will be made as to how Folksam's future workplaces will look on other floors and offices.

The presented employee turnover for 2012 was 12 per cent, which is higher than previous years. This increase is attributable to a multi-year reorganisation mainly in the customer-oriented operations of claims, customer service, advice and telemarketing. The change has entailed internal relocations and restraint in external recruitment in 2010 and 2011, but at the end of 2011 and all of 2012, these operations were staffed through large-scale recruitment. In addition to this, Folksam, like many other companies, has large numbers of retirements to handle, just over 100 per year in recent years, and is working systematically to replace consultants with employees in areas such as IT.

In conjunction with Folksam paying bonuses to the customers beginning in 2013, all employees have received online training to learn more about what it means to be a customer-owned company. The training was followed up with a group discussion at every department where the employees were given the opportunity to talk about what being customer owned means to them and thereby establish what they had learned. In spring 2013, just over 1,200 employees who work close to customers will receive further training to be even better equipped to answer questions about Folksam's ownership and bonus.

An attractive workplace for the employees of today and tomorrow

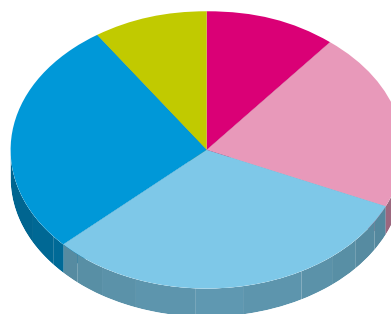
Folksam shall be an attractive workplace with competitive offers for current and future staff. To increase awareness of the insurance industry and Folksam as an employer, Folksam took part in various university programmes through cases and thesis projects and summer jobs for students. Folksam also collaborates with the four insurance programmes offered in Sweden, through participation in management groups and by offering internships. Over a five-year period, some 40 people from these programmes have been employed. During the year, Folksam also participated at 15 career days for students and four labour market events for professionals.

New personnel and salary administration system

During the year, a new web-based system for time reporting was implemented. The system will contribute to an improvement in reporting and provide more reliable data. The expected working hours are already entered in the system and the employees only need to report deviations from their regular working hours, such as sickness, leave and overtime. The employees can also register contact information to relatives and any children. Managers handle all authorisations and personnel changes directly in the system, which provides a better overview and more efficient personnel administration. Both managers and employees save time and both always have access to current and relevant information. Consequently, salary specifications no longer need to be sent out – a savings in the form of paper, envelopes, printing, postage and transports.

Staff	2012	2011	2010	2009
Number of employees	3497	3400	3637	3863
women (%)	52	51	50	50
men (%)	48	49	50	50
Average age	45.3	45.2	45.5	45.3
Number of managers	356	334	360	347
women (%)	47	47	43	44
men (%)	53	53	57	56
Staff turnover (%)	12.0	8.0	4.7	5.6

Age distribution in 2012 in %



● -29	11.1
● 30-39	20.7
● 40-49	31.3
● 50-59	27.5
● 60	9.4

Our responsibility in society

One of Folksam's goals is to contribute through its core business and assist customers and society in general. This is done in part through extensive road safety and sports injury research and in part through Folksam's research foundation and our sponsorship.

Over the years, Folksam's damage prevention work was primarily concerned with road safety, but new this year was taking advantage of our unique sports injury database. Sports injuries account for approximately 20 per cent of the accident claims and there is therefore all reason to look at the possibility of preventing and mitigating their consequences.

Sports injuries – a new area of research

Every year, Folksam administers approximately 20,000 claims that arise during organised sports activities. Folksam has a unique claims database and is now therefore initiating research cooperation with the Swedish School of Sport and Health Sciences (GIH) to map sports injuries and identify injury preventive measures. The research project began in spring 2012 and will extend over four years. The first interim goal for the project is to obtain a view of the current situation for acute injuries in sports and how they have changed over time. In the project, comparisons will also be done between various associations, ages and genders to be able to identify high-risk groups for serious injuries. The ultimate goal is an evaluation of injury prevention measures.

Free app "Knee control" reduces injury risk by more than 60 per cent

Girls that play football are twice as likely to have knee injuries that boys and men who play football. A simple exercise programme of 15 minutes sharply reduces the risk of serious knee injuries. The exercise programme "Knee control" was

released as a free app for smartphones in the autumn through a cooperation project between SISU Idrottsböcker, the Swedish Football Association and Folksam. The aim was for as many girls teams as possible to be able to learn the exercises. Through February 2013, the app has been downloaded 19,500 times.

Road-safety work

Road traffic accidents entail heavy losses for public health and the economy, but above all for individuals. Folksam has more than 30 years' traffic safety research experience with an emphasis on the study of real-world traffic accidents. We use the knowledge our research provides to save lives in traffic. By analysing the injuries and damage that occurs, Folksam can provide advice on the best products and how one can prevent accidents and injuries. Fewer traffic injuries also mean lower road traffic insurance premiums, which benefits Folksam's customers. The ambition is also to integrate this knowledge into the insurance – for example, having secure and more environmentally sustainable cars and lower premiums, and motorcycles with ABS are rewarded. Folksam's road safety research costs approximately SEK 7-8 per vehicle insurance policy and year.

Road traffic increasingly safer

A great deal has happened in the past ten years. The number of traffic deaths have been cut in half since the beginning of the 2000s and the number of people disabled has decreased substantially. This is primarily due to roads and vehicles having become safer. Safety systems such as anti-lock brakes, seat-belt reminders and whiplash protection have been of major significance, as well as centre-divided 2+1 roads, roundabouts and lower speeds in cities and on accident-prone roads.

Folksam's efforts in the past ten years have included:

- conducting the first evaluation of seat-belt reminders in Europe – an important milestone to encourage car makers to have them as standard
- initiate crash tests of whiplash protection tests that are currently integrated into the consumer test Euro NCAP
- conducting a national policy for how long children should sit in rear-facing car seats.

If we instead look ten years into the future, we believe we can distinguish a few major trends. The car will increasingly be connected to various networks, which entails new safety solutions, including semi-automatic driving and vehicle insurance solutions linked to how you drive. With urbanisation and an ageing population, congestion and noise in the cities are increasing, driving a new cityscape where pedestrians, bicycles and public transport are the base and the car is present on the terms of unprotected road users, rather than the opposite. There will be invisible alcohol safety interlock devices in cars that are not noticeable of the driver is sober. Based on the development that has occurred and the changes expected, our work has been more focused on the driver's behaviour and on increased injuries among unprotected road users, which was apparent in the 2012 activities.

Green and safe results in less expensive insurance

The "Green light" research project, which was concluded in 2012, shows that car drivers can be encouraged to use a safer and more environmentally friendly style of driving if they are rewarded with a lower insurance premium. Besides the car driver him or herself being able to save money on premiums and fuel costs, more than 40 lives a year could be saved and 300 severe injuries avoided. Carbon dioxide emissions would also decrease substantially. Folksam has the intention of developing a new type of vehicle insurance based on the results of the research project.

At the annual Tylösand seminar, the project was presented that Folksam conducted together with the Swedish Transport Administration, the Swedish Abstaining Motorists' Association (MHF) and SalusAnsvar. The results show that it is possible to cut driver speeding violations by more than half, as well as reducing the more severe speeding.

Approximately 250 private drivers took part in the project. To be able to ensure the research results, the participants were randomised into a test group and a control group. Using GPS equipment, the speed of the car was measured relative to the road's speed limit, but it was only the test group that received direct feedback on the speed of the car. By driving according to the applicable speed limit, they were able to get up to a 30 per cent discount on their insurance premium.

Bicycling injuries – most common injury in traffic

Road safety work often focuses on fatal accidents and then car accidents account for the greatest danger. However, in densely developed areas where fatal accidents rarely occur, it is most often bicycling accidents that cause personal injuries. In Sweden, bicycle accidents cause more road injuries than car accidents, as shown by new statistics from Folksam. Nearly half of all traffic injuries in the country that lead to severe injuries in densely developed areas are accounted for by bicycling accidents, a whole 48 per cent - compared with 28 per cent for cars, 8 per cent for mopeds and 7 per cent for pedestrians.

The fact that bicycling injuries have not previously received the same amount of attention is because they have remained unreported to some extent because single-party accidents have not been visible in the statistics, but rather focus was on bicycle-car collisions. However, only around 15 per cent are bicycle-car collisions, and the majority of the serious injuries occur in single-party accidents.

Eight out of ten bicycle injuries are arm and leg injuries

Every year, around 1,900 bicyclists are severely injured in Sweden. Arm and leg injuries account for a whole 80 per cent of all severe injuries in bicycle accidents, and shoulder injuries are the absolutely most common. These are not injuries that can be prevented with a bicycle helmet. A bicycle jacket that protects the arms and shoulders would, however, be able to sharply reduce the number of severe injuries according to Folksam's traffic researchers. Shock-dampening material in, for instance, a jacket or a vest like in some clothes for mountain biking, could be further developed to suit a broad market. Folksam has the intention of developing a testing method for protective clothing to stimulate the emergence of effective protection on the market.

Major deficiencies among the most popular bicycle helmets

In the spring of 2012, Folksam conducted tests of the 13 most common bicycle helmets in the Swedish market. The tests reflected both single-party accidents and accidents when a cyclist is struck by a car. The results showed that most bicycle helmets need to be improved, and that there are large differences between the best and the worst helmets. This was in spite of the fact that all helmets that were a part of the test had previously been tested and approved according to CE norms. The invisible helmet HÖVding, which is inflated in an accident and functions as an airbag for the head, received the best results by far in the impact test. Popular skateboarding helmets generally provide worse protection than traditional bicycle helmets.

As of 2012, Folksam is a member of the Swedish Transport Administration's analysis group to prepare strategies for safer bicycling.

Motorcycle guardrails

The risk of injury for motorcyclists is just as high in a collision with the cable guardrails as other steel guardrails - approximately 50 per cent - regardless of what kind of guardrail is involved. This is what was shown in a study from Folksam in cooperation with the Swedish Transport Administration and Vectura, which debunked the myth that cable guardrails are more dangerous for a motorcyclist. In order to increase road safety for motorcyclists, it is rather all kinds of guardrails that must be improved. As early as 2009, a study from VTI showed that cable guardrails have increased road safety and reduced the number of fatalities for both cars and motorcycles. For cars, cable guardrails have reduced the number of fatalities by 75-80 per cent on 2+1 roads and the number of motorcycle fatalities have decreased by 40-50 per cent.

Folksam lists safe and sustainable cars

The cars that are purchased today will be on our roads for many years to come and therefore have a major impact on both safety and the environment for a long time to come. Folksam therefore conducted a review of the car makers' new car models for the 15th consecutive year. The list separates out around 10 per cent of the market's cars that meet Folksam's requirements to be safe and environmentally sustainable. There is now important safety equipment even in the compact car class. Automatic brakes are one of the safety systems that has a major effect in terms of reducing traffic injuries. Folksam's calculations show that the number of people injured and killed would decrease by at least 20 per cent if all cars had automatic brakes of a modern standard. Automatic brakes can now be obtained in several car models, and it is important for customers to know that they exist and demand the systems.

The complete list of safe and sustainable cars is presented on folksam.se.

Retirement of cars without antilock brakes?

Major safety benefits can be achieved by replacing older, less safe cars with new, safer models. This came forth at the Tylösand seminar in September 2012, where Folksam presented a report on what various alternatives for retiring old cars may mean. This is an issue that has been discussed previously and the government investigated the issue around ten years ago. However, in recent years, several effective safety systems have been introduced, such as automatic brakes, which means that the conditions have changed. Folksam's proposal was to appoint a new commission to investigate the issue again.

Folksam's Research Foundation

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

In 2012, 30 applications for research grants were received. Five grants were awarded, including an application from Chalmers University of Technology where it will be analysed why a certain type of whiplash protection provides better protection for women compared with men. Usually, it is the other way around - many kinds of protection are more effective for men. The test analysis is expected to provide new insights that can be used in the development of new cars to achieve equally good protection for women as for men.

Another research project awarded a grant was at Sachska Children's Hospital and concerns Crohn's disease. Crohn's disease is an incurable inflammatory intestinal disease that, in children and adolescents, exhibits abdominal pain, poor weight gain, bloody diarrhoea, fatigue and a poor general state of health. The objective of the study is to evaluate why a certain treatment (enteral nutrition treatment) has proven more successful in preventing side effects. This knowledge can be used to provide patients more individually designed treatments and possibly save the patient from treatments that do not alleviate inflammation.

Partnership and sponsorship

Project in Kenya

In 2012, Folksam contribute knowledge and experience to the insurance company CIC Insurance Group (CIC) in Kenya, to help them establish an independent Customer Ombudsman. The objective for CIC is for the Customer Ombudsman to increase consumer confidence in CIC and the insurance industry as a whole. Their Customer Ombudsman is planned to be in place in 2013.

Donations through pay to the Swedish Cooperative Centre

Folksam has been cooperating with the Swedish Cooperative Centre for several years. Staff have the option of donating part of their pay to the organisation through deductions from salary. Commitment to this initiative continues to be extensive. Staff donations to the Swedish Cooperative Centre totalled SEK 659,670 in 2012, a sum which is matched by Folksam. In December 2012, Folksam additionally made a Christmas donation of SEK 100,000. As in previous years, a Christmas sale of Fair Trade products was held for the benefit of the Swedish Cooperative Centre. Folksam's total collection to Swedish Cooperative Centre's activities amounted to SEK 1,435,718 in 2012.

Dutch epidemiologist awarded by Folksam

This year, Folksam's award for epidemiological research went to Albert Hofman at the Department of Epidemiology and Biostatistics at Erasmus University in Rotterdam. Professor Hofman's research is largely focused on causes of neurological and cardiovascular diseases in the elderly. One of his theses is that it is not age in itself that is the most important factor for morbidity in the elderly, but rather that the person acquires risk factors throughout life. One of the most important conclusions from the study is that there are major and unutilised opportunities for prevention of disease in the elderly.

Folksam's prize in epidemiological research is awarded to internationally prominent researchers who conduct scientific activities where epidemiological material has been used for prevention in the public health field. Winners are appointed by a jury whose composition is determined by Karolinska Institutet.

Motor History prize to Folksam

This year, Folksam was awarded the Motor History prize for having contributed to developing safety thinking in the motor vehicle history movement, in part through its road safety research. For many years, Folksam has a close cooperation with the Motorhistoriska riksförbundet, MHRF.

Prizes and awards

KPA Pension honoured by Sustainable Brands

The subsidiary KPA Pension was named Sweden's most sustainable brand in the finance industry in 2012 and Folksam Life came third on the same list. This is according to the largest sustainability survey of brands in Sweden, Sustainable Brands. On 19 March, the President of KPA Pension, Lars-Åke Vikberg, also received an award from Sustainable Brands for his top ranking.

Gothenburg Prize for Sustainable Development

Folksam is one of the sponsors of the Gothenburg Prize that aims to stimulate continued development and draw attention to strategic work for sustainable development, nationally and internationally. This year's winners, who are sharing the prize money of SEK 1 million, are Dr Michael Biddle who combines technical expertise and entrepreneurship in his work on recycling plastics, and Björn Söderberg who builds up and develops responsible companies in Nepal in the area of sustainable waste recovery. The

jury's comment on the prize is that nature is characterised by ingenious closed cycles, where waste products become new input goods. In comparison, the industrial society's linear material flows are infernally ineffective and lead to resource shortages, waste problems and energy waste. To find well-conceived solutions to close the cycle, as this year's winners have done, is necessary and possible.

Work with integration is awarded with a trip to UN headquarters

In the spring, KPA Pension announced a competition where municipal and county council employees were encouraged to nominate a colleague who has done something extra good. Daniela Redzic, who works as a youth coordinator in Malmö, won for her work for integration. Her work is about creating a meaningful free time for young people in Malmö's suburbs and a large part of it involves values, gender equality and young people learning to take personal responsibility. The reward was a trip to New York with a visit to the UN headquarters and a meeting with representatives from the Swedish delegation.

Our responsibility to the environment

The environment is a central issue for Folksam. Folksam has the ambition of being on the forefront and since the 1960s has worked with environmental and sustainability issues. A large company has major opportunities to exert an influence and Folksam's high environmental requirements have contributed to a higher environmental standard at several large subcontractors. Both the vehicle and construction operations, which are the parts of Folksam that have the greatest impact on our surroundings, have been environmentally certified in accordance with ISO 14001. In addition, Folksam only uses wind power of specified origin in its properties.

Folksam's carbon footprint is fully offset through the Vi Agro-Forestry Programme tree-planting project. The Vi Agro-Forestry Programme plants a average of six trees for every tonne of carbon dioxide released. The total footprint for 2012 was measured as 4,613 tonnes of carbon dioxide. This means that just over 27,000 trees will be planted to compensate for Folksam's climate footprint. The trees are planted in Tanzania together with disadvantaged farmers whose living situation is improved by them receiving higher incomes. The trees planted by the Vi Agro-Forestry Programme are shady and enrich the soil, which means that both trees and crops can be planted together, also known as agroforestry. In this way, the trees contribute to environmental improvement.

- The leaves of the trees reduce the force of raindrops and their roots prevent soil erosion.
- The trees bind carbon dioxide.
- Evaporation decreases, as does water consumption.
- Trees provide shade for crops and act as wind-breaks.

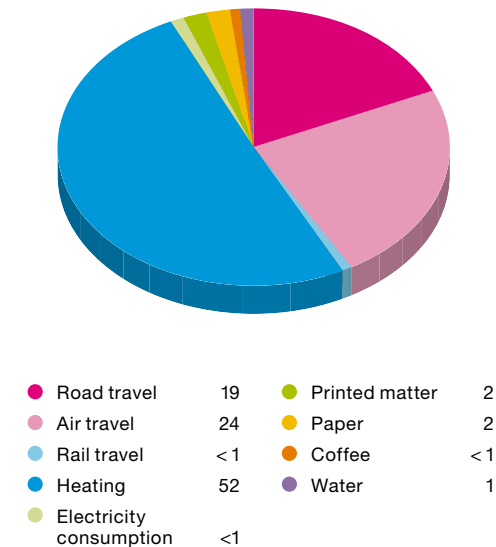
Folksam's total climate footprint

Folksam's climate footprint is growing. The total climate emissions for 2012 were measured at 4,613 tonnes of CO₂e. CO₂e, carbon dioxide equivalents, mean that all six greenhouse gases, and not just carbon dioxide, are included in the emissions. Compared with last year, the climate footprint increased by 638 tonnes, or 16 per cent. This is mainly due to an increase in emissions from heating consumption for properties, an increase in the property portfolio and the fact that we travelled more by air and car in 2012. This year, the climate footprint also includes the climate impact from water, accounting for 41 tonnes CO₂e. Folksam endeavours to carbon-offset more and more items every year. Some sources of emissions are also slightly more than offset, for example for the climate impact of vehicles that do not fulfil Folksam's environmental and safety requirements and for printed matter. By counting conservatively and allowing for a margin when the underlying data has been sparse, Folksam makes sure that it applies carbon-offsetting to its entire climate impact.

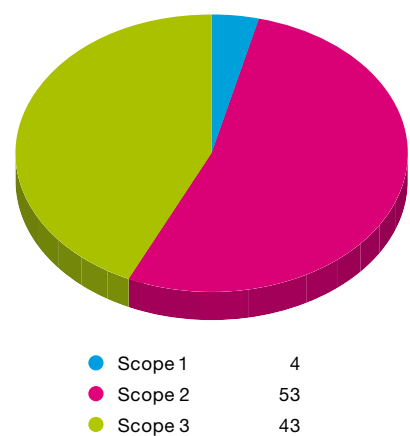
Emissions per activity and comparison with previous year, tonnes of CO₂e

Activity	2012	2011	2010
Road travel	873	800	843
Air travel	1,092	940	838
Rail travel	2	0.003	0.22
Heating	2,422	2,075	2,152
Electricity consumption	18	17	19.4
Printed matter	74	64	Not included
Paper	78	65	Not included
Coffee	13	14	Not included
Water	41	Not included	Not included
Total	4,613	3,975	3,853

Emissions by activity in per cent



Folksam's climate footprint per scope



Folksam's climate footprint is broken down into three scopes in accordance with the guidelines of the Greenhouse Gas Protocol. Scope 1 represents direct emissions from own operations where Folksam's own or leased cars are included. Scope 2 constitutes indirect emissions from electricity and heating used in Folksam's offices and properties. Scope 3 includes indirect emissions from business travel by road, air and rail and paper, printed matter, coffee and water.

Folksam's total climate impact classified by activity

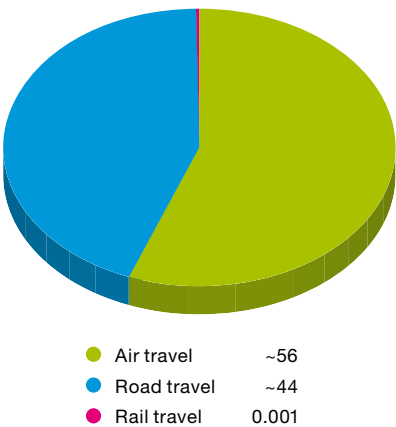
More travel

Air travel accounts for 24 per cent of the total climate footprint, and has increased in comparison with the previous year. Although the total emissions from air travel increased, the number of domestic flights decreased. Folksam's travel policy provides the employees with clear guidelines for business travel. It states that every journey should be well-planned and justified and that rail travel should be used for trips up to 500 kilometres, such as the route Stockholm-Gothenburg.

At the same time that domestic travel by air has decreased, rail travel has increased by 244,576 kilometres. This is positive news. The climate impact from rail travel is namely marginal compared with emissions from air travel and account for just 2 tonnes of our total climate footprint.

Business car travel increased from 4,876,800 kilometres till 5,238,550 kilometres. Cars used by Group management and employees that are required for work meet Folksam's high requirements of environmental and safety performance.

Climate impact broken down by mode of transport in per cent



Larger property portfolio resulted in higher energy consumption

Energy consumption comes from a large number of properties owned by Folksam, mainly offices and residential properties in Stockholm but also in other parts of Sweden. Four legal entities are included in the consumption figures.

- Folksam Life/Life (wholly owned properties)
- Folksam Liv2 (formerly Gyllenforsen of which 71% is owned by Folksam)
- Folksam General (wholly owned properties)
- KPA Pension (of which Folksam owns 60 %)

Consumption of heat represents the greatest climate impact from Folksam's operations, totalling 2,422 tonnes of CO₂e. It accounts for 52 per cent of the total climate footprint and increased by 347 tonnes of CO₂e. This increase is due to Folksam increasing its property portfolio and 2012 being a cold year. Folksam has an express strategy of increasing the proportion of property in its investments and the larger property portfolio increased by just over 50,000 square metres in 2012. At the same time, active efforts are under way to rationalise and manage the energy consumption of the properties and replace fossil fuels on the long term.

The total climate footprint from Folksam's electricity consumption amounted to 18 tonnes of CO₂e, which is an increase of one tonne compared with 2011. The electricity Folksam purchases is 100 per cent origin-specified electricity from wind power.

Ambition to reduce the number of printed items

In 2012, the climate footprint from printed materials increased from 64 tonnes to 74 tonnes. However, Folksam has a clear ambition to reduce the number of printed items. The ambition is to increasingly shift away from physical printed materials to publishing in digital format. This means that customers will have the opportunity to receive insurance conditions and invoices digitally.

Environmentally friendly car repairs

To reduce the environmental burden from car repairs, the workshops Folksam engages extensively uses refurbished spare parts instead of automatically choosing new parts. In addition, plastic parts and glass windows are repaired instead of always using new spare parts. Re-using and repairing instead of buying new does not just represent a gain for the environment but is also a good deal for Folksam and Folksam's customers. In 2012, this approach contributed to avoiding a 1,330-tonne mountain of waste and savings of just over SEK 100 million in the repair of damaged cars.

Subcontractors

Vehicle workshops	2012	2011	2010
Number of partners	680	1,284	1,161
Number of environmental requirements	44	44	44
Number of partners totally fulfilling requirements	414	687	579
Proportion of partners totally fulfilling requirements	61%	54%	50%

Vehicle disassembly plants	2012	2011	2010
Number of partners	15	11	15
Number of environmental requirements	59	60	60
Number of partners totally fulfilling requirements	11	9	13
Proportion of partners totally fulfilling requirements	73%	82%	87%

Folksam - a Good Environmental Choice

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

In November 2011, Folksam became the first insurance company that was approved to bear the Good Environmental Choice ecolabel - proof that Folksam takes the environmental issue seriously and takes responsibility for its own climate impact. The Swedish Society for Nature Conservation awards the Good Environmental Choice and the certification covers car, home and holiday home insurance.

In 2012, work continued to incorporate the 43 criteria set by the Swedish Society for Nature Conservation on the insurance companies licensed with the Good Environmental Choice label. Among other aspects, this entailed extensive requirements that repairs take place in an environmentally friendly manner, the reuse of functioning, but used parts, offering safe and sustainable replacement cars upon damage and that the assets that Folksam manages are invested in a responsible manner. A selection of the criteria are reviewed for fulfilment in part by the Swedish Society for Nature Conservation itself and in part by a third party in the form of a public accounting firm.

To live up to its ecolabel...

- ...Folksam helps its contractors and customers to choose sustainable materials in construction and vehicle repairs.
- ...Folksam sets strict requirements in purchasing goods and services, such as coffee, electronics, paper, cleaning materials, energy, transport and travel.
- ...Folksam is switching to organic raw materials in its staff restaurant, which is one of the largest in Sweden.
- ...Folksam conducts research into safety and better environmental performance for the Swedish vehicle fleet.
- ...Folksam uses renewable electricity of specified origin for all properties.
- ...Folksam plants trees to carbon-offset its climate footprint.

What does Good Environmental Choice mean for Folksam's customers?

The Good Environmental Choice label means that the customer can be assured that their choice of insurance affects the environment as little as possible. In addition, Folksam helps the customer to make more active choices, showing how it is possible to save energy in the home and what building materials are most environmentally friendly. The policyholder is given a more environmentally friendly* car if something happens to their own vehicle.

In 2012, Folksam published the ninth version of its Building Environment Guide, which contains a review of the standing of the most common products in building renovation from an environmental perspective. During the year, a fourth edition of Folksam's paint test was also published, in which the functionality of 46 outdoor paints is tested and presented. At the beginning of 2012, the heat pump guide was published with a compilation of common faults on popular heat pumps.

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



Photography: Andreas Lind

Purchasing

Folksam is a purchaser with large volumes in both the operation of the company and its claims activity. The vision of a sustainable society characterises the way of working with purchasing issues and has a major impact on the suppliers Folksam works with. In 2012, the work involved gathering and unifying the sustainability requirements in the purchasing areas of construction, vehicles and operations/IT. Sustainability shall be a unifying theme in the cooperation with external suppliers - from contract signing to delivery follow-up. The supplier requirements shall not only reflect Folksam's own environmental policy, but also the certifications Folksam is affiliated with, such as the Good Environmental Choice. The purchasing department has close cooperation with the environmental manager in order to identify new sustainable approaches to the suppliers.

Property management

Folksam Fastigheter works actively on environmental and energy issues in administration, projects and acquisitions. Folksam works to environmentally classify its buildings in accordance with the Environmental Building and Green Building standards, conducts energy surveys of properties with high energy performance and purchases electricity that is 100-per cent wind power. In 2012, Folksam Fastigheter became a member of the Sustainability Manual - a tool that helps assess how well quality assurance, environmental and health issues are managed, both in general and in individual projects. For more information about Folksam Fastigheter and the work on the environment and sustainability, please see folksam.se.

Green Lease

On 19 December 2012, Folksam signed its first Green Lease with the tenant, White Arkitekter, for their head office. A green lease means that one agrees to work to reduce energy consumption and includes, for instance, requirements of energy surveys, that the tenant receives information about its own energy consumption and that they pledge to buy renewable or climate neutral energy for heating. The lease also means that the carbon dioxide emissions are calculated every year and that source sorting is to be done to the furthest extent possible.

Wind power 2012 – the next step

Gnosjö Energi AB is a wind-power company that is wholly owned by Folksam and comprises four wind power plants in Kulltorp with a total power of 10 mW. This corresponds to one year of heating for around 1,000 single-family homes. Folksam is investigating the possibility of supplying power to the directly owned properties with self-produced wind power. Besides environmental and profile benefits, it would lead to a lower energy cost for Folksam. The investigation is expected to be finished in 2013 after which decisions in the project will be made.

Our subsidiaries' responsibilities

KPA Pension's work

Since 1998, KPA Pension has been working for a sustainable future by taking active responsibility for people and the environment. Corporate social responsibility is not just about managing all assets in accordance with ethical investment criteria - it also sets requirements on us as a company. KPA Pension obviously has to set a good example and practise what it preaches. We make conscious efforts to minimise our own environmental impact, create a good working environment for all employees and support various forms of social engagement.

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Sustainability issues are important to our customers

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

KPA Pension sustainability strategy

- KPA Pension is to be the leading pension company in secure pensions and ethical investments.
- The strategic focus of KPA Pension is to fulfil the wishes of the owners, social partners and customers for secure and sustainable pensions.
- Sustainable development has to pervade both the internal work of KPA Pension and the products and services offered. This is to generate business benefit and customer benefit, as well as a sustainable future for people and the environment, because:
 - Our view is that ethical investments bring a more stable and better return as well-managed companies are more secure and, in the long term, more profitable.
 - KPA Pension's ethical position strengthens the brand and attracts more customers in our target group, which results in increased profitability and competitiveness.
- We shall practice what we preach which is why everyone in KPA Pension should continuously be offered inspiration, support and education in sustainable development. We shall work to reduce the environmental burden of our own operations.
- KPA Pension shall be a leader in our market in the sustainability debate with regard to ethical investments.
- KPA Pension's sustainability efforts shall be transparent and measurable.

Asset investments

The collective pension assets in the world have power to influence developments. It is therefore important how the pension funds are invested. KPA Pension has chosen to manage the assets according to clearly defined ethical investment criteria - influencing and disqualifying.

Rules that influence behaviour

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

Human rights

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

Environment

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

Corruption

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

Rules on exclusion

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

Weapons

KPA Pension does not invest in activities that harm people and the environment. One such area is weapons. We have defined

weapons as products with the purpose of killing, maiming or destroying that are sold to military users.

Tobacco

KPA Pension does not invest in companies that produce tobacco products. By tobacco protection, we also refer to the ownership of tobacco plantations.

Alcohol

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

Gambling

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

Dialogue as a way of exerting influence

One of the most important aspects of our work is actively influencing the companies in which KPA Pension invests. We conduct dialogue with companies so they continuously improve their work and become better at taking responsibility, in particular for human rights and the environment and counteracting corruption. We conduct this work on influence in cooperation with the Department of Responsible Ownership in Folksam, and it is also reported on pages 14-20.

Hennes & Mauritz

Hennes & Mauritz (H&M) was criticised during the year by the investigative TV programme Kalla Fakta for substandard working conditions and too low wages in Cambodia and Bangladesh. H&M is one of KPA Pension's most important

holdings and the background of the accusations was therefore investigated. The conclusion of the investigation was that we still have faith in H&M's way of working with their most important sustainability issues.

According to KPA Pension, the statutory minimum wage is a very important starting point to ensure that industrial production in low-wage countries takes place in a responsible manner. However, to be a long-term sustainable industry, it must also be possible to live on the wages. In many countries, the wages must be raised to achieve a liveable wage. According to KPA Pension, collective bargaining is the best method for achieving liveable wages. It is therefore important that companies work for the free right to organise unions and interest organisations and the right to collective bargaining with their subcontractors. H&M does very good work in terms of this. They base their requirements on the suppliers on important standards established in the UN and a code of conduct applies to all suppliers, their subcontractors and other business partners that do business with the company. KPA Pension has not been able to find that H&M works against wage increases in Cambodia. H&M's cooperation with the ILO project, Better Factories Cambodia, and the cooperation with the Swedish labour union movement shows that H&M's efforts are sincere.

KPA Pension will monitor H&M's work with the liveable wage issue since we consider it to be very important for the future. A uniform definition of the concept for the industry would facilitate a follow-up. The UN has emphasized the fact that the textile industry, despite extensive challenges, plays an important role in the development of prosperity in poor countries. KPA Pension is therefore watching the issue of liveable wages in all companies it has invested in.

Investment in properties with good comfort and a good environment

KPA Pension also has investments in properties, and further properties were purchased in 2012. As the pension assets under management increase, there is a need to spread the risk in investments. In this area too it is important to show concern for people and the environment. KPA Pension has therefore, together with Folksam Fastigheter, prepared a joint policy, environmental management in construction projects, during the year.

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

Continued cooperation with UNA Sweden

Some 100 million children cannot go to school. They are instead forced to work to get food. During the year, KPA Pension continued its long-term cooperation with UNA Sweden and chose to support the UN World Food Program (WFP) and the project "School food becomes knowledge". Through WFP, the United Nations Association provides school food to 20 million children in Africa, Asia and Latin America. The fact that children receive a free school meal is often crucial to the parents sending them to school. This can mean the difference between a life of continued poverty and a future with education and opportunities. By making school attendance possible for those in poverty, the entire society is strengthened and developed. It is also a way to hasten equality between men and women, because WFP also gives food to families that let their daughters go to school. Another gain is that the girls then get married later and thereby have fewer children.

It is not just poverty in itself that is a problem - today's climate changes and unstable food prices make the impoverished of the world even more vulnerable. Here, the links to KPA Pension's influencing work for human rights and the environment are clear and are in line with KPA Pension's vision of a sustainable future.

KPA Pension and Folksam support research on age-related depression

In ten years' time, one in five people living in Sweden will be between the ages of 65 and 74. Around a tenth of these, or 80,000 people, are expected to have problems with depression. KPA Pension and Folksam therefore funded a multi-year research project on age-related depression at Karolinska Institutet. The aim of this research is to be able to improve the quality of life of younger pensioners. The project was concluded in 2012 and the results will be presented in 2013.

Förenade Liv's social engagement

Social engagement for victims of crime

Förenade Liv continued to make active efforts to reduce violence in society. Violence leads to personal suffering, problems for society and increased costs for insurance policyholders. The aim of this initiative is to raise awareness, reduce risks and create security for customers in the society we live in.

Insurance services for victims of violence

Förenade Liv has had a crisis insurance scheme since 2005, which also applies in the case of domestic violence and without a requirement for reporting to the police. In line with increased information and knowledge on crisis insurance, demand for

counselling has increased. In 2012, we developed and launched a mobile app together with the Safer Sweden Foundation as an aid for the victims of crime.

Cooperation with the Safer Sweden Foundation

For the fourth consecutive year, Förenade Liv continued to cooperate with the Safer Sweden Foundation - a foundation with the aim of improving the situation for those affected by crime. The overall aim is to reduce crime and improve security in Sweden by ensuring that the victims of crime receive relevant help, support and protection. Förenade Liv is one of around ten partners in cooperation.

Lectures, seminars and publications

To create customer benefit and increase the level of knowledge and involvement among staff and customers, Förenade Liv continuously holds seminars and lectures on anti-violence. Seminars were held in cooperation with the Safer Sweden Foundation in Almedalen in 2012. In addition, courses were held for Förenade Liv's employees on "Threats and violence in working life" and "Stalking".

In 2012, the report book "Take your child and run", which is about the situation for the victims of crime in schools, was prepared and launched together with the Safer Sweden Foundation. The objective is to contribute to safer schools.

Förenade Liv's goal in 2013 is to continue the work on crime-affected schools. The intent is to develop a handbook together with schools.

Legal Group structure

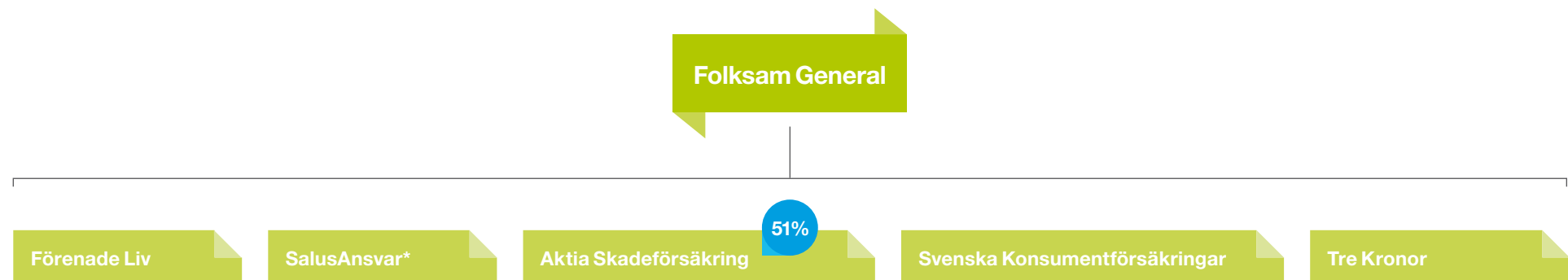
Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam General) and Folksam ömsesidig livförsäkring (Folksam Life) with subsidiaries. Two of the subsidiaries in the insurance operations in Folksam Life are part-owned. These are Folksam LO Fondförsäkring, which is 51 per cent owned, and KPA Pension, which is 60 per cent owned. In Folksam General, the subsidiary Folksam Skadeförsäkring (formerly Aktia Skadeförsäkring) is part-owned at 51 per cent. Of the group companies, Förenade Liv Gruppörsäkring (Förenade Liv) and the companies in KPA Pension are not consolidated in the consolidated accounts in Folksam General and Folksam Life, respectively. The reason is that these companies are not dividend-paying and therefore all surplus in the companies goes to the policyholders. To achieve economies of scale, collaboration takes place in distribution, administration and asset management.

The Folksam General Group

- Folksam General is customer-owned and undertakes general insurance activity principally focused on the Swedish household market. The company offers a full range of insurance policies to households and private individuals based on motor and household insurance supplemented by commercial insurance in selected areas.
- Svenska Konsumentförsäkringar's operations cover individual and group general insurance for private individuals and for small and medium-sized enterprises. The policies are brokered by SalusAnsvar for their customer groups.
- Tre Kronor undertakes general insurance activity in Sweden, and its business concept is to offer general insurance to companies and organisations wishing to sell and market insurance under their own trade names.

Tre Kronor today collaborates with Swedbank and 38 independent savings banks and in so doing reaches a broad market with general insurance products.

- At the beginning of 2012, Folksam General acquired 51 per cent of the shares in Aktia through an agreement with Aktia ABP in Finland. Aktia conducts non-life insurance operations and is primarily active in the coastal area of Finland.
- Förenade Liv offers group insurance for life, health, accident, medical care and also child and pregnancy insurance to white collar workers through the employers and organisations that represent them. At the end of 2012, Folksam General acquired Förenade Liv from Folksam Life. This is mainly to strengthen the market position in risk insurance.
- Folksam General has decided to acquire SalusAnsvar AB on 31 January 2013. The company in turn owns 49 per cent of SACO SalusAnsvar Försäkrings AB and 100 per cent of SalusAnsvar Personförsäkring AB.



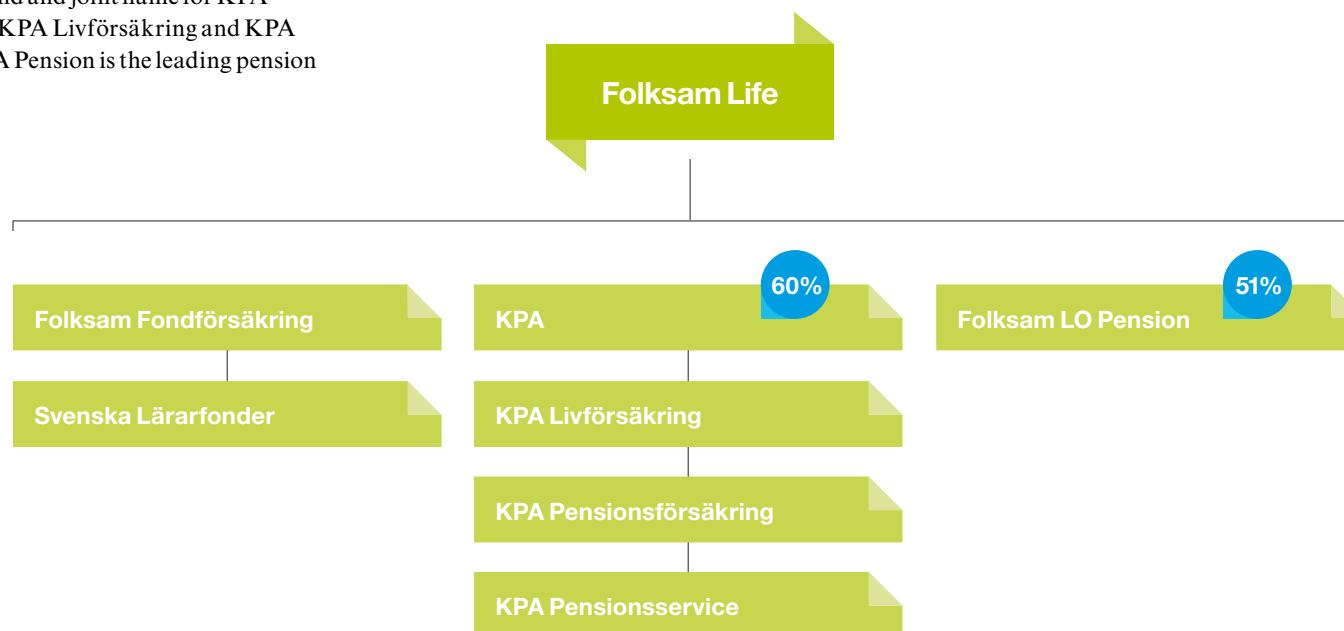
* Date of access 31 January 2013

The Folksam Life Group

- Folksam Life is customer-owned and undertakes life insurance activity. The company offers occupational pensions and pension investments to private individuals, directly or through cooperation, but also group life insurance and other types of risk insurance.
- Folksam Fondförsäkring conducts unit-linked insurance with ties to mutual funds. Customers can choose among a large number of selected funds, for example ethical funds, funds with low charges and award-winning top-performing funds.
- KPA Pension is a brand and joint name for KPA Pensionsförsäkring, KPA Livförsäkring and KPA Pensionsservice. KPA Pension is the leading pension

company in the municipal sector and manages occupational pensions for employees of municipalities, county councils and municipal and cooperative companies. KPA Pensionsservice offers employer service for the handling of municipal pension commitments, administration of the employees' individual pension choices and qualified consulting services, occupational group life insurance and professional pension advice. KPA Pension offers private individuals investments in private pension insurance and unit-linked insurance. KPA Pension is owned 60 per cent by the Folksam Group and 40 per cent by the Swedish Association of Local Authorities and Regions (SALAR).

- Folksam LO Pension is a brand focused on collectively agreed occupational pensions and principally covers administration and management of pension allocations made under the pensions agreement between the Confederation of Swedish Enterprise and LO (the Swedish Trade Union Confederation). Operations are conducted in Folksam LO Fondförsäkring, which is owned by Folksam Life with 51 per cent and LO with 49 per cent.
- In 2012, Folksam Life sold Förenade Liv Gruppförsäkring Folksam General and the company structure was thereby streamlined with a focus on savings.



Our figures and calculation methods

Employees/HR data (pp. 20-22)

Staff	2012	2011	2010	2009
Number of employees	3497	3400	3637	3863
women (%)	52	51	50	50
men (%)	48	49	50	50
Average age	45.3	45.2	45.5	45.3
Number of managers	356	334	360	347
women (%)	47	47	43	44
men (%)	53	53	57	56
Staff turnover (%)	12.0	8.0	4.7	5.6

Age distribution (%)	2012	2011	2010
-29 years	11.1	9.7	8.5
30-39	20.7	20.8	21.9
40-49	31.3	31.4	30.4
50-59	27.5	28.3	28.0
over 60	9.4	9.9	11.2

Women - Gender distribution boards and management (per cent)	2012	2011	2010
Board of Folksam Life	50	50	50
Board of Folksam General	58	58	58
Group management	45	45	33

Men - Gender distribution boards and management (per cent)	2012	2011	2010
Board of Folksam Life	50	50	50
Board of Folksam General	42	42	42
Group management	55	55	67

Form of employment (%)	2012	2011	2010
Employees on permanent contracts	98	97	97
Employees on fixed-term contracts	2	3	3
Full-time employees	92	91	91
Part-time employees	8	9	9

Total sick leave, 2012 (2011) in %			
Age	Men	Women	Total
- 29	3.2 (2.2)	4.8 (2.4)	4.0 (3.3)
30-49	2.2 (2.0)	2.4 (4.4)	3.4 (3.3)
over 50	2.2 (2.3)	2.1 (4.7)	2.7 (3.5)
Total	2.3 (2.1)	2.3 (4.5)	3.4 (3.4)

Of which long-term sick leave, 2012 (2011) in %			
Age	Men	Women	Total
- 29	2.1 (0.0)	15.7 (30.0)	17.8 (20.3)
30-49	8.9 (25.0)	23.2 (40.0)	32.1 (35.9)
over 50	11.8 (37.3)	20.7 (44.9)	32.5 (42.3)
Total	9.2 (29.1)	21.4 (41.3)	30.5 (37.6)

Calculation methods, employees

All data is gathered from Folksam's salary system HRM.

Subsidiaries

The tables of personnel key indicators include all subsidiaries except for Aktia. Limitations: Staff paid by the hour and on the basis of fees are not included in the tables of key staff indicators.

Number of staff

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

Average age

Same as number of staff (see above).

Number of managers

Same as number of staff (see above).

Employee turnover

Same as number of staff (see above). Calculated as the lower of the number of new external employees or employees who have left during the year as a percentage of the number of employees in December.

Age distribution

Same as number of staff (see above).

Form of employment, employees

Same as number of staff (see above).

Sickness absence

Reported sickness absence in relation to scheduled hours. Proportion calculated on same population as number of staff (see above). Calculated over full calendar year.

Environmental data (pp. 27-31)

Air

Number of flights	2012	2011	2010	2009	2008
Stockholm-Gothenburg	239	643	490	620	626
Stockholm-Sundsvall	188	299	272	195	338
Stockholm-Malmö	438	721	557	607	756
Stockholm-Växjö	80	69	53	66	67
Stockholm-Jönköping	12	49	21	16	23
Total	957	1,781	1,393	1,504	1,810

* The "Total" item only comprises reported air travel routes.

Rail travel

Number of rail journeys	2012	2011	2010	2009	2008
Stockholm-Gothenburg	1,145	1,008	927	1,256	1,137
Stockholm-Sundsvall	802	591	583	679	774
Stockholm-Malmö	91	78	84	87	204
Stockholm-Växjö	280	52	69	96	126
Stockholm-Jönköping	128	55	66	206	210
Total	2,446	1,784	1,729	2,324	2,451

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

Car

Car journeys in Folksam	2012	2011	2010	2009	2008
Distance in km (x 10) driven on official business	523,855	487,680	518,744	574,697	567,428
Of which driven with cars meeting Folksam's environmental and safety requirements	145,500	158,940	184,179	185,355	214,306
Total carbon dioxide emissions from car travel in tonnes	873	800	843	944	916
Increase/decrease in carbon dioxide emissions due to more/fewer km driven, in tonnes	+ 73	- 43	- 101	+28	+2

Energy and water

Energy use	2012			Total 2012
	Folksam	Folksam Liv2 (71%)	KPA Pension (60%)	
Heat consumption (MWh)	20,089	20,424	6,072	46,585
Electricity consumption (MWh)	17,762	5,183	2,127	25,072
Total energy consumption (MWh)				71,657

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

Water consumption	Total 2012			Total 2011
	Folksam	Folksam Liv2 (71%)	KPA Pension (60%)	
Water consumption m3	174,764	166,313	63,620	404,697

Folksam's total climate impact in 2012

	Road travel	Air travel	Rail travel	Heat	Electrical system	Printed matter	Paper	Coffee	Water	Total
Tonne CO ₂ e	873	1,092	2	2,422	18	74	78	13	41	4,613

Coffee

Coffee (Tullgården)	2012	2011	2010
Proportion organic	9,712	7,000	11,082
Proportion non-organic	0	1,742	2,770
Total quantity	9,712	8,742	8,312

Subcontractors

Vehicle workshops

Vehicle workshops	2012	2011	2010
Number of partners	680	1,284	1,161
Number of environmental requirements	44	44	44
Number of partners totally fulfilling requirements	414	687	579
Proportion of partners totally fulfilling requirements	61 %	54 %	50 %

Vehicle disassembly plants

Vehicle disassembly plants	2012	2011	2010
Number of partners	15	11	15
Number of environmental requirements	59	60	60
Number of partners totally fulfilling requirements	11	9	13
Proportion of partners totally fulfilling requirements	73 %	82 %	87 %

Building contractors

Building contractors	2012	2011	2010
Number of partners	203	186	153
Number of environmental requirements	33	30	30
Number of partners totally fulfilling requirements	137	124	95
Proportion of partners totally fulfilling requirements	67 %	67 %	62 %

Washing and clean-up companies

Washing and clean-up companies	2012	2011	2010
Number of partners	69	59	47
Number of environmental requirements, washing	25	25	25
Number of environmental requirements, clean-up	20	20	20
Number of partners totally fulfilling requirements	59	49	38
Proportion of partners totally fulfilling requirements	86 %	83 %	80 %

Calculation methods, environment

Folksam's total carbon dioxide emissions for carbon offsetting in 2012

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

Where possible, emissions have been calculated in CO₂e, carbon dioxide equivalents. Carbon dioxide equivalents mean that all six greenhouse gases and not just carbon dioxide are included in the emissions calculations. This ensures that Folksam carbon-offsets the whole of its climate impact and not just carbon dioxide emissions. For the same reason, the principle is to calculate conservatively and take account of the occasions when material has been scant, for example for the calculation of the climate impact of other vehicles and printed matter. A new feature in the 2012 Sustainability Report is also calculating the climate impact of water.

Energy and water consumption

The energy use comes from the properties that Folksam either owns and in which it has operations, that it only owns or premises that Folksam rents for its operations. The Folksam-owned properties are managed by Newsec and use Scandem as electricity supplier. The form of ownership and whether activity is undertaken in the premises or not affect what is to be included in Folksam's total energy use. Folksam consists of the following four legal entities, which are included in the consumption figures.

- Folksam Life/Life (wholly owned properties)
- Folksam Life2 (formerly Gyllenforsen, of which Folksam owns 71%).
- Folksam General (wholly owned properties)
- KPA Pension (60 % owned by Folksam)

There is also the Folksam subsidiary Förenade Liv, which rents two office premises.

Air travel

The business travel of Gyllenforsen, Förenade Liv and KPA Pension is fully included in the 2012 figures. Folksam's carbon dioxide emissions from air travel in 2012 are based on statistics from our travel agency, Ticket. The emissions figure from the travel agency has been multiplied by a factor of two. The reason is that the climate impact of air travel is higher than land-based transports. This is due in part to water vapour and nitrogen oxides being released at high altitude and forming contrails and ozone that has a warming effect. Using a multiplier is in line with practice by several actors that do climate calculations.

Rail travel

Folksam's climate footprint from rail travel is based on statistics on the number of passenger kilometres from SJ and the emissions were calculated in the tool Our Impacts.

Heating of premises

The information on carbon dioxide emissions from properties in 2012 is based on heating consumption statistics in MWh and CO₂ from our property manager.

Folksam owns a 71 per cent interest in Gyllenforsen. The carbon dioxide emissions in the 2012 sustainability report are equivalent to Folksam's share, that is to say 71 per cent of the total carbon dioxide emissions of Gyllenforsen.

KPA Pension is 60 per cent owned by Folksam. The reported carbon dioxide emissions are equivalent to Folksam's share, that is to say 60 per cent of the carbon dioxide emissions from heating of KPA properties.

Electricity consumption in properties

The carbon dioxide emissions from electricity consumption in Folksam's properties in 2012 are low, as Folksam uses wind-power electricity of specified origin. Consumption in 2012 is based on actual consumption figures. Folksam owns a 71 per cent interest in Gyllenforsen. The carbon dioxide emissions are equivalent to Folksam's share, that is to say 71 per cent of the total carbon dioxide emissions of Gyllenforsen's electricity consumption. KPA Pension is 60 per cent owned by Folksam. The reported carbon dioxide emissions are equivalent to Folksam's share, that is to say 60 per cent of the total emissions from electricity consumption of KPA properties.

Water consumption in properties

Carbon dioxide emissions from water in Folksam's offices and properties are based on actual consumption figures. The emissions have been calculated with the calculation tool Our Impacts. The carbon dioxide emissions are equivalent to Folksam's share, that is to say 71 per cent of the total carbon dioxide emissions from water consumption of Gyllenforsen. KPA Pension is 60 per cent owned by Folksam. The reported

carbon dioxide emissions are equivalent to Folksam's share, that is to say 60 per cent of the total emissions from water consumption of KPA properties.

Road travel

The figures for Folksam's road vehicle emissions are based on statistics on mileage allowance. The business travel of Gyllenforsen, Förenade Liv and KPA Pension is fully included. The cars are divided into two categories: Car A) number of kilometres driven with cars meeting Folksam's requirements on safety and the environment (i.e. fuel-efficient petrol and diesel cars, ethanol cars, natural gas cars and hybrids) and Car B) number of kilometres driven by other cars.

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

Calculation of emissions from vehicles:

(Car A) km x 129 gram = (CO₂ Car A)

(Car B) km x 181 gram = (CO₂ Car B)

Total: CO₂ Car A + CO₂ Car B = Total CO₂ Car

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

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

Folksam's head office is located in Stockholm.

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Auditor's Review Report on Folksam's Sustainability Report 2012

To the readers of Folksam's Sustainability Report 2012:

Introduction

We have been engaged by the Boards of Directors and the Executive Management of Folksam ömsesidig livförsäkring and Folksam ömsesidig sakförsäkring ("Folksam") to conduct a review of the contents of the Folksam Sustainability Report 2012 and the associated GRI Index which can be found on Folksam's website (www.folksam.se). The Board of Directors and the Executive Management are responsible for ongoing sustainability activities and for preparing and presenting the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

The Scope of the Review

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

Our assurance does not comprise the assumptions used by Folksam or whether or not it is possible for Folksam to reach certain future targets described in the report (e.g. goals, expectations and ambitions).

The criteria on which our review are based on are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the specific measurement and reporting principles, that the company has developed and presented. Those measurements and principles can be found on pages 37-42 in the sustainability report. We consider these criteria suitable for the preparation of the Sustainability Report.

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

- An update of our knowledge and understanding of Folksam's organisation and activities.
- Assessment of suitability and application of criteria in respect to the internal and external stakeholders' need of information.
- Interviews with responsible management, with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient.
- Review of internal and external documents, to assess whether the reported information is complete, correct and sufficient.
- Evaluation of the reporting process and the routines for reporting on sustainability information and data.
- Review of underlying documentation, on a test basis, to assess whether the information and data in the sustainability report is based on that documentation.
- Evaluation of the system used for collecting, managing and validating environmental information.
- Evaluation of the model used to calculate Folksam's carbon dioxide emissions.
- Evaluation of the model used to calculate Folksam's carbon offsetting.
- Analytical review of reported data.
- Review of the qualitative information and statements in the sustainability report.
- Reconciling financial information with Folksam's Annual Report for 2012.
- Assessment of Folksam's stated application level according to the GRI guidelines.
- Consideration of the overall impression of the Sustainability Report and its format, including consideration of the mutual consistency of the information with the criteria applied.

Conclusion

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

Stockholm, March 21, 2013

KPMG AB

Anders Bäckström
Authorised Public Accountant

Torbjörn Westman
Expert member of FAR

Folksam