



Our customers
should feel secure in
a sustainable world

Annual and sustainability report

2015

Folksam

This is Folksam

Every time we meet a customer, we meet an owner. And we have many owners. We insure almost half of all Swedes and take care of the pensions of more than two million people. This means that Folksam, with its subsidiaries, is one of the leading companies in the fields of insurance and pension savings.

With us, customers can insure themselves, their loved ones and their property and save for their pension. Our job is provide security in every phase of life. The fact that we are owned by our customers provides credibility, long-range thinking and customer benefit, and entails responsibility.

Our vision

Our customers should feel secure in a sustainable world.

Our business concept

We are the customers' company that offers popular insurance policies and pension investments that provide security.

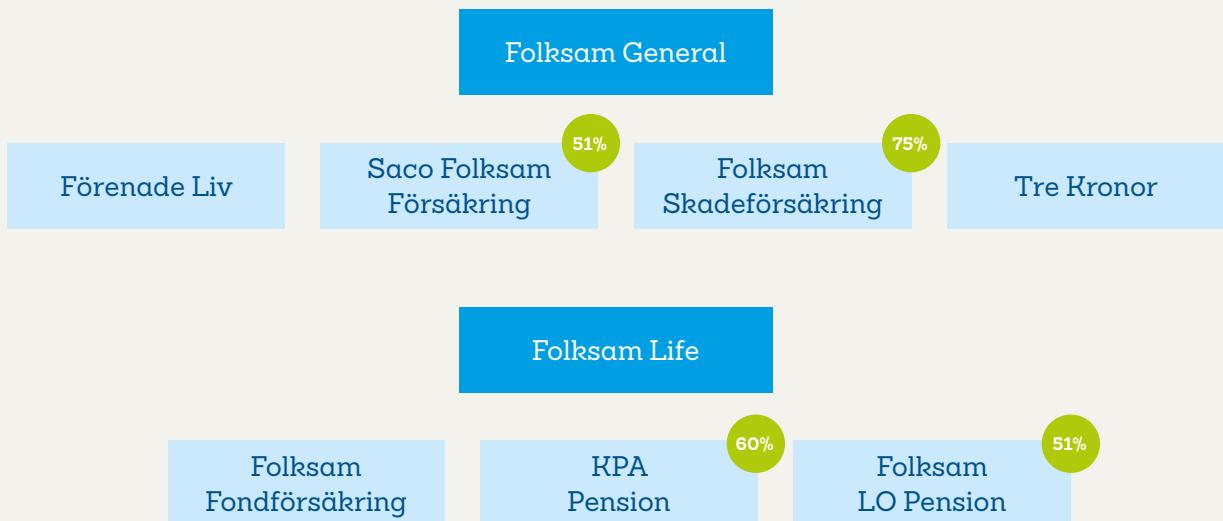
Our overriding objective

We should have the most satisfied customers in the insurance and savings industry.

Two business goals:

- **Satisfied customers:** Measured through the Folksam Customer Index (FCI).
- **Number of combination customers:** Measured by the number of households that have the combination of car insurance, household or home owner insurance and pension savings.

	Target 2015	Result 2015	Result 2014	Result 2013
FCI	79	78	79	78
Number of combination customers	134,500	132,376	113,919	111,486



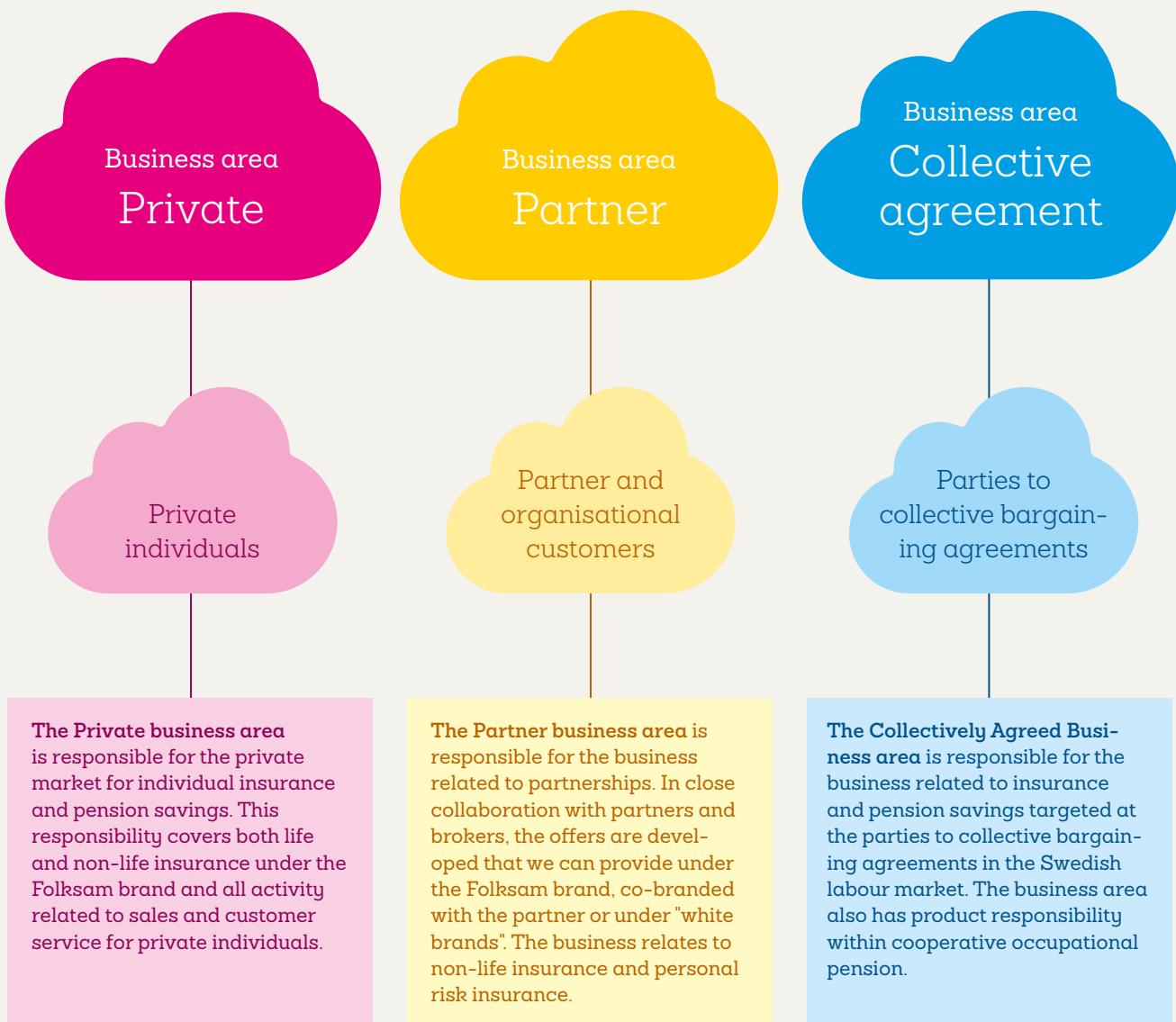
Folksam comprises the two parent companies Folksam ömsesidig sakförsäkring (Folksam General) and Folksam ömsesidig livförsäkring (Folksam Life) with subsidiaries. Two of the insurance business' subsidiaries in Folksam Life are part-owned. They are Folksam LO Pension, of which we own 51 per cent, and KPA Pension, of which we own 60 per cent. KPA Pension is a brand and joint name for KPA AB, KPA Pensionsförsäkring, KPA Livförsäkring, KPA Pensionsservice and KPA Pensionstjänst. Folksam General's Finnish subsidiary, Folksam Skadeförsäkring, is part-owned at 75 per cent. The subsidiary Förenade Liv is wholly owned.

The past year

- Folksam achieved its highest figure to date (23.5%) for appreciation of the brand.
- Folksam Liv has made changes in the traditional life insurance to ensure that our customers will experience continued and prosperous long-term development of their pension savings. Since 1 July, we have been applying different bonus interest rates for old and new capital.
- We notified our intention to incorporate the subsidiary company Förenade Liv's operations and insurance portfolio into Folksam, and to phase out the brand in the long term.
- Folksam and its subsidiaries was part of a consortium that acquired Ellevio (previously Fortum Distribution AB) with its electricity transmission business in Sweden.
- Based on the expansive strategy regarding property holdings, Folksam outsourced its property management during the year, built up a new organisation focused on asset management, and made initial property acquisitions.
- Folksam will become the new main sponsor of equestrianism as part of a long-term partnership with the Swedish Equestrian Federation, which will initially run for a period of five years from 1 January 2016.
- Folksam Life gathers together all occupational pension operations and distributes additional surplus to the portfolio involving defined contribution, traditional occupational pension within cooperative occupational pension. 315,000 customers will share SEK 800 million in extra bonus interest.
- Folksam tops the list of most sustainable brands in the insurance industry for the second year in a row, according to the Sustainable Brand Index. Once again, KPA Pension comes out on top in the pension industry and in the entire financial industry.
- Folksam's individual and group child insurance took first place in the Konsumenternas Försäkringsbyrå (Consumers' Insurance Bureau) comparison of child insurance policies. This is partly because Folksam launched a more extensive child insurance policy at the end of the year, with higher remuneration levels than before.
- Folksam is planning to distribute SEK 545 million (546) in bonus interest, as well as to grant premium exemptions at a value of SEK 207 million to a total of 2.5 million customers in 2016.

An organisation with the customer in focus

Folksam is organised into three business areas: Private, Partner and Collectively Agreed Business. The business areas are made up of ten insurance companies that are active under four brands.



Three reasons to choose Folksam



We are there for our customers

Folksam is a mutual – or a customer-owned – company. For us, the customer and owner are always one and the same. Therefore, we get involved in what is important for our customers. Instead of distributing the profit as dividends to shareholders, it goes back to the customers. This takes place in the form of a bonus, premium reductions or even better service, services and offers.



We take responsibility

Our operations, that fact that we are a mutual company and our size entail a responsibility. As a major player and investor, we have the opportunity to exert influence, have a long-term approach and contribute to sustainable development. We therefore do business that increases security for our customers at the same time that we safeguard people and the environment.



We are financially strong

Our financial strength gives us good conditions to develop attractive products for our customers. In particular, this has contributed to a good long-term return, among the highest in the industry, in our customers' pension savings. Both Folksam Life and the subsidiary KPA Pension have significantly more assets than are needed to pay out the guaranteed pensions.

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We are on the right track

In 2015, Folksam has worked across a broad front to become the pension savings and insurance company for the many. The market is undergoing a major transformation, but our goal of having the most satisfied customers in the industry remains.

Folksam and its subsidiaries can now put a stable 2015 behind us, despite changing and challenging times. We are continuing to reach new heights as regards appreciation on the market, i.e. both existing and potential customers' perception of our brand. As regards customer satisfaction, we are achieving the goals laid down within the Private and Partner business areas, although we have fallen a little short of the goal regarding Collectively agreed business.

We are retaining our position as the largest player on the market for life insurance and the third largest player on the non-life insurance market. 2015 was also the year in which we passed the total of SEK 50 billion in paid premiums for the first time. Size also entails economies of scale, which are helping us to create even more attractive products for our customers. And it is for our customers' sake that we are here.

Although Folksam is still financially strong, we are facing a number of challenges. Macroeconomic uncertainty, extensive rule changes, digitisation and sustainability issues are at the top of the agenda.

The global economy is still shaky and interest rates are still low. In particular this is having an impact on the slowing down of the Chinese economy, while the European banking sector is showing growing signs of anxiety.

At the same time, I am very pleased that we are finally operating under Solvency II, which has been our most important project and has required extensive work. Through these new regulations, we are now a more modern financial company compared to the situation before the start of the year. We are now approaching issues such as regulation for occupational pensions and the Insurance Distribution Directive (IDD) in the same enthusiastic manner.

Other prioritised projects, particularly in relation to IT, are also starting to produce visible results. For our customers, this includes digital claims handling and a new website that we are launching imminently. These are important elements when it comes to taking advantage of the opportunities that digitisation provides.

Our rapid rate of change and the numerous development projects in progress within Folksam mean that we are investing around a billion kronor a year in development, which represents a doubling of the development investments in the space of three years. This requires a great deal from our employees and a focus on delivery, productivity gains and economy.

Sustainability issues are the fourth challenge, where our size gives us every opportunity to do our bit. The fact is that climate change has a direct impact on our business. We act in a sustainable manner in relation to our customers, which involves having sound governance, clear strategies and targets, as well as proper organisation. This also includes issues such as damage and injury prevention, environmental and climate issues, being an attractive employer, as well as being a socially dedicated company and supporting principles such as the UN Global Compact and the Principles of Responsible Investment (PRI).

Each activity we focus on involves accepting responsibility for our customers. We have a great deal left to do, but we are doing many things right. Our focus on being the insurance company for the many and focusing on pension savings is right. Our focus on living up to the regulations and doing this to the benefit of our customers and our business is right. Our focus on modernising and daring to invest a billion kronor in technical development and regeneration is right. Our focus on building a brand and having the best products. In other words we are on the right track. And heading in the right direction.

When we sum up 2015, customers will again share in our bonus interest programme. For the financial year, we expect to distribute SEK 545 million to 2.5 million customers.

We are now continuing to approach the vision whereby our customers feel secure in a sustainable world – and our overall goal of having the industry's most satisfied customers remains. And we will carry on doing the things we have been doing for more than a hundred years. It is as modern and successful now as it was then.

Stockholm, March 2016



Jens Henriksson
President and CEO of Folksam
with its subsidiaries.



“We want our customers to feel secure in a sustainable world”

Five megatrends

There are a number of long-term trends in our world that affect us as a player in insurance and pension savings. Our challenge is not only to succeed in relating to them, but also to benefit from them in order to create opportunities for long-term, sustainable growth.

1 Digitisation

We live in a technological era that demands a digital presence, gives rise to new business models and facilitates new ways of selling and distributing services. More and more needs – at work and in free time – can be met using computers, smartphones and tablets. A person who wants to buy something will often look for and compare goods and services online, as well as accomplishing tasks and obtaining answers to questions regardless of time and place. Digitisation is placing ever higher demands on companies to be able to meet customer requirements and predict customer behaviours. On the other side of the equation are issues such as personal integrity and the vulnerability of large amounts of data.

2 Environment and climate threats

We live in a global world and economy where the ongoing climate changes affect everyone. Natural disasters and extreme weather conditions are occurring more often and even affect Sweden. If the emissions of greenhouse gases continue at the current rate, this will entail major challenges for the insurance industry, as climate-related costs are increasing and making it more and more expensive to obtain insurance. A warmer and damper climate can exacerbate mould damage to our homes, for example, while a higher sea level threatens coastal and waterfront homes.

3 Rules and regulations

The players within insurance and pension savings are affected by changes to laws and regulations as well as by voluntary regulations. New initiatives of various kinds are continually arising – both in Sweden and the EU. It is important to be able to adapt to new conditions on the market and to maintain proper order in order to maintain the authorities' and other stakeholders' trust in us. In addition to more compulsory rules and regulations such as Solvency II, the right of transfer and possible bans on commission, voluntary initiatives such as the UN's Global Compact, Principles for Responsible Investment (PRI) and Good Environmental Choice can all contribute to this.



4

Population and lifestyle changes

We are growing in number, living longer and living in cities to a greater extent. Lifestyle changes and social reforms, such as when the national health insurance system was changed in 2008, are accompanied by new needs for security. An higher average life expectancy means that we are healthy and active at higher ages. At the same time as we are working for a shorter part of our lives, the age of leaving working life is now the highest measured since the start of the 1980s. This places higher demands on the individual saving for his or her pension, at the same time as insurance companies must ensure that the pension funds last longer.

5

Macroeconomy and geopolitics

The global economic situation in 2015 was characterised by continued pessimism, with growing concern about developments in the Chinese economy, which is undergoing a transition from product manufacture and exporting to a focus on services and the domestic economy. At the same time, the US economy continued to develop positively, with falling unemployment and a first increase in the prime lending rate for almost ten years. In Europe, Greece was heading towards collapse, while Sweden was characterised by a significant borrowing and buying spree. The anticipated GDP growth in Europe over the next few years is modest, although we are witnessing signs of rising economic activity. For Sweden, the situation appears a little better, with expectations of higher GDP growth.

The geopolitical anxiety in the world is firing the uncertainty. Terrorism, the serious situation in Syria and the enormous wave of refugees is applying pressure on many countries and impacting on trade and the economy.

A changing market

The market for insurance and pension savings is greatly affected by digitisation, new technology and regulatory changes. At the same time, the current political and economic situation is generating uncertainty. For Folksam, the past year meant that we remained the largest player in life insurance and the third largest player in non-life insurance.

Altered rules and the entry of new players on the market are affecting the life and non-life insurance markets. At the same time, the macroeconomic situation, and the low interest rates in particular, have affected the conditions both for life and non-life insurance.

A growing market

In 2015, the total premiums within life and non-life insurance amounted to SEK 323 billion (304).

There are currently around 400 insurance companies in Sweden, although the market is dominated by a few large companies and corporate groups. In non-life insurance, the four largest players have just over 80 per cent of the market, while in life insurance the four largest have almost 50 per cent of the market. In Sweden, where there is a large occupational pension market, almost a third of total life insurance premiums are sold via middlemen, such as brokers and agents. On the European market, this proportion is substantially lower according to figures from the Swedish Insurance Federation.

Within savings, insurance is the most common form of savings for Swedish households. Of the households' assets of SEK 11,391 billion (10,487) at the end of 2015, insurance savings accounted for 40 per cent (41). Figures from Statistics Sweden (SCB) show that the total savings in occupational pensions amounted to SEK 2,502 billion (2,273) at the end of last year, of which traditional insurance accounted for 70 per cent and unit-linked insurance accounted for 30 per cent. Total savings in private insurance savings in turn amounted to SEK 971 billion (983), of which the majority (72 per cent) was in traditional Swedish insurance. Other forms of saving are bank, equity and unit-linked savings.

Competition from a new direction

Traditional insurance companies, especially within non-life insurance, are facing growing competition from players in other industries that offer customised options, for example in the form of mobile apps and continuous online support. It is principally new players and business models that are making advances as a consequence of technological developments, where opportunities arising out of the "Internet of Things", for example, are now one of the stronger trends. However, retailers such as ICA and Ikea, with far more customer contacts than traditional insurance companies, are also competing with their own insurance solutions for their customers. Since October, for example, ICA Banken's subsidiary ICA Försäkring has been offering non-life insurance.

On the life insurance side, traditional life insurance continues to be an attractive solution for pension savings. This led SEB, for example, to start offering new savings in traditional insurance from 2015. At the same time, both Folksam and Skandia introduced limits on deposits in traditional life insurance to promote its long-term perspective and prevent it from being used for short-term capital investments. In addition, the low interest rates are putting pressure on insurance companies and focusing on the viability of traditional life insurance, particularly among the supervisory authorities.

“The low interest rates have affected the conditions for life and non-life insurance”

A focus on regulations

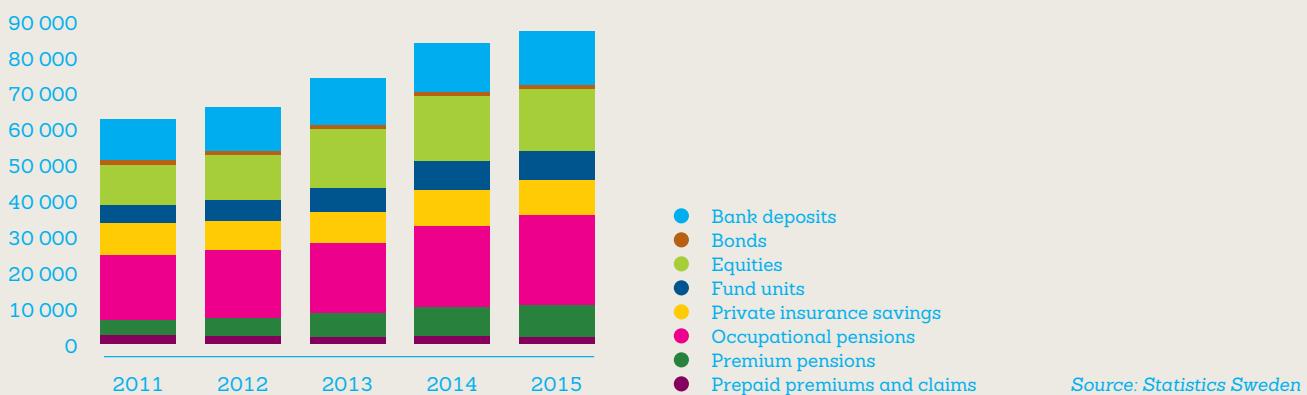
At the end of September, the Government submitted the “Implementation of the Solvency II Directive in the field of insurance” bill to Parliament. Among other things, this discusses Solvency II transition rules for companies conducting occupational pension operations, and these rules are endorsed by Folksam and KPA Pension. The bill was adopted in November, which means that, from 2016, the players can follow transition rules ahead of any new regulation of occupational pension companies (IORP2). At the same time, this means that they do not need to alter basic regulations more than once.

Against the background of the fact that the deduction right concerning private pension savings was reduced in 2015, and discontinued entirely from 2016, the industry players – both insurance companies and banks – have worked to notify customers about the change and to alter this form of saving. For example, Folksam launched a new flexible endowment insurance that does not have deductible savings, but is free from income tax when it is paid out. The banks primarily offer saving via investment savings accounts, which have demonstrated considerable growth.

A number of municipal occupational pension agreements have enjoyed free right of transfer for some time, which means that earned pension capital can be transferred from one insurance company to another. This has resulted in some transfers of occupational pension capital between insurers. In the wake of the ongoing discussions regarding consumer protection for the brokering of insurance and the proposed a ban on commissions, companies such as Länsförsäkringar and Skandia discontinued their “up-front” commissions during the year.

On 30 June 2015, a political agreement was reached at EU level regarding the Insurance Distribution Directive (IDD), which is intended to bring about increased customer benefit. The Directive includes detailed regulations that affect all distribution channels in our industry. For example, there are demands for higher standards when selling insurance products, processes for product approval, neutral compensation systems and a set number of hours of further training each year for employees in certain categories of insurance companies. The Directive does not include any ban on commissions, but hands the responsibility to the Member States to determine whether they want to introduce rules regarding a ban on commissions in connection with the distribution of insurance products.

Household financial savings by form of savings, 2011-2015



“In 2015, Folksam was still the largest life insurance company”

Largest in life insurance

According to the Swedish Insurance Federation's figures for 2015, Folksam is still the market leader within life insurance. At the same time, we reinforced third position within non-life insurance.

On the non-life insurance side, the total premium volume increased by 6 per cent (5). At year-end, Folksam had 16.3 per cent (16.3) of the total market of SEK 74 billion (70).

Within life insurance, Folksam's market share measured in paid-in premiums (new and old) amounted to 16.6 per cent (17.4). In total, paid-in premiums amounted to SEK 203 billion (181).

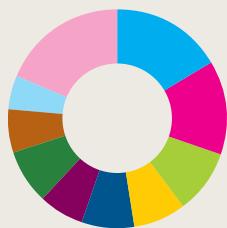
At the same time, this makes us one of Sweden's 30 largest companies and ten largest institutional investors. At the end of 2015, Folksam and its subsidiaries managed assets of SEK 368 billion. This can be compared with the insurance companies' total managed investments of SEK 4,008 billion (3,888) in 2015.

Non-life and personal insurance

The premiums earned increased for Folksam within all insurance lines, from household and home owner insurance to auto insurance. Sales and the number of insurance policies rose for Folksam, in part as a result of greater customer loyalty and continued focus on combination discounts. At year-end, 544,000 customers had insured both their home and their car with Folksam.

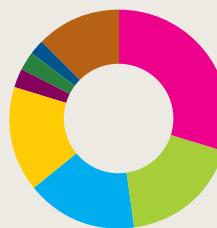
Within personal risk, the premium volume increased during the year. The number of people with private or employer-paid medical care insurance is continuing to increase. According to figures from the Swedish Insurance Federation, private medical care insurance increased by 6 per cent last year. This can also be seen from the sale of medical care insurance at Förenade Liv, which is Folksam's insurance provider.

Market share total life market, per cent



Folksam	16.6 (17.4)
Skandia	13.8 (15.5)
AMF	9.4 (9.4)
Nordea Liv	7.9 (7.9)
SEB Trygg Liv	7.7 (7.7)
Swedbank	6.8 (7.3)
Alecta	7.9 (7.1)
Avanza	6.4 (6.1)
Länsförsäkringar	5.0 (5.8)
Other	18.6 (16.9)

Market share non-life insurance, per cent



Länsförsäkringar	29.8 (30.3)
If	18.2 (18.4)
Folksam	16.3 (16.3)
Trygg-Hansa	15.4 (15.7)
Moderna	2.9 (3.1)
Dina federationen	2.6 (2.6)
Captivebolag	2.3 (2.4)
Others	12.4 (11.1)

Pension savings

Folksam's premium volumes in traditional insurance continued to grow during the first half of the year, until we introduced a number of limits in order to safeguard the product's long-term perspective and put an end to short-term investments. The primary measures were to have different bonus interest rates for new and old capital as well as to change the guarantee. During the second half of the year, we were able to witness the desired effects in the form of single premiums starting to fall and an increase in continuous deposits. In this way, we are increasing the long-term security for our pension savings customers.

Premium payments from pension savers in unit-linked insurance have also increased in the past five years as a result of the efforts we have made on the broker market and collective agreement occupational pension. An improved fund offering to the customers is another important success factor for the continued growth. The total unit-linked insurance assets in the four companies amounted to SEK 111 billion (100) at year-end.

Collectively agreed pension from the employer accounts for a significant portion of Folksam's total premium volume, primarily through KPA Pension. Since 2013, KPA Pension, Folksam or Folksam LO Pension can be selected as the manager of the contractual pension in all agreement areas. Within Folksam, there is also a continued development of the offering for the individual occupational pension market, i.e. occupational pensions from employers who do not have collective agreements.

During the year, Folksam began to apply the Sustainability Profile, which is a new standard for funds' sustainability information. Swesif, the industry forum for sustainable investments which includes around 40 finance companies, has developed this information standard for sustainability work within fund management.

Through the Sustainability Profile, customers can compare different funds and make conscious choices, at the same time as fund managers are expected to be open about how they work with sustainability and what demands they in turn place on the companies in their portfolios.



Insurance and pension savings in 2015

Insurance can, at a low cost, provide individuals and companies with financial protection in the event anything should happen. For this reason, insurance and pension savings are important in the economy. A few facts about insurance and pension savings in 2015:

- 95 per cent of Swedish households have home insurance. Just over 4.8 million (4.8) household and home owner insurance policies were taken out.
- There were 271,000 boat insurance policies and 576,000 holiday home insurance policies.
- In total, 865,000 instances of damage and injuries were reported to insurance companies. All-risk (damage to loose property through a sudden or unforeseen event)

is the most commonly reported type of damage. There were 822,000 claims (790,000) from household and home owner, holiday home and boat insurance.

- The vast majority of employees have occupational pension insurance.
- The number of people with private or employer-paid medical care insurance increased by around 35,000 in 2015. At year-end, the total number of medical care insurance policies stood at 648,000, corresponding to earned premiums of just over SEK 2.7 billion. Growth in this insurance line is 33 per cent (quantity) in the past five years.

Source: Swedish Insurance Federation

Our customers should feel secure in a sustainable world



Our responsibility is based on our vision, the fact that our customers are our owners and that sustainability is a good deal. As Sweden's largest company in insurance and pension savings, we have good potential to influence and contribute to sustainable development. In this way, we are able to approach the vision of customers feeling secure in a sustainable world.



Responsible ownership

We manage SEK 368 billion, which we invest in fixed-income instruments, shares and properties, for example. However, we stipulate requirements as regards what we invest in. All of our managed assets are subject to criteria concerning the environment, human rights and anti-corruption, and we work to influence customers to conduct more sustainable operations.



Environment and climate

The environment and climate issue are central for Folksam. It will become increasingly expensive to obtain insurance in the future unless we all help to slow up climate change. We have considerable potential to exert influence and to stipulate high environmental demands. Our car, home and holiday home insurance products are Good Environmental Choice labelled. This means, for example, that we renovate houses with sustainable materials, buy and recycle spare parts for cars and require that the customer's replacement vehicle must be environmentally adapted.



Damage and injury prevention

We can do a great deal to prevent damage and injury and help our customers to make the right choices, to think ahead and to prevent accidents from happening. In this way, they are simultaneously contributing to lower claims expenses. We are working to increase road safety, we are cooperating with the sports movement to reduce sports injuries, and we are conducting a range of different tests and providing damage and injury prevention advice.



Social responsibility

Society's challenges are also Folksam's. In order to promote both our own business and positive social development, we get involved in various issues, collaborations, partnerships and sponsorship, particularly within sport.



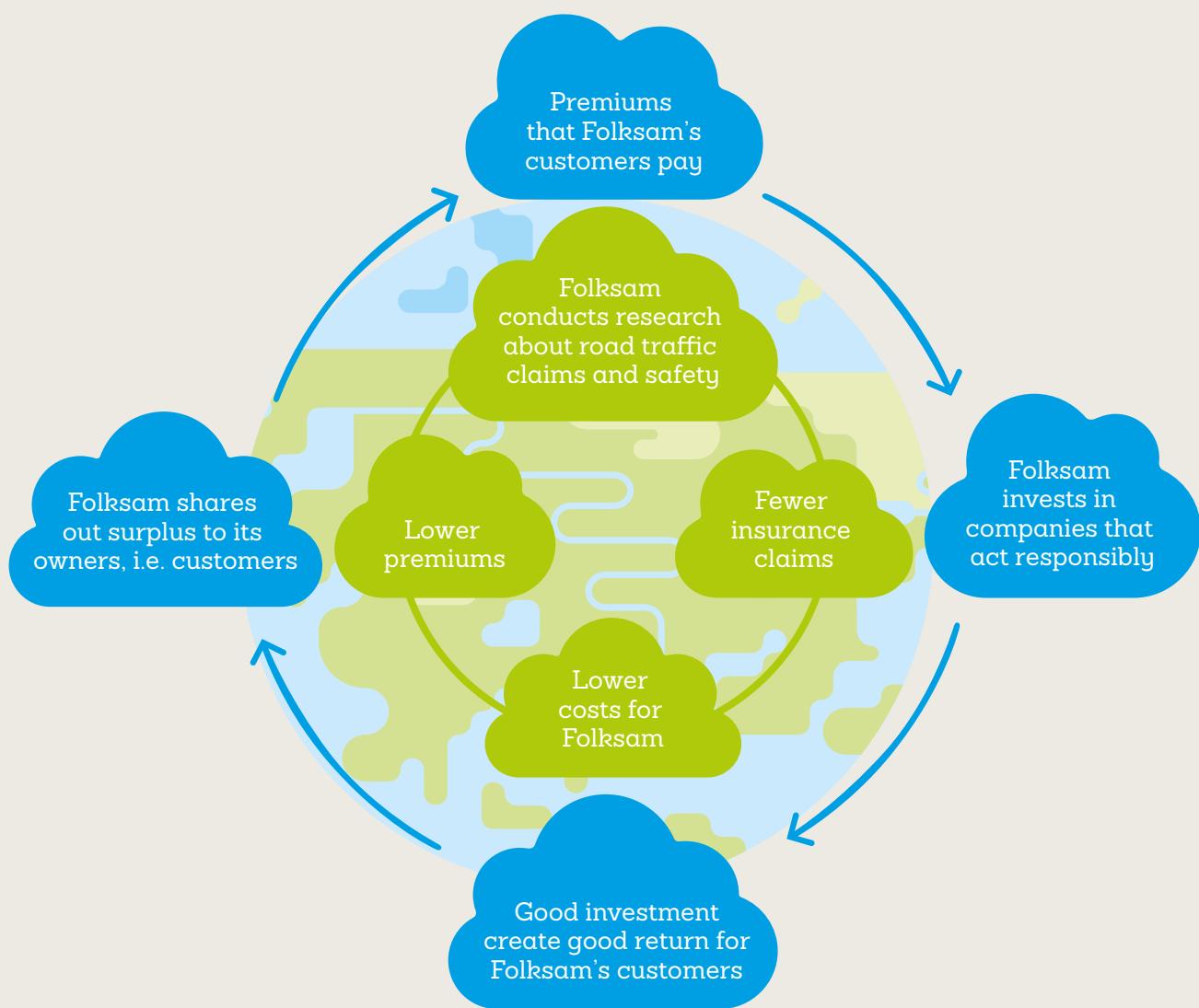
Financial strength

Folksam, with its subsidiaries, is Sweden's largest player within insurance and pension savings. Our financial strengths gives us the potential to exert influence, the conditions to develop attractive products for our customers and to create good return on their pension savings.

A sustainable business

Our responsibility is to provide security for customers with our solutions within non-life and personal insurance as well as pension savings. The fact that we are customer-owned contributes to a long-term perspective in our operations.

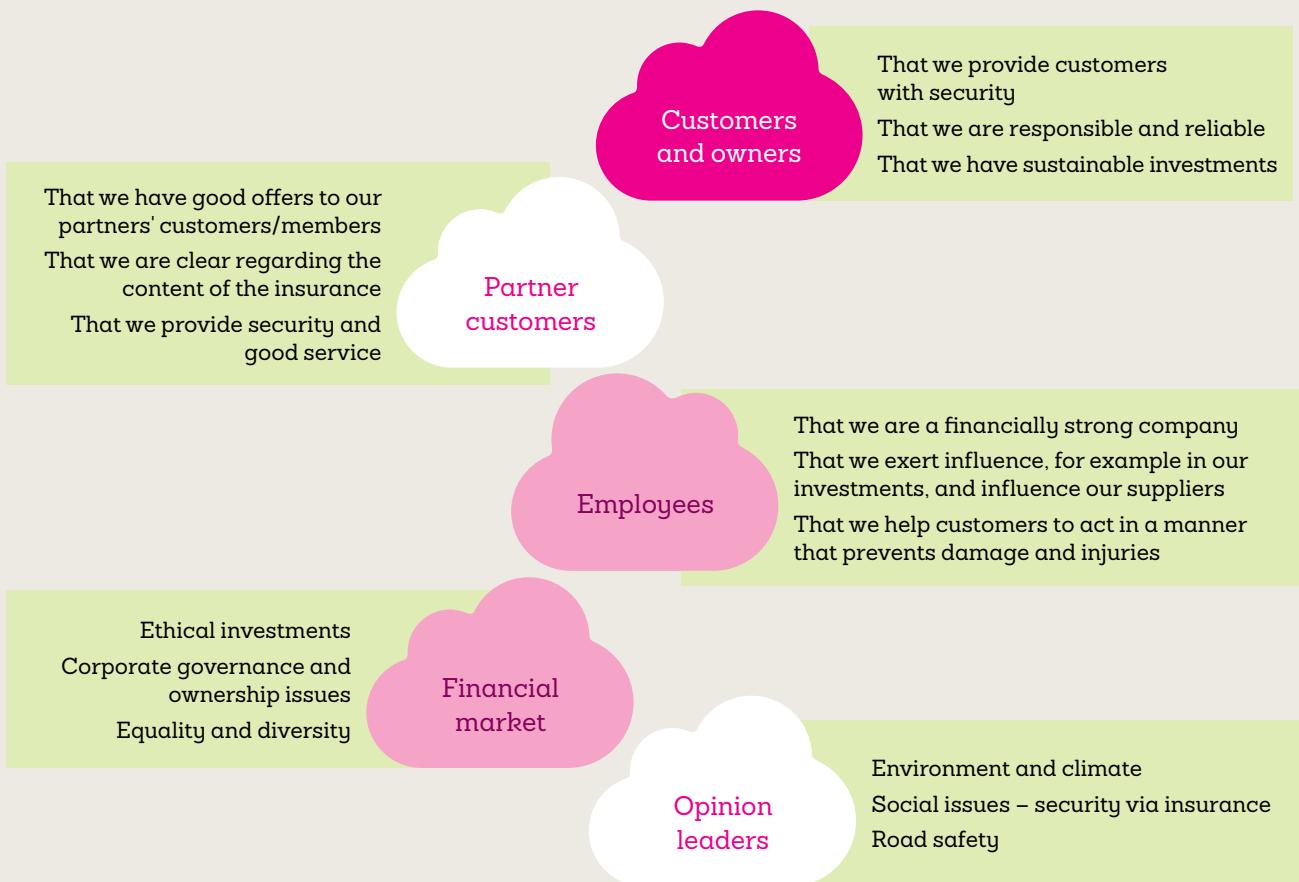
By working with damage and injury prevention in relation to natural causes, road traffic claims and sports injuries, for example, we can reduce the instances of damage and injury. This reduces claims expenses, which benefits customers in the form of lower insurance premiums.



Our main stakeholders and their most important issues

Collating the wishes and requirements of our customers and other important stakeholders is a precondition for being able to do our job in the best possible way and focus on the most important issues. We continually perform

surveys and conduct a dialogue with our five primary stakeholder groups, for example asking them what sustainability-related issues are important to them and what they think about Folksam's sustainability work.



Our sustainability policy

Based on our own view and our dialogues with stakeholders, we have formulated a sustainability policy in which we establish what sustainability means to Folksam and identify three main areas for our sustainability work. These are the areas where our operation has the greatest impact as regards sustainability.

Contacts with customers and the outside world

We will work to encourage our customers' and society's involvement in preventing injury to people and animals, and in preventing damage to property and nature. We will show great respect for our customers' differences.

Offering and asset management

The content of our insurance policies and our offering within pension savings will be targeted at sustainability. In claims adjustment, we will adopt a long-term, sustainable and efficient approach. We will invest our customers' money both profitably and sustainably.

Own operations

We will practise what we preach by ensuring that employees, travel and offices clearly reflect our ambition as leaders in the transition towards sustainability.

Vision and strategy

We work so that our customers will feel secure in a sustainable world and be the most satisfied in the insurance and pension savings industry. This requires us to continually streamline, consolidate and modernise our operation.

Our vision

To be our customers' company, offering popular insurance policies and pension investments that provide security.

Our job is to provide security to our customers in every phase of life. With us, customers can insure themselves, their loved ones and their property and save for their pension. In this way, we are creating security in society in general. We get involved in what our customers care about and therefore promote sustainable development, mainly within the scope of responsible investments, traffic and the environment.

Our business concept

To have the most satisfied customers in the insurance and pension savings industry.

Our values

Folksam's values are that we must be *personal, committed* and *responsible*. These values guide us in our work to achieve the established goals. We are:

- *Personal* by showing consideration, conducting a dialogue and working on the basis of the customer.
- *Committed* by being active and taking the initiative for the customer, as well as by seeing opportunities and being solution oriented.
- *Responsible* by being reliable, knowledgeable and employing a long-term approach.

Our overriding objective

To have the most satisfied customers in the insurance and pension savings industry.

This is a given objective for us since it is our customers who own Folksam, and we can therefore focus solely on generating the greatest possible value for them.

“Our customers should feel secure in a sustainable world”

Our goal structure

We measure our overriding objective by combining two business targets: “Satisfied customers” (Folksam Customer Index, FCI) and “Number of full combination customers” (number of customers who have the combination of car insurance, household or home owner insurance and pension savings with us).

Our recurring customer survey FCI provides us with customer insights, identifies our strengths and weaknesses and shows how we fulfil our customer targets. We have working groups that interpret and analyse how things are going every quarter, as well as identifying areas of improvement for our business plans.

Our goal of increasing the number of full combination customers entails both advantages and opportunities for us. Of our more than four million customers, we still only class a small portion as full combination customers, i.e. those who have home and car insurance and pension savings with us. With so many customer relationships, we can concentrate on developing these rather than seeking new customers. The better the relationship we have with each customer, the longer they stay with us (see figure page 49).

We break down our overall objective and the two business goals into five different target areas:

- **Financial stability** covers goals regarding risk in a long-term perspective and supervisory requirements for capital strength. At the same time, the financial targets indicate restrictions and provide frameworks within which the overall objectives can be achieved.
- **Volume** comprises targets regarding premium volumes in relation to the market and cash flow.
- **Customer benefit** comprises targets relating to our customer and claims management.
- **Competitiveness** covers targets that measure our ability to achieve relative advantages over our competitors.
- **Attractive workplace** comprises targets among existing and potential employees.

Based on these targets and target areas, the respective business area/unit lays down goals that are broken down all the way to targets for each individual employee.

	Target 2015	Result 2015	Result 2014	Result 2013
FCI	79	78	79	78
Number of combination customers	134,500	132,376	113,919	111,486

Our aim and level of ambition

With just over four million customers, almost half of all Swedes are our customers. Many of them come to us through collaborations with union organisations and other partners. This is a starting point for our strategic work. It means above all that our focus is to develop relationships with existing customers rather than seeking new customers.

We have specified the strategic aim in order to approach our goals in the following manner.

We want:

- to be the insurance company of the whole of Sweden
- to have many customers
- to reach large customer groups through parties to collective agreement and partners
- to cultivate the customer relationships so that the customers become combination customers
- to make every customer satisfied
- the customers to like Folksam.



Our foremost assets

- 1 Around 4 million customer relationships
- 2 Cooperation with organisations and other partners
- 3 Customer focus and long-term perspective (mutuality)

Our main strategic areas

The path to our goals – and our vision – involves streamlining, consolidation and modernisation. Our strategic work currently focuses on the following areas:

1. Proper order
2. Infrastructure
3. Professionalism

1. Proper order

Our business and organisation must be characterised at all times by proper order. We must have clear, effective and risk-based governance as well as good internal control. Proper order is required to safeguard our customers' and owners' security, maintain confidence among authorities and other stakeholders, and to be able to increase business benefit.

2. Infrastructure

Our operations must be modern, efficient and consolidated in terms of infrastructure, processes, expertise and information support. The operations Folksam conducts are based on access to various kinds of information. To make the handling of the information more efficient, it needs to be digital. Our customers expect good digital presence and simple digital self-service. This requires us to have information support and the skills to support this.

3. Professionalism

As a modern financial company, Folksam must be run professionally. Our operation must always think and act based on the customer's needs. Our offerings must satisfy needs that are shared by many and the customer must find it easy to work with us.

Below we describe the most important strategic activities that extend over all of Folksam and its subsidiaries. We also work with a number of strategic projects that do not cover the entire Group.

Main strategic area	Implementation 2015	Work 2016
Proper order		
Solvency II Creation of a uniform European insurance market with better protection for the policyholders.	<ul style="list-style-type: none"> Participation in the preparatory reporting to the Swedish Financial Supervisory Authority. Continued development of processes and systems. Remaining internal regulations and organisational changes. 	<ul style="list-style-type: none"> Develop remaining supervision reports. Hand over reporting from project to line.
Infrastructure		
Digital transactions A more customer-friendly and efficient digital presence. Make it easier for the customers to review their insurance needs, buy and manage insurance policies and contact us.	<ul style="list-style-type: none"> New technical platform for digital transactions in new, cloud-based operating environment. New tab "My letters" under "My pages" which shows stored documents. Integration solution for supporting advice contacts. 	<ul style="list-style-type: none"> Transfer of folksam.se, the broker web and Tre Kronor to new technical platforms. Supply functions to the Customer benefit project.
Improved claims handling Greater customer benefit through effective IT support for the business. The objective is optimised claims handling, more direct adjustment and automation.	<ul style="list-style-type: none"> New payment solution, automation of car glass claims, upgrading of the motor processes. Potential to directly adjust for bicycle thefts, baggage delays and stolen mobile phones. New system primarily for fraud cases. 	<ul style="list-style-type: none"> Upgrading of the technical platform. Development of direct adjustment for cat, dog and horse insurance policies.
People and environments An attractive workplace with well-known and competitive offerings for present and future employees, as well as a well-functioning interplay between people, the environment and technology.	<ul style="list-style-type: none"> Skills relocation within prioritised operations. Continued introduction of activity-based ways of working. Process description produced for termination of employment. 	<ul style="list-style-type: none"> Introduce learning for effective skills provision. Develop concept and management model for Folksam's environments. Implement sickness absence analyses and targeted initiatives.
Organisational consolidation Secure an effective and customer-adapted organisation.	<ul style="list-style-type: none"> Declaration of intent regarding incorporating Förenade Liv into Folksam. New strategy for commercial business. New organisation within properties. 	<ul style="list-style-type: none"> Continued review and implementation of decisions on organisational changes.
Professionalism		
Customer development Increase the commitment of current customers and increase the number of full combination customers with both life and non-life insurance.	<ul style="list-style-type: none"> Commenced work on updating the customer development strategy. Increased CRM expertise regarding the customer development strategy. Decision on new sales and service strategy. Increased accessibility by phone. 	<ul style="list-style-type: none"> Launch the new product Pension security. Simplify online purchases of life insurance and pension savings products. Introduce new customer development strategy.
Insurance documents Develop Folksam's insurance documents for end customers, both as regards communications and systems.	<ul style="list-style-type: none"> Launched new documents for car, home and group products for end customers. Further developed Folksam's central printout system. Adapted insurance system. 	<ul style="list-style-type: none"> Continued launch of new documents for remaining products to end customer. Transfer of documents to Folksam's new central printout system. Adaptation of more insurance systems.

Environmental gains through reuse

"Many customers tell us that they are incredibly grateful that we are working to counteract the 'disposable' society,'" says Mattias Wallman, Business Development Manager at Folksam.

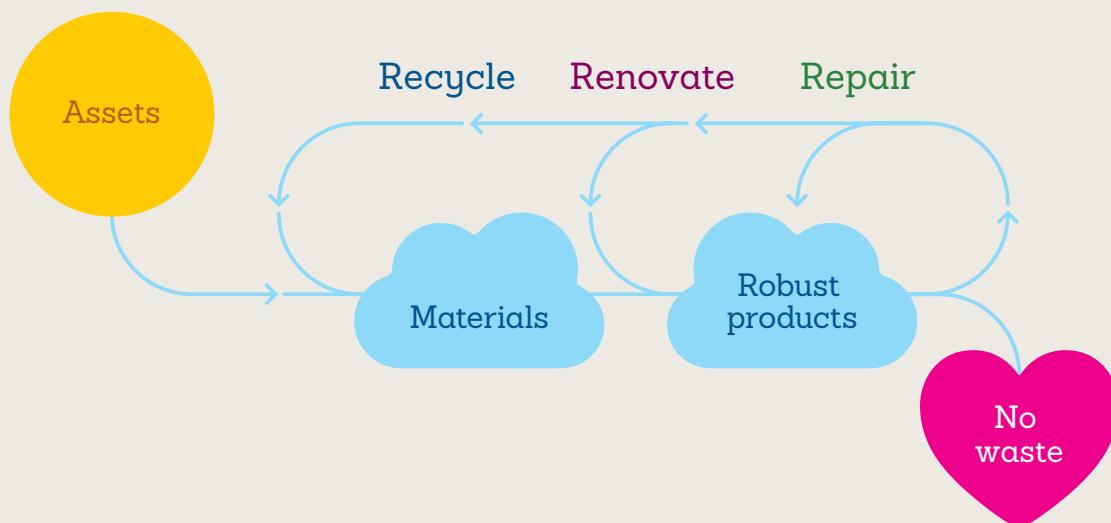
He is referring to the pilot project that Folksam introduced in 2015 with the environmental technology company Godsinlösen, which is being rolled out in full scale during 2016. Within this project, the parties have made it possible for Folksam's insurance customers to submit broken or damaged telephones, computers or tablets and have them repaired at the cost of the excess. In cases where the product cannot be repaired, it is recycled and compensation is paid out to the customer. The benefits are reduced carbon dioxide emissions and lower claims expenses.

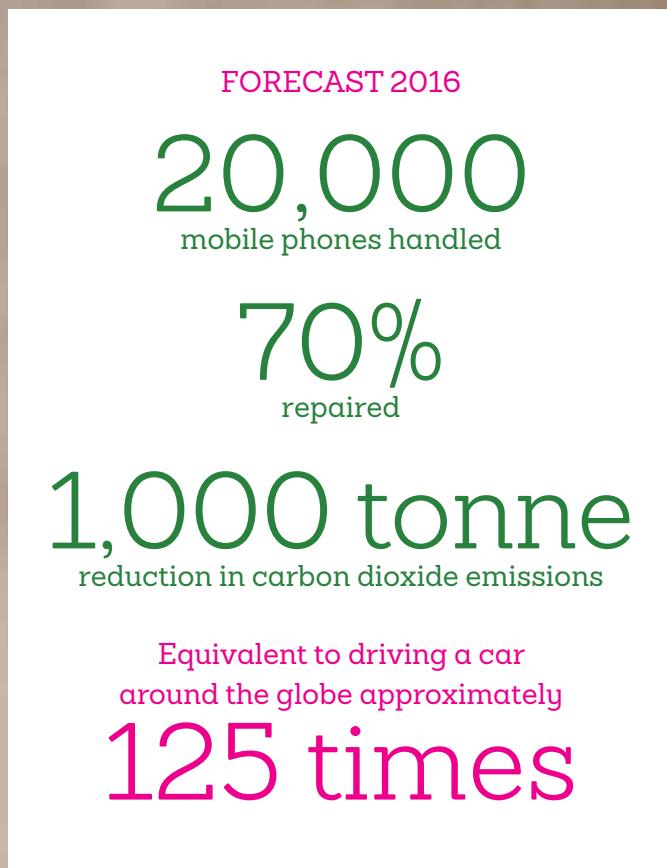
This example shows the benefits of the circular economy, where the aim is not only to recycle, but also to repair and reuse. This generates value for the customer, Godsinlösen and Folksam – and above all reduces the impact on the environment in the form of lower carbon dioxide emissions.

"This is not just a matter of generosity, but also of recovering values that reduce the impact on our environment through smart reuse. When we describe our new way of working and explain why we need a contribution from the customer, the vast majority of customers are happy to be able to contribute to a better environment," says Mattias Wallman.

In the long run, this work will also contribute to lower insurance premiums for customers.

"We are extremely pleased with Folksam's involvement and pioneering spirit – the reason we are now a rapidly growing environmental technology company that has been able to offer many new job opportunities within this fairly new area. Through innovation regarding claims adjustment, we are demonstrating that everyone can draw benefits, both for the environment and for finances. We are now continuing in our efforts to provide both the environment and our customers with the greatest possible benefit," says Patrik Zalewski, Deputy CEO at Godsinlösen.





FORECAST 2016

20,000
mobile phones handled

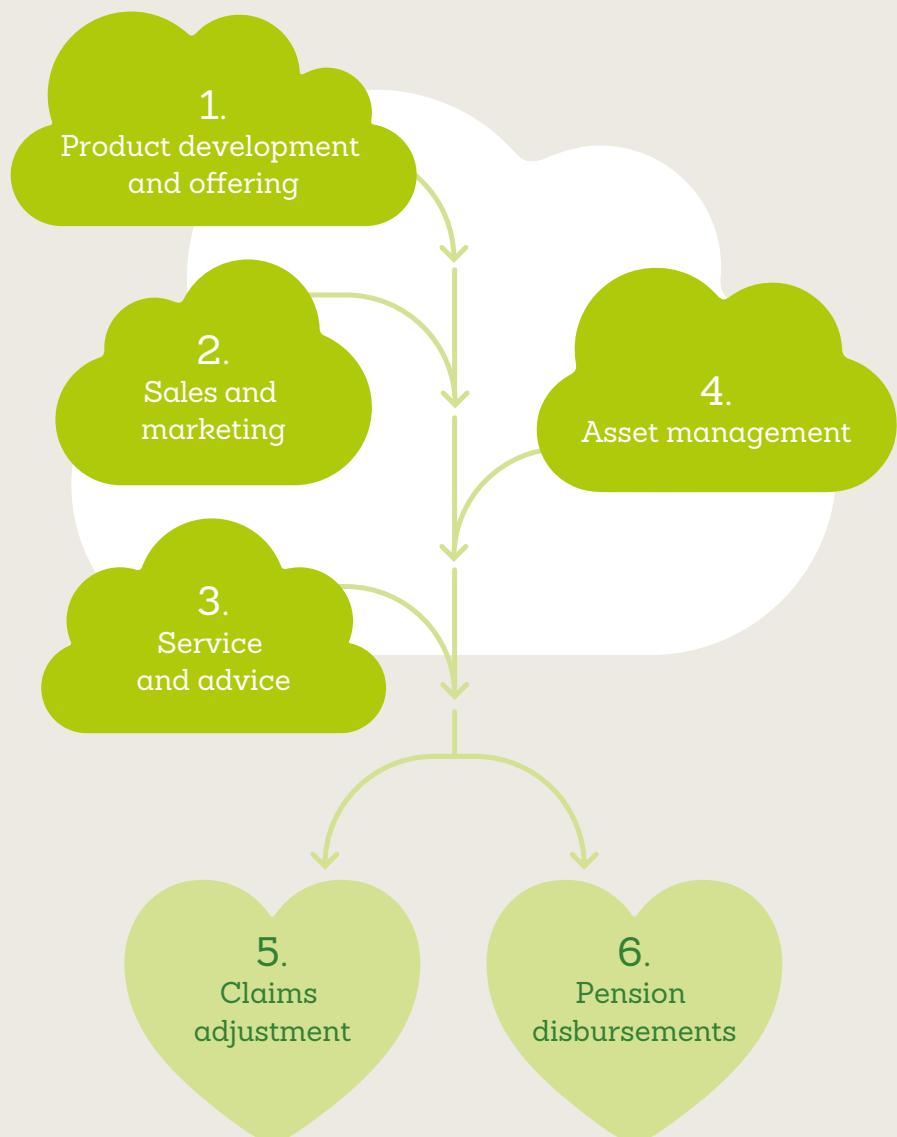
70%
repaired

1,000 tonne
reduction in carbon dioxide emissions

Equivalent to driving a car
around the globe approximately

125 times

Value for customers at every stage





“We aim to have the insurance and pension savings industry's most satisfied customers”

1. Product development and offerings

We offer products that provide protection for various events and contribute to our customer's security through the various phases of life. The customers should perceive our products as easy to understand, easy to relate to and important.

We are developing our offering in line with changing customer needs. We want our products to be among the top three in neutral and credible product comparisons.

2. Sales and marketing

We know that our customer contacts affect customer satisfaction. In sales contexts, we should work on the basis of each customer's individual needs, always provide information about possible alternatives and never convince a customer to purchase something they do not need. Folksam's ethical rules guide us in our daily work.

3. Service and advice

It should be easy to get in touch with us. This means that we have to be present in the channels where customers want to meet us, and that they get answers within a reasonable amount of time.

We provide needs-adapted consultancy in addition to advice on what can be done to avoid damage and injury, for example in connection with fires and burglaries, as well as within pension savings. For customers who do not have Swedish as their mother tongue, we offer customer service in 19 different languages, including sign language.

4. Asset management

Our management of our customers' money will promote long-term security based on return and sustainable development. In order to achieve good risk diversification, we distribute our investments over various kinds of assets and markets. We also have investment guidelines and work with owner governance within the framework of our investments.

5. Claims adjustment

Our claims adjustment contributes to our customers' security and makes the situation they are in easier. As a major player, we also have considerable potential to exert an influence. For example, re-using and repairing instead of buying new does not just represent a gain for the environment, but is also a good deal for us and our customers. We renovate houses with good and sustainable materials, buy and recycle spare parts on damaged vehicles and when the customer gets a rental car, it must maintain a high safety and environmental standard.

6. Pension disbursements

Pension savings are a long way in the future for many people. To be able to keep our promises, and in order for customers who save for their pension to feel satisfied when the pension begins to be paid out, we must have proper order in our operations. Throughout the entire saving period, we must generate as good and secure a return as possible for the customers who save with us for their pensions.



On the following pages, we set out our business and our strategies. We describe Folksam's and its subsidiaries' operations and present what we have achieved in 2015.

- ❖ Our contact with the customer and the outside world
- ❖ Our offering and asset management
- ❖ Our own operations

Our contact with the customer and the outside world

Everything we do should contribute to our overriding objective of having the industry's most satisfied customers. We know that the customers who have been in contact with us are more satisfied than those who have not. Of the customers who have had contact with our customer service or filed a claim, nine out of ten say that they are satisfied.



Nine out of ten are satisfied

Satisfied customers are our primary aim

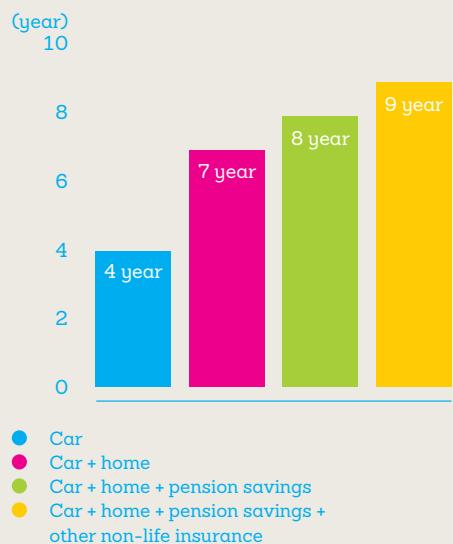
Folksam's brand currently enjoys a high level of appreciation on the market, both in comparison with competitors and our own previous results.

In our surveys of customer satisfaction, we have recorded a positive trend for many years. In 2015, customer satisfaction stood at 78 per cent, which is a high level, admittedly, but did not represent an increase. Some of the areas of improvement we are working with, which we have identified as important for customers, relate to proactive customer communication and an updated strategy for customer development. We measure this perception using the Folksam Customer Index (FCI). We ask every category of customer (private customers, partners, employers) what they like about us and what we do. This includes how they perceive the information they receive from us, our service, our products and our personal treatment.

We first have to earn satisfied customers, in order subsequently to strengthen customer relations and achieve combination customers. The fact that our customers are satisfied is most clearly seen in our measurements in conjunction with them having been in contact with us. Nine out of ten customers who have filed a claim or have been in contact with our customer service are satisfied. We therefore work to continually find new points of contact with our customers. The Internet is particularly important in this respect, as are combination discounts, bonus interest and accessibility in general.

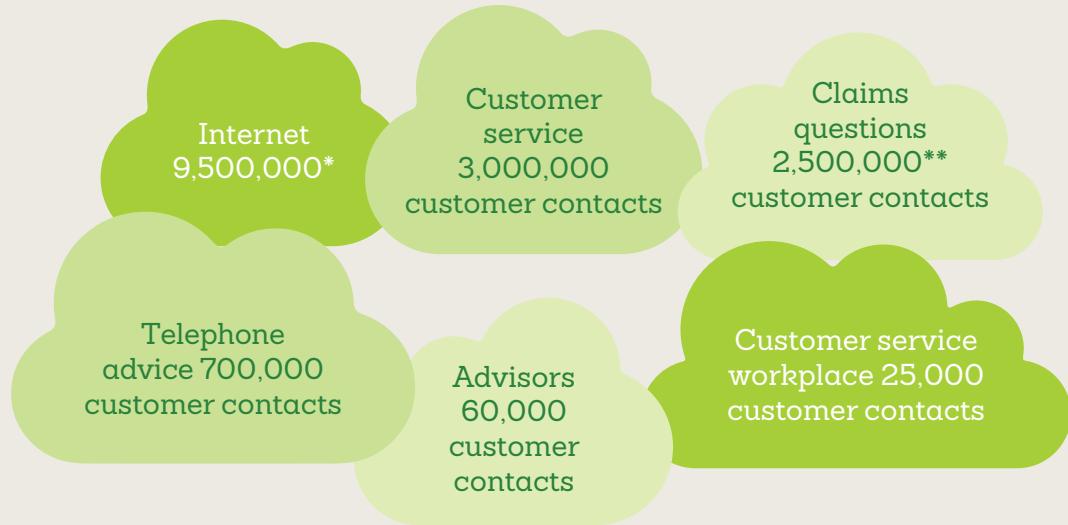
KPA Pension's brand has also been strengthened and is the best-known brand in its market. Customer satisfaction among municipalities and municipal companies is at roughly the same level as last year.

Customers with multiple insurance policies stay longer



We meet customers wherever they are

The starting point for us is to meet our customers where they themselves want to be met. However, it is also important for us to be able to conduct a direct dialogue with the customers – by telephone or in face-to-face meetings – because it is then that we really generate customer values through need-governed advice. The figures showing the number of customer contacts are approximate.



* Of which 3,000,000 mobile

** Generated 990,000 claims cases



When the customer is dissatisfied

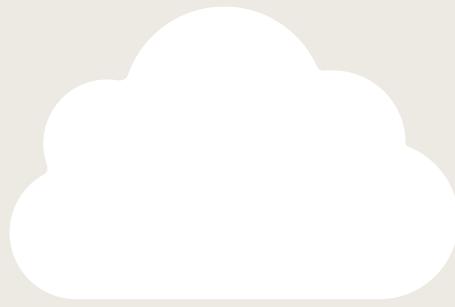
In 2015, we had well in excess of 10 million customer contacts and handled around a million claims. This naturally means that misunderstandings or dissatisfaction sometimes occur. For example, customers may feel they received too little compensation or that a claim was not handled according to the customer's expectations. The customer can then file a complaint.

Our aim is to have clear procedures for handling complaints, and to make use of the knowledge we acquire through these contacts in order continually to improve our own operation. Good complaint handling provides us with the potential to capture problems, do something about them and ensure that the customer is satisfied. In 2015, we registered around 3,600 (3,300) complaints for the whole of Folksam.

Customer Ombudsman and disputes

If the customer should still be dissatisfied with the handling of the case, we have a customer ombudsman whose main task is to offer an impartial review of our decision. This function has existed within Folksam for almost 50 years, is independent of Folksam's company management and is answerable only to Folksam's AGMs. In 2015, almost 9,000 customers consulted with the customer ombudsman, of which 1,400 became cases. Of these, 19 per cent led to some form of change in the customer's favour.

	2015	2014	2013
Number of claims	1,001,000	935,000	870,000
Number of case received by the Customer Ombudsman	1,394	1,306	1,300
Percentage of changes in the customer's favour	19	21	21
Number of cases to ARN	80	122	115
Percentage of changes in the customer's favour	0	5	3
Number of cases to court	110	152	114



Contact with the outside world

We do not only meet customers in our day-to-day work, but also a range of players who are affected in one way or another by our operations. These include stakeholders who help our operation to progress in various ways, and as an active player in society, we also aim to strengthen other stakeholders and groups. This is often a case of promoting good social development. These contacts can involve everything from collaborations of a one-off nature to more in-depth partnerships.

Folksam has long been active in various organisations, both national and international. Through them we can gain new knowledge and information that we can use and share. This can include networks and groups in respect of mutuality issues, the industry in general, road safety research, owner governance, the environment, human rights and education. For a more comprehensive description of these commitments, please feel free to visit folksam.se.

We have become affiliated to a number of international agreements, frameworks and certifications, which help us to maintain a high standard in our operation. Examples include:

International agreements and frameworks

UN Principles for Responsible Investment (PRI)

UN Global Compact

UN Environment Programme Finance Initiative, UNEP FI

Global Reporting Initiative, GRI

ISO 26000:2012

The Montreal Carbon Pledge

Certifications

Good Environmental Choice

Research foundation

Folksam has a research foundation, the purpose of which is to promote prevention of accidents and disease, rehabilitation and health-promoting scientific research through its own activity or through financial grants. The foundation is primarily intended to provide research grants in the areas of road safety, health and the environment. In 2015, 51 applications for research grants were received, of which six were awarded grants:

Shared values

On pages 22-23, 34-35 and 50-51, we describe how Folksam, in cooperation with other players and through various initiatives, creates long-term values for customers, partners and ourselves.



[Read more at folksam.se](http://folksam.se)

Our sponsorship collaborations

We want our sponsorship to contribute to the appreciation of our brand and to provide us with opportunities to create and strengthen long-term relationships with existing and future customers and partners. The things we sponsor must have a broad popular base and not be unethical or contribute to negative environmental impact.

Sports sponsorship

As the insurance company for sports, sporting sponsorship is important to Folksam. The objective is to build the brand by supporting both elite and exercise sports as well as creating and strengthening long-term relationships with Swedish sports.

Our sponsorship collaborations within sports are:

- Swedish Basketball Federation
- Swedish Athletic Association
- Swedish Equestrian Federation
- Swedish Football Association
- Paraspot and sport for the deaf
- Swedish Innebandy Federation
- Ledar Camp
- O-Ringen
- Swedish Ski Association
- Vasaloppet
- Vikingarännet

Human and social sponsorship

In the field of human and social sponsorship, we have conducted a far-reaching collaboration for many years with We Effect (formerly Swedish Cooperative Centre). This is an aid organisation that works to provide poor and vulnerable people with a better life. Staff have the option of donating part of their pay to the organisation through deductions from their salary. The amount the employees contribute is doubled by Folksam. In 2015, Folksam also made a Christmas donation of SEK 100,000, as well as making an additional contribution that was earmarked for the ongoing refugee crisis resulting from the war in Syria. Our total collection for We Effect amounted to around SEK 1.5 million in 2015.



“Our sponsorship should contribute to the appreciation of our brand”



Folksam contributes to sustainable sports activities

Folksam's heart beats for sports, and so supporting both elite level sport and exercise sports is only natural for us. Through the Knäkontroll (Knee Control) project and the Spelklar (Ready to Play) service, we can help sportsmen and women, whatever their level, to avoid injury and get back into training more quickly following an injury.

Players in clubs that are affiliated to the Swedish Football Association are automatically covered by accident insurance with Folksam that applies during training and matches. At the same time, players, managers and parents have access to the free advice service, Spelklar. You can call the service to obtain advice in the event of problems or injuries that arise in conjunction with footballing activities. Fifteen year-old Hampus and his father Emil Pettersen are among those who have had cause to contact Spelklar. Hampus plays football for Ytterby IS and burst his eardrum in a tackle.

"Ytterby Office advised me to call Spelklar. Everything was sorted out with one call. Hampus and I are extremely satisfied with Spelklar," says Emil Pettersen.

The service is a collaboration between the Swedish Football Association and Folksam, and the advice is provided by licensed physiotherapists at Aleris, all of whom possess specialist knowledge regarding football-related problems.

The Knäkontroll app is in turn a collaboration between Folksam, the Swedish Football Association and SISU, and is intended to create movement patterns that provide good knee control from an early age. Every year, many young people suffer serious knee injuries that cause suffering and cost a great deal of money. The app is free and contains more than 30 filmed exercises that are easy to carry out.

In a study that forms part of the project, it emerges that this simple training programme significantly reduces the risk of serious injuries.

"In the group that followed the exercises, the risk of injury fell by 64 per cent," says Markus Waldén, orthopaedic doctor and jointly responsible in the research study.

Since it was launched in 2012, the app has been downloaded around 100,000 times.



“In the group that followed the exercises, the risk of injury fell by 64 per cent”

Our offering and asset management

We offer pension savings, personal risk and non-life insurance under four brands and ten companies, with a focus on the Swedish market. Our task is to meet the needs shared by many people and is characterised by high quality.



We provide security for our customers

Our products should both provide security to our customers and make them feel secure. These two needs often coincide, but not always. Liability insurance, for example, is a product that few customers request when they buy insurance, but we know there is a significant need when the unlikely damage nonetheless occurs. It may then involve damage claims for millions of kronor for which the individual is liable. What customers often request, on the other hand, is for the insurance to compensate tangible, often minor costs such as doctor's appointments or stolen property. Our job is to cover both types of needs.

We also want our insurance policies to be among the top three in the industry in independent and credible product comparisons. To ensure that our offerings meet customer needs over time, we are continually developing them, mainly through dialogue and market intelligence. Today, digitisation in particular requires us to adapt our offering to the way customers want to buy insurance and the service they want. We also need to have insurance products that are easy to understand.

Important "sources of information" for our product development:

- Our employees who meet our customers daily.
- Our individual customers who provide feedback in customer surveys and focus groups.
- Dialogue with our partner customers, such as trade unions and car companies.
- Trade and consumer associations, such as Konsumenternas Försäkringsbyrå (Consumers' Insurance Bureau) and the Swedish Consumer Agency.
- The Internet and social media.
- Competitor monitoring.

	Folksam General	Folksam Life	KPA Pension	Förenade Liv	Folksam LO Pension
Conventional life insurance		•	•		
Unit-linked insurance		•	•		•
Personal risk insurance	•	•	•	•	
Non-life insurance	•				

Our offering

Pension savings

Folksam Life and KPA Pension offer traditional life insurance that is a form of savings where we invest and manage the assets. This means that the saver does not need to choose the level of risk. We distribute the capital between equities, interest-bearing securities and other assets and follow investment criteria that take into consideration ethical and sustainable investments. This form of savings also provides a guarantee on premiums paid in and an agreed guaranteed interest. When there is a surplus from asset management, it is distributed to the pension savers using bonus interest. Find out more about bonus interest on page 59.

Unit-linked insurance means that the customer him or herself chooses the level of risk for his or her savings by choosing which funds the capital is to be invested in. We offer savings in unit-linked insurance in Folksam Life, Folksam Fondförsäkring, KPA Pensionsförsäkring and Folksam LO Pension.

Folksam Fondförsäkring and Folksam Life offer a quality assured, guided range of around 80 funds. We provide guidance based on the parameters of return, low fees and ethical investment. Since we are not dependent on our own fund management company, we can always choose from the market's best funds in every area.

In addition, a tailor-made range of funds is offered in the relevant agreement area. For KPA Pension, the range of funds consists of SRI-screened funds. Folksam LO Pension has a carefully selected range of external funds that meet the requirements in the agreement area.

Personal risk insurance

Four of our companies offer personal risk insurance: Folksam Life, Folksam General, Förenade Liv and KPA Livförsäkring. Our group insurance policies cover group life and occupational group life insurance, as well as health and accident insurance, and are adapted to trade unions, companies, organisations and individuals.

Health insurance reimburses loss of income or provides a lump sum. Accident insurance reimburses costs that can arise in connection with an accident, and offers compensation in cases of reduced function. If the policyholder dies, the group life and occupational group life insurance policies pay out a lump sum to the beneficiary.

Non-life insurance

We offer non-life insurance in three companies: Folksam General, Folksam Skadeförsäkring and Tre Kronor. The latter suppliers insurance policies that are sold under a different brand.

Home insurance is the core in our non-life insurance offering. To make it easier for the customer to choose the right insurance, we have packaged the home insurance products in Base, Medium and Plus. We also offer auto and pet insurance.

All of our home, holiday home and car insurance products are ecolabelled with the Good Environmental Choice label. We were the first to achieve this in the industry. The Good Environmental Choice certification also means that Folksam General does not invest in coal, nuclear power or uranium.

Criteria for Good Environmental Choice labelled insurance:

- Re-use and environmentally friendly repairs
- Sustainable and safe replacement vehicles
- Responsible investments
- Environmentally friendly purchases
- Ecolabelled electricity
- Training in economical driving



[Read more at folksam.se](http://folksam.se)

Responsibility in claims operations

In 2015, we repaired damaged cars and houses for an amount of SEK 2.8 billion (2.7). This gives us considerable opportunities to exert an influence in the construction and automotive industries by imposing requirements on and training our suppliers. For example, we renovate houses with sustainable materials, buy and recycle spare parts for cars and require that the customer's replacement vehicle must be environmentally adapted. We have also worked with a pilot project regarding the return and repair of mobile phones, which is being rolled out in full scale during 2016. Find out more about this work on pages 22-23.

Re-using and repairing instead of buying new is a gain for the environment and also a good deal for us and our customers. This way of working contributed to us being able to avoid a mountain of waste of just over 1,500 tonnes and save SEK 169 million in connection with the repair of damaged cars in 2015. In total, this has meant a saving of just over SEK 1.3 billion in the past 15 years.

More stringent requirements on suppliers

Folksam has agreements with around 2,300 suppliers, of which some 2,000 are in the construction and automotive sectors. In 2015, we purchased SEK 850 million in building contract services and SEK 1.9 billion in car repairs.

We impose stringent environmental requirements on our suppliers. For example, our suppliers in respect of non-life insurance receive training in economical driving. Moreover, everyone who has customer contact at our suppliers must receive training in Good Environmental Choice.

Benefits of damage and injury prevention

We can do a great deal to prevent damage and injury and help our customers to make the right choices, to think ahead and to prevent damage, injuries or accidents from happening. This contributes to lower claims expenses, lower insurance premiums and safer customers. We work with damage and injury prevention in three main areas:

1. Road safety research

With our road safety research, we promote road safety and save lives.

2. Injury prevention sports research

We want to contribute to fewer sports injuries by cooperating with the sports movement and supporting injury prevention sports research.

3. Information and advice

With regular damage and injury prevention advice, we want to create security for our customers. We also conduct surveys and tests that help our customers make safe and sustainable choices.

“With damage and injury prevention efforts, we are making it safer for our customers”

1. Road safety research is part of the offering

Folksam has a separate department for road safety research, whose work contributes to saving lives in traffic. Fewer road traffic claims also mean lower claims expenses and lower premiums in our car and home insurance products. Everything will benefit our customers.

Every year, we handle more than 50,000 road traffic claims. This gives us access to extensive collective knowledge about how damage and injuries arise, as well as how they can be limited and avoided. The choice of car, for example, is of crucial significance for the consequences an accident can have.

Folksam's road safety research costs SEK 7-8 per automotive insurance policy and year. With our ties to universities, we are involved and exert influence in national and international networks. Consumer tests and information are also important tools since there is a demand for knowledge from independent parties regarding e.g. safe cars, child car seats and helmets in connection with purchases.

We are also working to review what insurance cover for cyclists might look like, particularly as bicycle accidents have become increasingly common.

Drive green, safe and more cheaply

The cars that are on the list of the safest and most economical new cars contribute to less environmental impact and safer traffic. We like this, which is why customers who choose these cars get a 10 per cent discount on the insurance premium. Every customer can thereby directly contribute to saving lives and safeguarding the environment.

The entire list of 2015's safe and sustainable cars comprises 72 models in various versions. Despite the fact that Folksam has made the requirements 23 per cent more stringent in three years, 13 per cent of the cars still pass the consumption and safety requirements. This is pleasing of course.

The new cars that pass Folksam's requirements for 2016 comprise 62 models in 827 versions. The list also means that Folksam is the first to include automatic brakes as a requirement in a vehicle policy.

Work in 2015

- Folksam commissioned the National Society for Road Safety (NTF) to continue investigating how the municipalities were succeeding in removing leaves, clearing snow, preventing skids and sweeping gravel away from the most important bicycle paths. In 2015, the study was conducted in Stockholm, Gothenburg and Malmö.
- We have conducted research on how shoulder injuries among cyclists can be prevented since the shoulders and arms, which account for half of severe bicycle injuries, are still unprotected. In 2014, the project resulted in prototypes for various kinds of shoulder protection: Reflective vests with built-in shoulder protection, loose padding that attaches to a backpack and loose shoulder padding that attaches directly to the body. The project also includes developing a test method together with the SP Technical Research Institute of Sweden so that future manufacturers can have their protection tested and approved.

During the year, we also conducted the following tests:

- Study of 2015's safest and most economical new cars.
- Study of four-wheel drive cars' accident risk.
- Test of cycle helmets for adults and young people.
- Study into how improved motorcycle and road safety barrier design can reduce injuries and save lives.
- Study of serious road traffic accidents in built-up areas, visualised in Folksam's Traffic Barometer tool.
- The report "How safe is your car?", sixteenth edition.
- The safest family cars.
- Test of child car seats for children aged nine months to four years.
- Study of 2016's safest and most economical new cars.



2. Injury prevention sports research

Folksam has a long history as an insurance provider and partner of Swedish sports. Through collaborations with 54 sports associations, with the Swedish Equestrian Federation as the latest addition, nine out of ten active sportsmen and women are insured with us. This provides us with a considerable opportunity to contribute to injury prevention sports research.

Every year, around 16,000 sports injuries are reported, which gives us a unique database that can be used for research and injury prevention work. In 2015, the work continued to focus on the knee control project. Its objective is to train football coaches, leaders, parents and players in how to exercise to prevent knee injuries among girl players aged 12 and up, who are particularly affected.

Another project is the collaboration we began in 2014 with the Swedish Athletic Association with the goal of reducing the number of strain injuries among children and adolescents by increasing knowledge and commitment regarding causes. In 2015, an inventory was conducted to map the number of coaches, their level of education and experience in the field. Find out more about these projects on pages 34-35.

Our research collaboration with the Swedish School of Sport and Health Sciences (GIH) on our sports injury database also continued in 2015. This has resulted in a number of published interim reports that build on epidemiological studies on the occurrence of acute injuries and severe injuries that lead to invalidity. Comparisons are made between different sports, ages and genders, as well as potential changes over time. The objective is to be able to describe risk sports and risk situations for various acute injuries.

3. Information and advice

We work in different ways to provide information and advice to our customers on how they can prevent damage and injuries. This can involve everything from the way they protect against fire and burglary to the way they can protect their property in storms. We mainly distribute information on our website, arrange and participate in seminars and other meetings, answer customer questions, make instructional videos and communicate in the media.

Every year, we also conduct studies and tests to help our customers make good and sustainable choices when buying products. The results are published in various reports and distributed in the media. The objective is also to get companies to take responsibility. During the year, we studied outdoor paints, heat pumps and cars, and also conducted tests on bicycle, ski and riding helmets.

In 2015, Folksam conducted the following tests and studies:

- Investigation into price differences in pet care.
- Research report regarding the way in which poorly fitted drains cost home owners millions.
- Investigation into municipalities' preparations for natural damage in conjunction with climate change.
- Test of 45 of Sweden's most common outdoor paints – final result.
- Investigation of damage to property in the event of lightning.
- Report regarding damage to heating pumps.



[Read more at folksam.se](http://folksam.se)

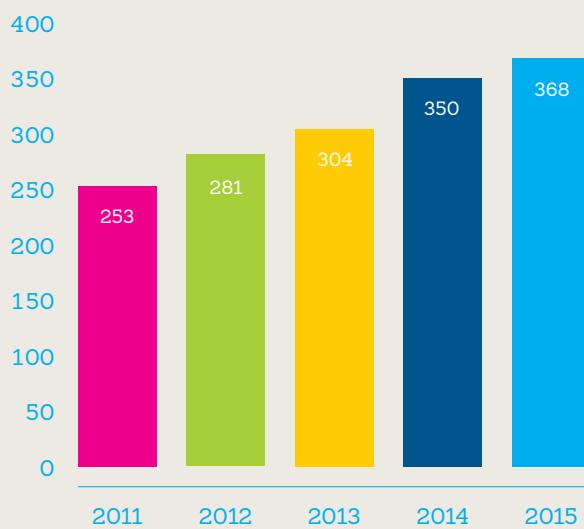
Asset management with the focus on long-term security for our customers

Folksam with its subsidiaries is one of Sweden's largest institutional investors. At the end of 2015, we managed assets totalling around SEK 368 billion. This gives our customers considerable potential for good long-term returns, as well as the opportunity to exert a positive influence on social development.

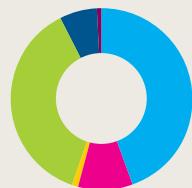
In order to achieve good risk diversification, we distribute our investments over various kinds of assets and markets. We invest our customers' money in interest-bearing securities, equities, properties and alternative investments (unlisted assets). The focus for the investments is long-term security for our customers based on risk, returns and sustainable development.

In total, Folksam and its subsidiaries manage multiple portfolios that all have their own investment guidelines. 59 per cent of all assets are invested in interest-bearing securities issued by the Swedish Government, as well as by municipalities, mortgage institutes or companies in Sweden. In addition, one per cent is invested in foreign interest-bearing securities. The equity portfolios account for 32 per cent of the managed assets and consist of listed Swedish and foreign equities. We also own assets in properties, including property funds. The directly owned properties are located in Sweden and have a total market value of approximately SEK 20 billion. The value of the alternative investments was SEK 9 billion at year-end. Alternative investments are unlisted and in most cases have a low correlation with equity and fixed-income markets.

Folksam's managed assets

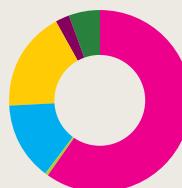


Managed assets by company 2015 (SEK billion)



Folksam Life	164
Folksam General	36
Förenade Liv	4
KPA Pension	137
Coop Pension Foundation	24
Other	3

Folksam's managed assets 2015 (SEK billion)



Swedish interest-bearing	218
Foreign interest-bearing	2
Swedish equities	50
Foreign equities	65
Alternative investments	9
Properties (directly owned)	20

Management for the customers' best interests

The objective of asset management varies between the different companies. For Folksam Life and KPA Pensionsförsäkring, the objective is to achieve the highest possible level of real return under relevant risk and investment restrictions, while in Folksam General and the other companies, it is to contribute to stable and competitive premiums.

Folksam has, for a number of years and in different market conditions, successfully managed the risks and opportunities in asset management in order to generate good returns for our customers. The total return for 2015 was 2.2 per cent (8.6) for the Folksam General Group, 3.7 per cent (12.0) for Folksam Life and 3.3 per cent (13.3) for KPA Pensionsförsäkring AB. Over the last five-year period 2011–2015, the average total return on traditional insurance has been 7.4 per cent for Folksam Life and 7.5 per cent for KPA Pension.

Swedbank is an example of an important strategic holding for Folksam, where we own just over 9 per cent of the shares.

Total return ratio					
Per cent %	2015	2014	2013	2012	2011
Folksam General	2.2	8.1	7.7	8.2	6.9
Folksam Life	3.7	12.0	7.6	7.0	6.5
KPA Pension	3.3	13.3	8.2	7.2	5.6

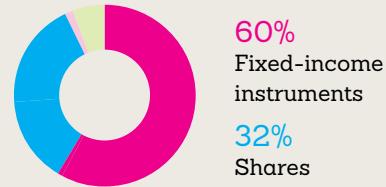
Requirements for ethical investments and sustainability

Folksam and its subsidiaries comprise ten insurance companies, all with different profiles and areas of emphasis. Consequently, the Board of Directors of each company establishes individual objectives and levels of risk for the asset management, establishing the limits within which the capital may be invested. The starting point for every portfolio lies in the statutory requirements and the fact that we must be able to cover the obligations to the policyholders in the long term (even in the event of negative developments on the financial and insurance markets). Our asset management follows special investment rules, primarily those that are set out in the Insurance Business Act. In addition, we comply with the Financial Supervisory Authority's regulations and general guidelines as well as each company's rules for environmental and ethical considerations. The managed assets are also subject to criteria concerning the environment, human rights and anti-corruption. For example, Folksam signed the Montreal Carbon Pledge in 2014, which means that we now measure and report the carbon dioxide footprint in our portfolios.

On the following pages, we present our work in further detail regarding the types of assets included in our portfolios:

- Equities and fixed-income instruments.
- Property.
- Alternative investments.

Equities and fixed-income instruments: Responsible owner governance



Here at Folksam, we are convinced that companies which take responsibility for the environment and human rights are more profitable over time than those that do not. As a large institutional owner, we therefore work to influence the listed companies to achieve a sustainable operation.

Influencing companies to take responsibility

It is important to our customers that the companies we invest in act responsibly. We are therefore working to influence them through our investment criteria regarding the environment, human rights and anti-corruption. Our goal is not to reject companies to invest in, but rather to encourage as many as possible to improve at taking responsibility. We also do our best to push equality issues and to ensure that the bonus programmes in the companies will be reasonable and structured to benefit the shareholders in the long term.

There are some companies we choose not to invest in, however, regardless of how small their environmental impact is or how good a working environment they have. The disqualifying criteria are tobacco and illegal arms such as cluster weapons, anti-personnel mines and nuclear weapons. All companies within Folksam apply these criteria, with two exceptions. The companies within KPA Pension have even tougher exclusion criteria and therefore do not invest in the alcohol industry, the arms industry or the commercial gambling industry. KPA Pension also has a stricter environmental criterion. For Folksam General, whose car, home and holiday home insurance products are Good Environmental Choice certified, investments in coal-fired generators, nuclear power and uranium are excluded in addition to arms and alcohol.

Criterion	Folksam Life	Folksam General	Förenade Liv	KPA Pension
Environment	●	●	●	●
Stricter environmental criterion*				●
Human rights	●	●	●	●
Corruption	●	●	●	●
Tobacco	●	●	●	●
Illegal weapons	●	●	●	●
All weapons		●		●
Alcohol		●		●
Gambling				●
Coal-fired power		●		
Nuclear power		●		
Uranium		●		

● Influencing criteria
● Exclusion criteria

*Only energy companies with approved environmental ratings are approved.

Screening and rating

Folksam invests in a great many Swedish and foreign companies. Our corporate governance policy and our ethical investment criteria form the basis for which companies we invest in.

Every year, around 2,000 companies are screened. This means that each company is analysed and is given a rating regarding the quality of its work in terms of human rights, the environment and anti-corruption, as well as the company's general business risk.

Dialogue

Every year, we conduct an owner dialogue with a number of companies in which we have holdings. We write letters to representatives of these companies. We follow up the companies' work in terms of our investment criteria and corporate governance. During the year, we have held meetings with ten companies in which we have holdings.

Every year, we also contact around 20 Swedish companies that conduct business in a high-risk industry with regard to the environment and/or human rights. In general, companies that have a distinct physical business, such as oil extraction, run a higher risk of discrepancies than a distinct service provider. Three companies were selected and meetings were held involving a review of the companies' risk situation.

We occasionally participate in the debate to create opinion. The chief strategy is to reach out to listed companies via the media, and for this reason the business press is our main focus.

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. Our efforts do not always succeed and we are then forced to divest the holding. We did not take any decisions regarding exclusion in 2015, although we did initiate dialogues with 13 new companies due to serious incidents.

We exert influence at shareholders' meetings

Folksam participates in the Swedish AGMs where we have shareholdings. This means that we attend just over 40 AGMs per year. Before the meetings, we send letters to the board chairs to inform them of the issues Folksam will be focusing on in particular. More information on what questions we asked and what answers we received can be found in the meeting reports, in the blog "A Cat Among the Pigeons" and at the Twitter account @etikkatten.

Folksam votes both for and against share-related bonus schemes. In cases where companies have disregarded Folksam's views, we have chosen to vote against the bonus system.

Folksam has also used its influence to vote at AGMs abroad by electronic voting since 2005. During 2015, Folksam voted at a total of 232 foreign AGMs. We also submitted a proposal regarding increased climate focus to the AGMs of the major oil companies BP, Shell and Statoil. All the proposals were approved by the AGMs.

Folksam's work with Corporate Governance	2015	2014	2013
Number of companies with which Folksam held an active dialogue	34	37	31
Number of Swedish general meetings in which Folksam participated	41	42	43
Nomination committees in which Folksam is a member	1	1	2



[Read more at folksam.se](http://folksam.se)

A few aspects of our work in 2015

The palm oil initiative

Folksam is participating in an initiative relating to palm oil, which was expanded during the year to also include purchasers of palm oil. At the same time, the dialogue with producers has continued. The goal is for the companies to improve their environmental and social work. Palm oil has a significant negative impact on the environment

and biodiversity, as large areas of rainforest are ravaged to provide space for the cultivations. When the forest is burned, large emissions of carbon dioxide are also caused. Palm oil is used primarily within food manufacture, and purchasers of palm oil include global companies such as Pepsico, Procter & Gamble and Unilever.

Compliance in Swedbank

During the autumn, it was highlighted that two members of Swedbank's Group management had jointly invested in certain property companies. According to Swedbank, these deals have been conducted in accordance with the bank's internal rules, yet despite this they have been inappropriate. As a result, the commitment has been phased out and the bank's Board has tightened up the internal regulations with the aim of further protecting the bank

against conflicts of interest. Folksam views this as positive, as compliance with rules and regulations is central when it comes to trust. In this case, Folksam is exerting its influence primarily through its work in Swedbank's nomination committee, in which Folksam's CEO is a member. We are also keen to ensure that the bank's internal regulations maintain the same high quality as its work with other sustainability issues.

Reinforced climate focus in investments

Folksam has long been actively committed to the climate by being a signatory to the UN's Global Compact initiative, the UN Principles for Responsible Investments (PRI), the Montreal Carbon Pledge (MCP) and the Carbon Disclosure Project (CDP). In order for the world to be able to live up to the climate agreement that was reached in Paris, the level of ambition needs to be raised further and all companies have to contribute in order for carbon dioxide emissions to fall.

Against this background, Folksam decided in 2015 to divest its holdings in companies that receive a significant proportion of their turnover from coal. The reason for this is that coal is one of the primary sources of carbon dioxide emissions. In total, around a dozen companies were excluded as a result of this. All had previously been excluded from Folksam General's portfolio, and several were also excluded from KPA's portfolios due to more stringent investment criteria.

Carbon dioxide measurement

The Montreal Carbon Pledge, which was launched in 2014 at the meeting for the Principles for Responsible Investments (PRI) in Montreal and which, besides PRI, is supported by the UN Environment Programme Finance Initiative (UNEP-FI).

Folksam and its subsidiaries have been affiliated to the Montreal Carbon Pledge since its establishment. This means that we pledge to measure the carbon dioxide footprint in our equity portfolios and publish the results. The carbon dioxide footprint is normally presented in the form of three different indicators. According to these, Folksam's total investments in listed equities had the following carbon dioxide footprint in 2015:

1. The absolute carbon dioxide footprint for the equity portfolio, which corresponds to the owned portion of the companies' combined emissions, fell to 1,258,054 tonnes (1,458,947).
2. The carbon dioxide intensity, where the absolute carbon dioxide footprint is related to the holding in the companies' market value, fell to 11.2 tonnes (11.5) of

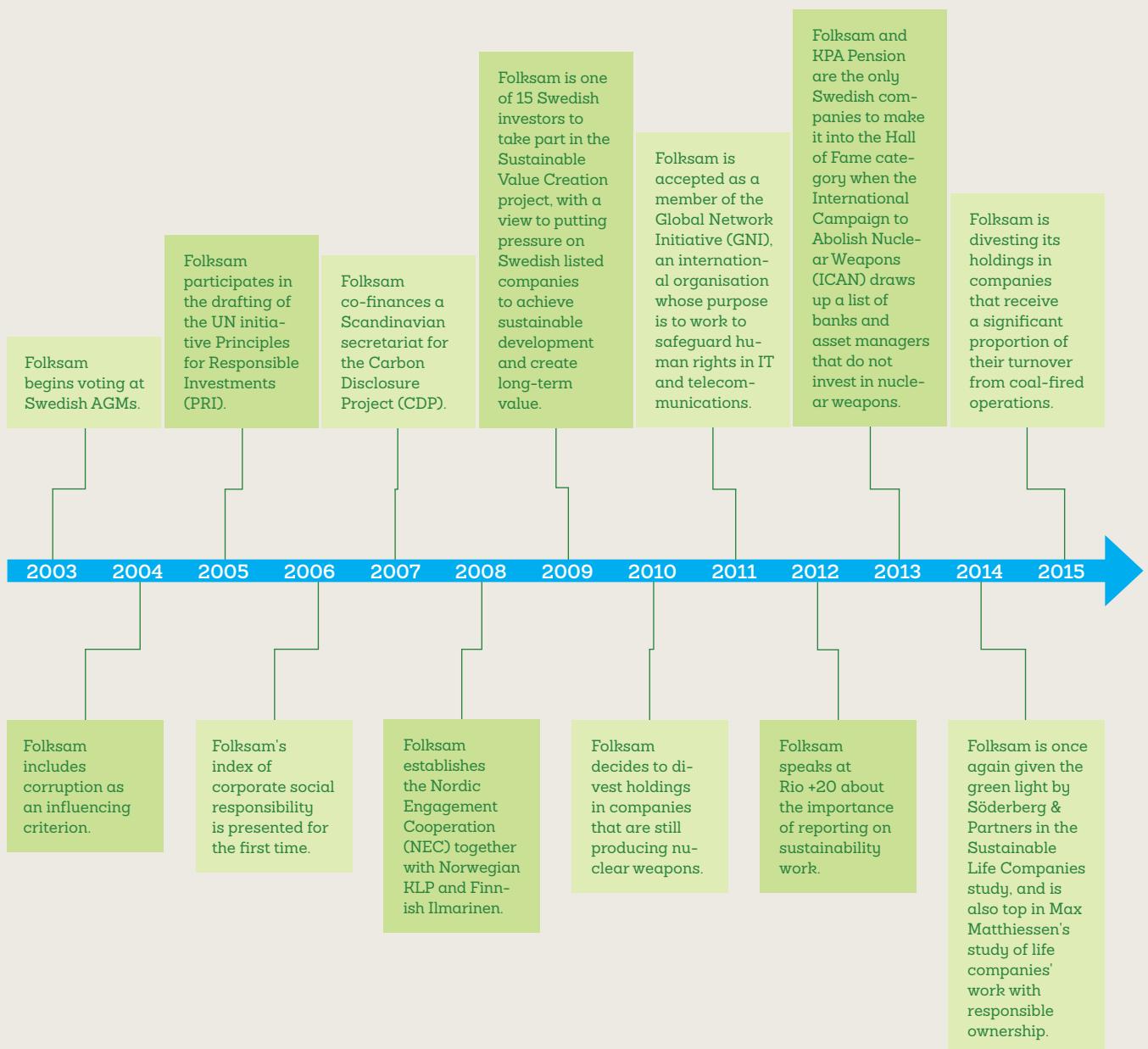
carbon dioxide per managed million kronor. This is well below the average for the MSCI World index, which stood at 20.2.

3. The carbon dioxide intensity, where the absolute carbon dioxide footprint is related to the holding in the companies' market turnover, amounted to 20.7 tonnes (18.0) per million kronor of turnover. The corresponding figure for MSCI World was 33.4.

The low carbon dioxide footprint is due in part to Folksam having, in accordance with the ethical investment criteria, refrained from investing in certain companies with large carbon dioxide emissions and coal-dependent companies, and in part to a relatively large investment in the banking sector.

The survey, which was conducted by South Pole Group, only includes the indirect greenhouse gases that have arisen from the companies' operations and production. Emissions generated by the companies' products are not included, as relevant data is not available.

Milestones

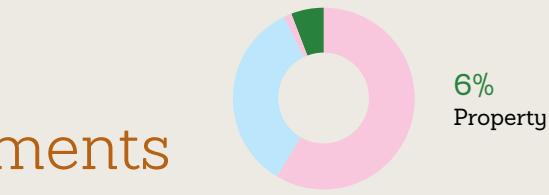


Property: Value-creating investments

Properties are an important class of assets in Folksam's various portfolios. In 2014, we therefore increased our strategic and financial focus by establishing that, in the coming years, we would be increasing property investments by around SEK 10 billion from the figure at the time of SEK 18 billion.

Asset management

During the year, Folksam Fastigheter has outsourced all property management to Newsec, and at the same time has built up a new organisation for asset management. This allows an increased focus on value creation, while Newsec looks after our properties and customers. They are responsible for ensuring that the tenants are happy in their premises and apartments, that we satisfy official requirements, and that the buildings are run and maintained in a sustainable and efficient manner. Instead, we are concentrating on improving the quality of our properties, developing their full potential. We are also developing the portfolio by acquiring and developing new properties. We are investing in the long-term in attractive properties for housing and businesses. Our aim is to own the office and retail buildings in which businesses ideally want to rent premises. In our residential properties, the tenants should be happy and feel proud of their home. It may also be appropriate for us to invest in community properties, if the conditions for this are right. Of course, we can also sell properties that are lowering the return from our portfolio or that are more suitable for another owner.



We currently own properties primarily in Stockholm and Skåne. We will also be increasing our property holdings in these growth locations in the first instance. At the end of the year, we initiated – via KPA Pension – a strategic partnership with Skanska Hyresbostäder concerning the acquisition of newly produced residential properties. This partnership involves a number of development projects, giving Folksam exclusivity to acquire almost 600 apartments worth approximately SEK 1.3 billion.

Responsible property ownership

In order for the business to contribute to positive societal development, the ownership of the properties must also be responsible. By 'responsible property ownership' we mean:

- Environmental responsibility with clear environmental targets.
- Good relationships with customers and stakeholders, such as housing and office tenants.
- High ethical standard.
- Follow-up and constant improvements.
- Active work on energy efficiency improvements.

Folksam is one of few operators in the insurance industry that accounts for, and offsets, the climate impact from its property holding. Consumption of heat represents the greatest climate impact from our property holdings, totalling 2,989 tonnes (3,490) of carbon dioxide. This is a decrease compared with 2014, which is due in part to efficiency enhancements in the properties owned by KPA Pension. The majority of the electricity purchased by Folksam for its properties is certified as generated by wind power.

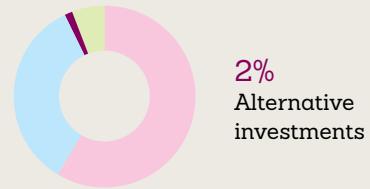
Property portfolio, total area



Geographic distribution



Alternative investments: Focus on unlisted investments



Alternative investments complement Folksam's asset portfolios and make up just over two per cent of Folksam's total managed assets. These are investments with long investment horizons that give the customers exposure to unlisted assets. The investments are mainly made in fund-like structures and in cooperation with other players.

Within alternative investments, we also make indirect property investments to supplement the direct property investments.

We prioritise investments that contribute to strengthening the investing company's brand and strategic networks. Over the past year, we acquired Fortum's Swedish electricity transmission business, together with the First AP Fund, the Third AP Fund and the Canadian infrastructure investor Borealis.

Some of our holdings in alternative investments:

Ellevio

In 2015, Folksam and its subsidiaries acquired Fortum's Swedish electricity transmission business, now Ellevio, together with Borealis Infrastructure, the First AP Fund and the Third AP Fund. Folksam's equity interest amounts to 17.5 per cent.

EQT Infrastructure

EQT Infrastructure is a private equity fund that invests in infrastructure assets such as energy plants, distribution networks for energy and ports.

PWP and Gnosjö Energi

Folksam and KPA Pension, together with FAM and Proventus, own Power Wind Partners (PWP). The company owns six land-based wind farms with an annual generating capacity of 0.25 TWh. Electricity output from the 47 wind turbines in operation is able to heat around 13,000 houses. Folksam also owns four wind turbines in Kulltorp in Gnosjö Municipality.

Proventus Capital Partners

Proventus Capital Partners is a co-investment company with Proventus. The company focuses on loan financing to medium-sized companies and invests in listed corporate bonds.



Drive safely with Folksam

At the end of 2015, Folksam, in cooperation with TeliaSonera, launched a first step in the connected insurance policies of the future. With the "Drive Safely" service, customers can themselves influence their driving, reduce the risk of accidents and lower their insurance premium.

The service includes an indicator that provides direct feedback to the driver. If you drive faster than the speed limit, for example, it lights up red. The customer installs a small piece of hardware in the vehicle, which is linked to 4G and connects to the car's trip computer. In this way, the customer gains access to functions such as driving journals, GPS positioning and Wifi. As a result, it is possible to obtain information that shows what percentage of green driving the customer has achieved after each journey. With green driving, customers obtain a discount of up to 20 per cent on their insurance.

"We know that the speed of the car is the single most important parameter affecting the severity of damage and injuries in an accident. If all drivers were to keep to the speed limit, 40 lives would be saved each year," says Anders Kullgren, road safety researcher at Folksam.

Folksam wants to help all drivers to become better, not just to identify and reward those who already drive safely. Every journey is counted, short as well as long. Participation is optional, however, and we only issue rewards, not penalties.

“We know that the speed of the car is the single most important parameter affecting the severity of damage and injuries in an accident. If all drivers were to keep to the speed limit, 40 lives would be saved each year”

Our own operations

To be a completely modern financial company and credible in accepting responsibility, our own operations must be characterised by proper order. This involves everything from the way we are governed and create an attractive workplace, to our environmental work in day-to-day operations.

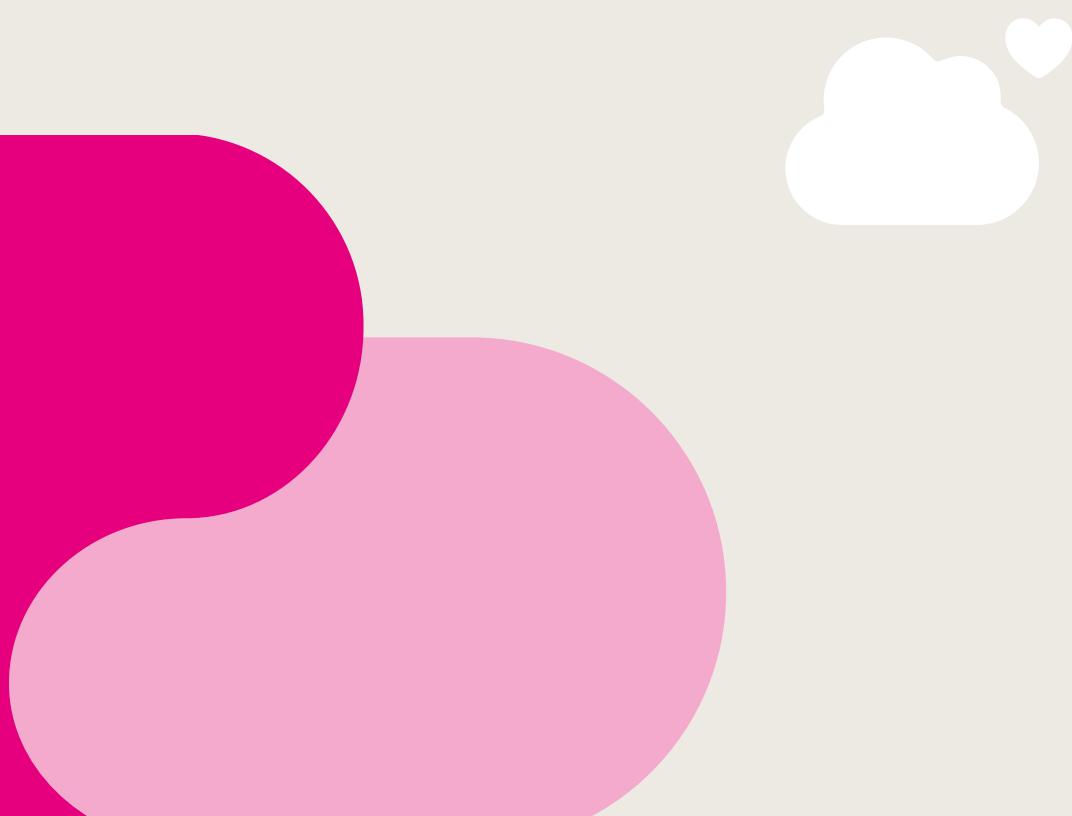
In order to be involved optimally on our customers' behalf, we need to have effective processes, be a responsible employer and act in an environmentally correct manner. For this reason, streamlining, consolidation and modernisation are three important guiding principles for us. We are currently also experiencing a high rate of change, not least through a series of development projects. Some of these encompass the whole of Folksam and our subsidiaries, while others apply to specific business areas, units or functions. In 2015, IT has remained a priority issue and a cornerstone in our strategic work regarding the infrastructure within Folksam and our subsidiaries.

Our most important project completed

Since 2009, the Solvency II programme has been our largest and most important project. It concerns all employees

and entered into effect on 1 January 2016. Solvency II is a European regulatory code for insurance companies that aims to create a uniform European insurance market that will provide more protection for policyholders. The new rules strengthen the connection between solvency requirements and risks facing insurance companies, and entail more stringent requirements for insurance companies to have adequate capital to be able to satisfy their commitments to the policyholders. In this way, Solvency II is important in the modernisation of Folksam and the rest of the industry – and good for the customers.

In 2015, we participated in the preparatory reporting to the Swedish Financial Supervisory Authority and continued to develop processes and systems that support supervisory reporting and capital adequacy calculation. The remaining internal regulations and organisational changes will be decided on and implemented to strengthen Folksam's systems for governance.





Appropriate skills and sustainable work environment

Folksam and its subsidiaries have nearly 4,000 employees spread over various companies and locations. For us to be able to offer insurance and pension investments that create security and appeal to many, we have to be an attractive workplace.

The rapid pace of change in our surroundings, including in IT, legal requirements and on the labour market, affects both our customers' expectations of Folksam and our conditions to meet them. To be able to reach our overriding objective of having the insurance and pension savings industry's most satisfied customers, we must succeed both in staffing our organisation with the right employees and managers, and in providing them with the conditions to develop.

Attractive workplace

An attractive workplace means interesting career paths and a good work environment. Our employee survey and personnel mobility are two examples that show that we are well on our way.

The results of this year's employee survey are the best we have achieved over the period we can review. With an overall index of 77 per cent positive responses, we are making progress from the previous year's result (75 per cent). One strength is the positive opinion of Folksam as a whole, where our overall index has improved from 79 to 82 per cent compared with the previous year. Our measurement of the overall index includes categories such as a good workplace, pride, the desire to continue working at the company, attractive development opportunities, belief in the future, being governed by the vision, good offers and recommending to others. All of these categories have been improved compared to the previous year.

Personnel mobility provides new opportunities

One opportunity, and at the same time a challenge, is the increased personnel mobility. For the third year in a row, we have recruited around 500 people from outside the company. In addition, several hundred employees have obtained new jobs through internal recruitment processes. This considerable mobility shows that there are many career opportunities within Folksam and its subsidiaries.

Rewards programme highlights the goals

We have a rewards programme for our employees that is intended to make our strategies and overriding objectives visible and put them in focus. Among other things, this involves increasing employee commitment and motivation to satisfy the goals (Folksam Customer Index and the number of combination customers).

Diversity provides customer benefit

It is our conviction that diversity contributes to customer benefit, greater profitability and a more attractive workplace. Consequently, we work in a targeted manner to achieve an inclusive cooperation climate where the employees' expertise is utilised and there is acceptance of differences. A clear and skills-based staffing process supports diversity at the same time as we minimise the risk of discrimination. The fact that Folksam currently has nearly 50 per cent women managers, for example, is the result of goal-oriented diversity work. In order to achieve full equality of pay, we survey and analyse any non-objective pay differences in conjunction with pay reviews every year, instead of just conducting surveys every three years as required by law.

Focus on work environment and health

One challenge facing both society and Folksam is the negative trend as regards sickness absence. Despite conducting analyses, we have not found any individual causes of the increased levels of sickness absence. We have reason to continue analysing areas such as large working groups, static and guided work, as well as individual health. We have now launched an assignment that will address short-term sickness absence, with discussions at individual level constituting one example of activities. The reason for this is that short-term sickness absence often leads to long-term sickness absence.



[Read more at folksam.se](http://folksam.se)

“The results of this year's employee survey are the best we have achieved over the period we can review”

Number of employees	3,924	
Average age	43.9	
Employee turnover	11.3%	
Sickness absence	5.8%	
Gender distribution, total	53% Women	47% Men
Gender distribution, managers	49% Women	51% Men
Gender distribution, Folksam's management group	50% Women	50% Men
Gender distribution, boards	46% Women	54% Men

Clear environmental goals

In addition to the environmental responsibility we assume in our relationship with our customers, where we also have the greatest opportunity to exert influence, it is only natural for us to act as environmentally correctly as possible in our own operations.

We have been working with environmental issues since the 1960s, and our ambition is to be at the forefront when it comes to environmental and climate work.

We want to do our part for Sweden to be able to achieve its climate target of reducing carbon dioxide emissions by 40 per cent by 2020. We have therefore set the same targets for our own operations. In 2014, we established two environmental targets for 2015: To reduce carbon dioxide emissions and travel by 5 per cent each (base year 2002). For us, the main source of emissions is travel, which accounts for 66 per cent of total emissions. In 2015:

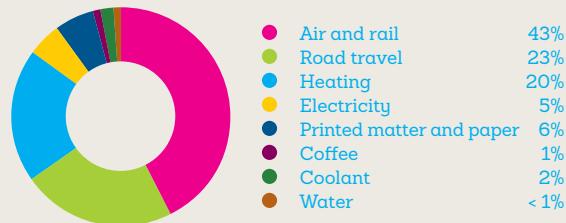
- we have continued our work aimed at reducing travel, in part by increasing the opportunities for video conferences and continuing to train and encourage employees regarding their use.
- the Group management adopted a new travel policy, clarifying which common journeys should be conducted by train or plane.
- the employees at the head office continued the transition to an activity-based working method. This transition is a long-term process and will produce a positive environmental effect.

- all employees attended training regarding Good Environmental Choice.
- the transition to green contracts continued at those locations around the country where Folksam rents office premises.

As from 2015, we have integrated environmental goals in our business planning, which means that all business areas, units and subsidiaries have at least one environmental goal.

Our climate footprint

The climate footprint in our own operations amounted to 2,682 tonnes of carbon dioxide in 2015. This is a decrease of 162 tonnes compared with 2014.



More about: All of our emissions are climate compensated

We climate compensate the climate footprint from our operations and our property portfolio through the Vi Agro-Forestry Programme tree-planting project. We climate compensate for our dispatch of customer documents, even though we are working to transition fully to digital dispatches.

The Vi Agro-Forestry Programme plants an average of six trees for every tonne of carbon dioxide released. The total climate impact that we compensate for amounted to 5,899 tonnes of carbon dioxide in 2015. This means that we will plant just over 35,400 trees.

Risk management a part of the business

A fundamental part of our business is assessing and managing risks. Through active, controlled and business-based decisions on risks, we are creating the conditions to offer solutions for insurance and pension savings that generate security.

Our risk management

In order to clarify management and responsibility for risk management and control, we divide activities into three lines of responsibility:

1. business areas, units, parent and subsidiary companies
2. risk and compliance departments, and
3. chief group actuaries and internal audit.

These all have various responsibilities for risk management.

Insights regarding incidents

Folksam has an incident-reporting system in which all employees may report undesirable events. The definition of an incident is an intentional or unintentional undesirable event that has caused or could have caused Folksam harm. The more incidents reported, the better, because then the faults underlying the incident can also be identified and resolved. By reporting incidents, we demonstrate openness within the operation and a desire to be a learning organisation.



More about: Our risk management

We assess risk taking in relation to the possibility of achieving set targets in five steps:

1. Identify. In the first step, we identify and investigate all significant risks to which we are exposed in both the short and long term.
2. Evaluate. Risks are evaluated in a uniform manner and quantified using generally accepted methods.
3. Manage. Here, we use regulations, processes and control activities. The business and corporate management are responsible for prioritising and deciding on measures necessary to control or limit risk.

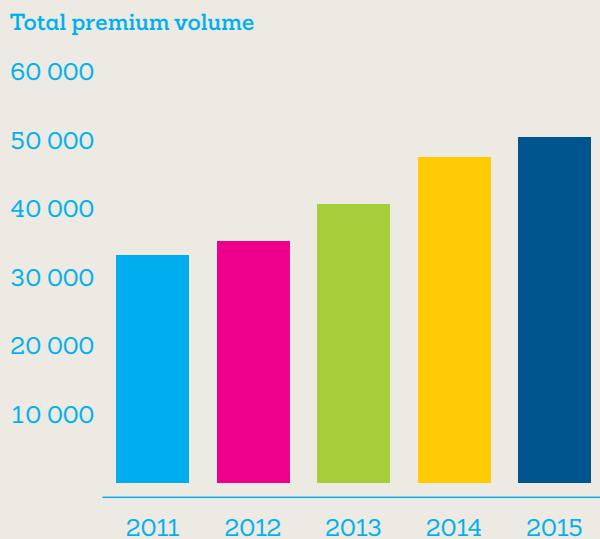
4. Follow up. The business and control functions follow up risks and measures, and ensure that the risks lie within predetermined levels.
5. Report. The board and CEO receive an all-round and factual view of the overall risk situation.

Every krona benefits the customers

Folksam and its subsidiaries continued to develop strongly in 2015, despite the changing times. The positive development related to larger premium volumes, reinforced market share and greater appreciation of our brand.

As a mutual company, Folksam's surplus stays with our customers in the form of better insurance, lower premiums and bonuses. In this way, every krona benefits the customers.

In many ways, 2015 was a successful year for Folksam and its subsidiaries. Total premiums earned rose to SEK 50.5 billion (47.5). It is primarily our financial strength that is continuing to drive demand in our various companies.



Folksam	2015	2014	2013
Premiums, SEK millions ¹	50,469	47,501	40,631
of which Folksam General ²	13,395	12,925	12,032
of which Folksam Life ²	37,074	34,576	28,599
Managed assets, SEK millions ^{3,4}	368,454	350,170	304,299
Unit-linked insurance assets, SEK millions ^{3,5}	111,144	99,525	79,221

¹ Premiums comprise premiums earned in non-life insurance, premiums written in life insurance, and receipts from unit-linked insurance investors, including the non-consolidated insurance companies.

² Relates to the summary total premiums per company with the respective subsidiaries, including the non-consolidated insurance companies.

³ Relates to the end of the period.

⁴ Assets according to the total return table less strategic holdings, which principally relate to the value of subsidiaries.

⁵ Investment assets for which policyholders bear the risk.

“The bonus is the ultimate proof that we are a customer-owned company”

Separated bonus interest

During the year, we made a number of changes to the traditional life insurance in order to safeguard the long-term perspective of the product and the customer collective that have built up the surplus. At the end of the year, the following applied:

- Different bonus interest rates for old and new capital. The bonus interest rate for new capital amounted to 4 per cent at the end of the year. The bonus interest rate for old capital amounted to 8 per cent.
- The guarantee is calculated at 85 per cent of new premium payments.
- Limit of SEK 2 million in deposited premiums per insurance holder and year.

At the end of 2015, Folksam Life's collective consolidation was 117.5 per cent. KPA Pension uses rate of return instead of the bonus rate. The rate of return means that all returns are distributed directly to the customers after every quarter. The collective funding ratio is therefore always around 100 per cent at KPA Pension. The rate of return for 2015 was 3.7 per cent.

New year with bonus

Bonus interest is the ultimate proof that we are owned by our customers, and helps to encourage our customers' appreciation us. Thanks to its strong financial position, Folksam General is issuing bonus interest to its customers for the fourth year running after having introduced the bonus interest programme in 2012. Folksam Life is a part of the bonus interest programme in risk insurance for the third consecutive year.

Folksam has set aside SEK 545 million (546), which the company is planning to share out in bonuses to a total of 2.5 million (2.4) customers during 2016. Within Folksam General, the bonus is expected to amount to SEK 323 million (301) and will cover pet, home and vehicle insurance as well as personal risk. Within Folksam Life, the bonus is expected to amount to SEK 222 million (244) and will cover group insurance policies. Within group insurance policies, there are also additional premium reductions at an estimated value of SEK 207 million (-).

Folksam Life bonus interest		
	Insurance (covered)	Bonus interest
2013	• Group life	20% per paid premium SEK
2014	• Group life	25% per paid premium SEK
2015	• Group life	30% per paid premium SEK

Bonus in Folksam General		
	Insurance (covered)	Bonus interest
2012	• Home • Automotive • Personal risk	4.1% per paid premium SEK.
2013	• Home • Automotive • Personal risk • Animals	4.5% per paid premium SEK.
2014	• Home • Automotive • Personal risk • Animals	4.4% per paid premium SEK.
2015	• Home • Automotive • Personal risk • Animals	4.1% per paid premium SEK.

Four brands in two corporate groups

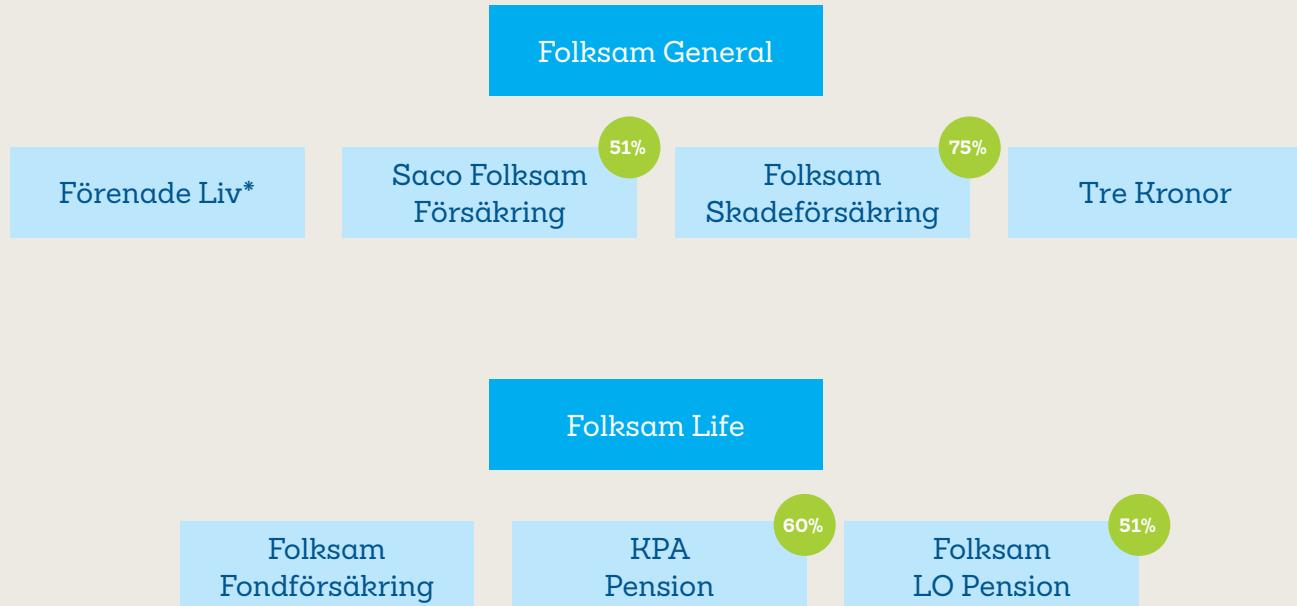
Folksam comprises the two parent companies Folksam ömsesidig livförsäkring (Folksam Life) and Folksam ömsesidig sakförsäkring (Folksam General) with subsidiaries. Folksam Life is the parent company of a group that, in addition to the parent company, comprises both wholly owned subsidiaries such as Folksam Fondförsäkringsaktiebolag (Folksam Fondförsäkring), and part-owned subsidiaries such as the companies within KPA Pension, which is 60 per cent owned, and Folksam LO Fondförsäkring (Folksam LO Pension), which is 51 per cent owned. KPA Pension comprises KPA AP, KPA Livförsäkring AB, KPA Pensionsförsäkring AB, KPA Pensionsservice AB and KPA Pensionstjänst AB.

Folksam General is the parent company of a group that, in addition to the parent company, comprises both wholly owned subsidiaries such as Tre Kronor Försäkring AB, Förenade Liv Gruppförsäkring AB (Förenade Liv) and SalusAnsvar AB, as well as part-owned subsidiaries such as the Finnish insurance company Folksam Skadeförsäkring Ab, which is 75 per cent owned. SalusAnsvar AB in turn owns 51 per cent of Saco Folksam Försäkrings AB.

In total, Folksam encompasses ten insurance companies.

In the Folksam Life Group, only Folksam Fondförsäkring is consolidated, while in the Folksam General Group, only Folksam Skadeförsäkring Ab and Tre Kronor Försäkring AB are consolidated.

The companies within Folksam and its subsidiaries collaborate in areas such as distribution, administration and asset management to achieve economies of scale that benefit customers.

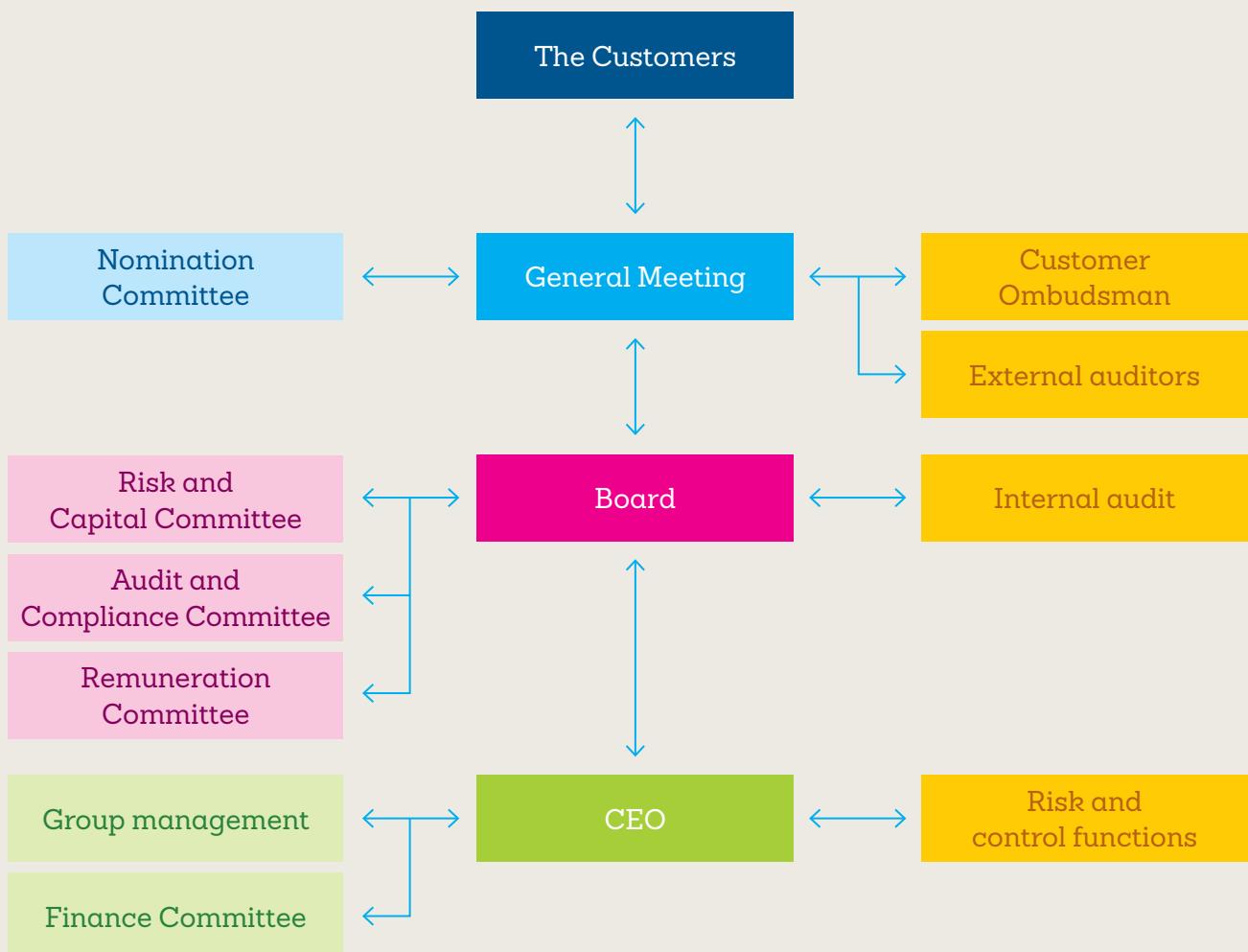


*In autumn 2015, Folksam notified its intention to incorporate the subsidiary company Förenade Liv's operations and insurance portfolio into Folksam, and to phase out the brand in the long term.



Our customers decide

Folksam has no shareholders. Instead, it is the influence of our just over four million customers that leads to decisions at the Annual General Meeting. As a customer-owned operation, it is of central importance that the customers are involved and influence what we do. Their influence in the form of voting rights, the right of expression and proposal takes place through specially elected delegates. Delegates are either directly elected policyholders or appointed by large customer groups/organisations. In Folksam General, the customers are represented by 80 delegates and in Folksam Life by 75 delegates.





Our Boards

In Folksam, the board members represent the policyholders' interests. The board members therefore represent the various customer groups, i.e. the cooperative sphere, the trade union sphere, the sports movement, retirees, entrepreneurs and employers. Since 2013, there are also representatives in the boards from outside of these spheres.

The nomination committees make proposals to the annual general meetings on who should sit on the boards. They should aim to ensure that the boards have a suitable composition with regard to skills, age and gender.

For more detailed information on the boards' compositions and their work, see our corporate governance reports on folksam.se.



[Read more at **folksam.se**](http://folksam.se)

Board of Directors Folksam General



Back row, from left

Bo Jansson
Anita Modin
Leif Linde
Therese Guovelin
Ulf Andersson
Karl-Petter Thorwaldsson, Chairman

Mikael A Carlsson, employee representative
Ann-Louise Andersson, employee representative
Sune Dahlqvist
Kerstin Kujala, employee representative
Eva Lindh

Front row, from left

Magnus Ling
Eva Nordmark, Vice Chair
Anders Lago
Karin Mattsson Weijber

Folksam General

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 products to households and individuals with car and household insurances as the base, as well as commercial insurance products within selected areas.

Occurred in 2015:

- Folksam General became the new main sponsor of equestrianism as part of a long-term partnership with the Swedish Equestrian Federation, which will initially run for a period of five years from 1 January 2016. Among other things, Folksam will be offering home insurance to members of the Federation. The Federation will also be able to benefit from Folksam's extensive experience of injury prevention work in the field of sports. The Swedish Equestrian Federation is thereby one of Folksam's five priority sports partners.
- Folksam General extended the collaboration with the Swedish Football Association up until 2020. Within the automotive sector, agreements were renewed with Lexus and Mazda regarding assistance insurance, and with regard to trade unions, Folksam extended its agreement with the Swedish Medical Association.
- Folksam General increased its ownership share in Folksam Skadeförsäkring in Finland from 51 per cent to 75 per cent.

Folksam General (Parent Company)	2015	2014	2013
Premiums earned, SEK millions	10,592	10,096	8,800
Profit/loss before appropriations and income tax, SEK million	557	2,426	2,056
Total expenses, %	97	99	100
• Claims expenses, %	78	82	82
• Operating expenses, %	19	17	18
Funding ratio, %	149	153	149
Total return, %	2.4	8.1	7.7

Board of Directors Förenade Liv



Back row, from left

Elisabeth Sasse
Lars-Erik Klason
Peter Lennartsson
Sture Nordh, Chair
Pia Carlsson Thörnqvist

Front row, from left

Kristian Sihlén, employee representative
Eva-Lotta Nilsson
Git Claesson Pipping

Not pictured:
Christina Björklund, employee representative
Niklas Hjert

Förenade Liv

Förenade Liv is specialised in personal insurance for white-collar workers and university graduates. Smart group solutions are tailored in close cooperation with organisations and employers. The products offered are life, health, diagnosis, accident, child and medical care insurance. In total, Förenade Liv insures 900,000 people in around 1,100 group agreements. Förenade Liv is a non-profit limited liability company that is operated on mutual principles.

Occurred in 2015:

- Förenade Liv has launched a new, responsive website. The new website provides customers with improved service and a simple opportunity to carry out their customer dealings digitally.
- The trade union Vision has extended its agreement by two years, and Förenade Liv has introduced a new, proactive sales organisation focusing on market intelligence and professionalism. The new organisation has received an extremely positive response from contractual customers.
- The total premium volume has increased to just over SEK 1.1 billion. For example, the number of medical care insurance policies has grown by more than 25 per cent.
- In autumn 2015, Folksam notified its intention to incorporate the subsidiary company Förenade Liv's operations and insurance portfolio into Folksam, and to phase out the brand in the long term.

Förenade Liv	2015*	2014	2013
Premiums earned net of reinsurance, non-life insurance business, SEK million	534	517	505
Premiums earned net of reinsurance, life insurance business, SEK million	463	421	361
Profit/loss before appropriations and income tax, SEK million	-91	149	267
Funding ratio, %	175	200	199
Total return, %	1.9	9.6	7.6

Board of Directors Folksam Life



Back row, from left

Britt Hansson
Susanna Järnek, employee representative
Mikael Täll, employee representative
Göran Lindblå, Chair
Martin Linder
Eva-Lis Sirén, Vice Chair
Lars Ericson
Lars-Inge Larsson

Front row, from left

Annelie Nordström
Jan Rudén
Maj-Britt Johansson-Lindfors
Anders L Johansson, employee representative

Not pictured:
Göran Arrius
Susanna Gideonsson
Cecilia Hermansson

Folksam Life

Folksam Life is customer-owned and conducts life insurance business. The company offers occupational pensions and pension savings to private individuals, directly or through partnerships, as well as group life insurance and other types of risk insurance.

Occurred in 2015:

- In order to safeguard the long-term perspective of the traditional life insurance and put an end to short-term capital investments, limits to this were introduced on a number of occasions during the year. The most important related to changing the calculation of the guarantee from 95 per cent of new premium payments to 85 per cent of new payments starting from June 2015, as well as the introduction of different bonus interest rates for old and new capital. At the start of the year, the bonus interest rate was 8.0 per cent for the former and 4.0 per cent for the latter. After six months, Folksam Life was able to note a desired reduction in single deposits, at the same time as the continuous deposits continued to grow.
- Since 1 December, we have also merged all of Folksam Life's occupational pension activities, not least with a view to preparing for potential regulation for occupational pension companies (IOPR2). By distributing additional surplus to the portfolio involving defined contribution, traditional occupational pension within cooperative

occupational pension, we are placing the collective funding ratio between the various occupational pension portfolios on an equal footing ahead of the merger. At the same time, this means that around 315,000 customers will share around SEK 800 million in extra bonus interest.

- Against the background of the fact that the deduction right concerning private pension savings was discontinued entirely from 2016, Folksam Life has worked to notify its customers about the change and to challenge the customers instead to start saving in a new, flexible endowment insurance, where it is possible to choose when and how the pension disbursements are to take place. This has many similarities with private pension insurance, and is offered as a new form of savings for those customers who currently have deductible savings.
- Folksam Life discontinued new sales of Seniorkapital, i.e. the combination of mortgage and insurance, as from 15 June 2015.

Folksam Life (Parent Company)	2015	2014	2013
Premium income, SEK million	13,479	13,438	8,569
Solvency ratio, %	162	155	161
Managed assets, SEK million	164,489	156,156	134,997
Average bonus interest Life1, % ¹	9.2	6.3	6.5
Average bonus interest Life2, % ¹	9.2	6.3	6.5
Collective funding, occupational pension activities, % ²	119	-	-
Collective funding, other life insurance activities, % ²	117	-	-
Total return, %	3.7	12.0	7.6

¹ Relates to the period up to and including 30 November 2015, when all occupational pension activities were merged. At the end of 31 December 2015, bonus interest rates for the new operational areas stood at 8 per cent for "old capital" and 4 per cent for "new capital". The average bonus interest rate in the table refers to "old capital".

² In 2014 and 2013, the collective funding ratio was calculated, divided between Life1 and Life2.

Board of Directors KPA AB



Back row, from left

Håkan Sörman
Pia Carlsson Thörnqvist
Anders Knape
Jens Henriksson, Chair
Pia Marions

Front row, from left

Susanna Järnek, employee representative
Elisabeth Sasse
Thomas Månsson, employee representative
Ann-Charlotte Tollqvist, employee representative

Not pictured:
Lena Micko, Vice Chair

KPA Pension

KPA Pension is a brand and joint name for KPA AB, KPA Pensionsförsäkring, KPA Livförsäkring, KPA Pensionsservice and KPA Pensionstjänst. KPA Pension is the pension company for the local government sector and manages occupational pensions for employees in local government, county councils, and local government and cooperative companies. KPA Pensionsservice offers employer service for the handling of municipal pension commitments, administration of the employees' individual pension choices, 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. Folksam owns 60 per cent of KPA Pension and the Swedish Association of Local Authorities and Regions (SALAR) owns 40 per cent.

Occurred in 2015:

- Stockholm County Council selected KPA Pension as its supplier of pension administration. Stockholm County Council has been one of KPA Pension's biggest customers for many years and has more than 43,000 employees and about the same number of retired staff.
- KPA Pension launched a new consultancy service to assist municipalities and county councils in developing a sustainable investment policy together with GES (Global Engagement Services).
- KPA Pension adjusted the guaranteed interest rate level for defined contribution, traditional insurance from 1.5 per cent to 0.75 per cent, in order to create continued opportunities for a good return in future.
- For the fourth year in a row, KPA Pension came top in the pension industry in the major Sustainable Brand Index survey of sustainable brands in Sweden.
- On 19 October, Mia Liblik took over as Acting CEO of KPA Pension when the previous CEO Erik Thedéen was appointed by the Government as the new Director General of the Swedish Financial Supervisory Authority.

KPA Pensionsförsäkring AB	2015	2014	2013
Premium income, SEK millions	11,726	10,172	9,889
Solvency ratio, %	164	166	172
Managed assets, SEK million	132,283	122,713	101,357
Total return, %	3.3	13.3	8.2
Rate of return, %	3.7	13.4	8.0

Board of Directors Folksam LO Pension



Back row, from left

Elisabeth Sasse, Chair
Tommy Tillgren
Per Ardehed
Pauli Kristiansson
Harriet Pontán
Anders Olson
Karin George af Klercker

Front row, from left

Inger Hjärtström
Kjell Ahlberg, Vice Chair
Ann-Marie Stenberg Carlsson
Sven Olander

Not pictured:
Eva Fredriksson

Folksam LO Pension

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 51 per cent owned by Folksam Life and 49 per cent by LO and several of their associations.

Occurred in 2015:

- Specified sales goals achieved, despite the fact that the outflow of capital exceeded the inflow of capital by around SEK 300 million.
- Folksam LO Pension achieved earned premiums of more than SEK 5 billion for the first time in 2015.
- According to industry stakeholder Risk & Försäkring's review, Folksam LO Pension was the company with the highest return for the sixth year in a row in 2014. The return amounted to 18 per cent.

Folksam LO Pension	2015	2014	2013
Premium income, SEK million	77	65	50
Profit/loss before appropriations and income tax, SEK million	330	304	180
Solvency factor, %	3.8	3.1	2.8
Total return, %	7.9	17.9	17.8

Folksam's management group



Jens Henriksson

Chief Executive Officer, CEO

Born 1967

Employed since 2013

In current position since 2013



AnnKristine Wuopio-Mogestedt

Senior Vice President and Head of Claims

Born 1961

Employed since 1988

In current position since 2006



Gunnar Fröderberg

Senior Vice President and Head of IT

Born 1953

Employed since 2008

In current position since 2008



Harriet Pontán

Senior Vice President and Head of HR

Born 1953

Employed since 2005

In current position since 2005



Daniel Eriksson

Senior Vice President and Head of Product

Born 1969

Employed since 2005

In current position since 2008



Mia Liblik

Acting Managing Director
KPA Pension

Born 1969

Employed since 2008

In current position since 2015



Pia Marions
Chief Financial Officer, CFO
Born 1963
Employed since 2014
In current position since December 2014



Torbjörn Eckerdal
**Senior Vice President and
Head of Business Area Private**
Born 1958
Employed since 1985
In current position since 2008



Elisabeth Sasse
**Senior Vice President and
Head of Business Areas Partner and
Collectively agreed business**
Born 1966
Employed since 2011
In current position since 2014



Tomas Norderheim
**Executive Vice President and
Head of CEO Staff**
Born 1955
Employed since 1987
In current position since 1998



Pia Carlsson Thörnqvist
**Executive Vice President and
Head of Communications and
Marketing**
Born 1964
Employed since 1982
In current position since 2008



Michael Kjeller
**Executive Vice President and
Head of Asset Management**
Born 1964
Employed since 1988
In current position since 2007

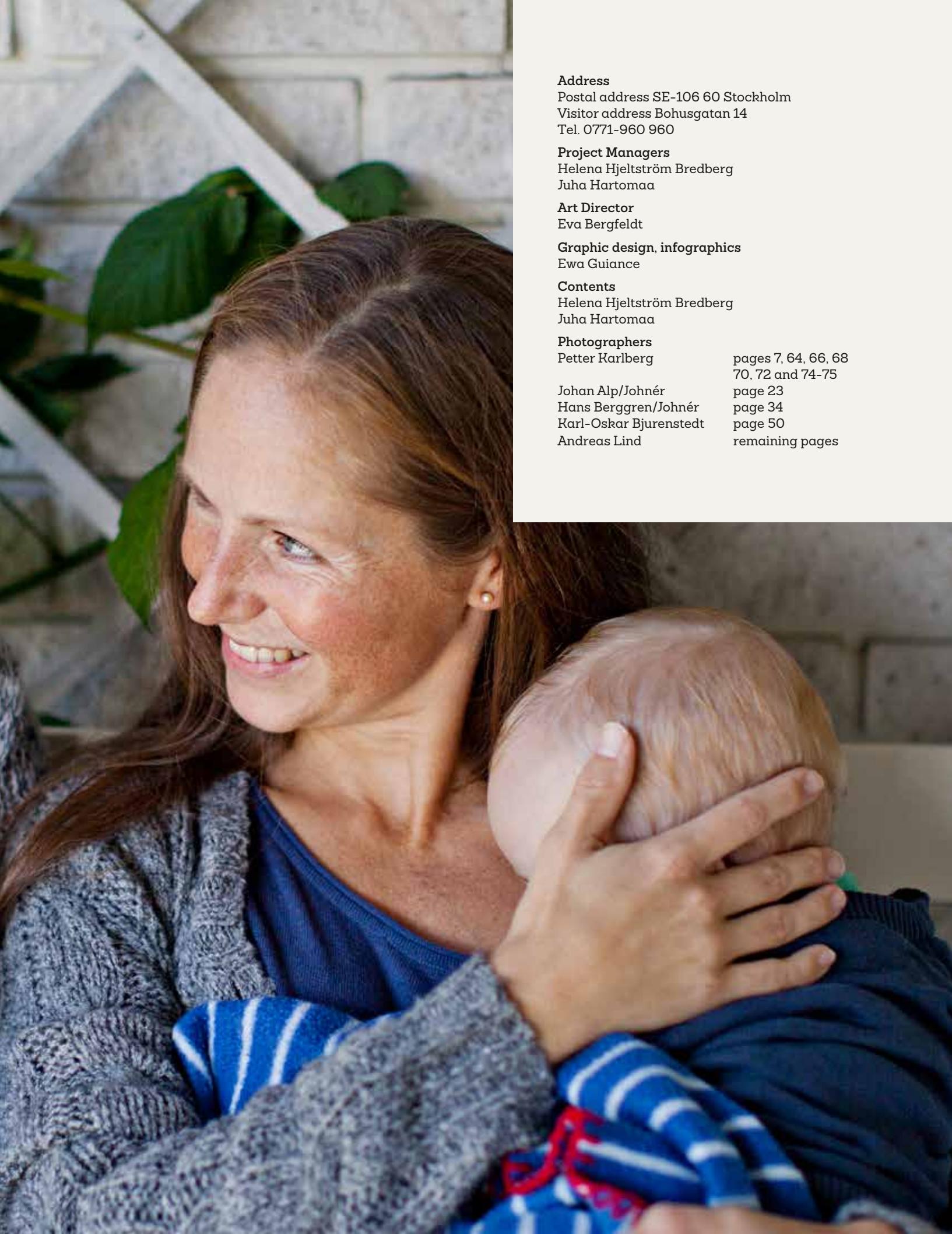


The 2015 reports

For the 2015 financial year, Folksam and its subsidiaries have published an annual and sustainability report, formal annual reports for each company, as well as a GRI report. Folksam has published sustainability reports annually since 2002, and for 2015 is doing so both in this summary report and in a separate GRI report. More in-depth information can also be found at folksam.se.

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Our customers own Folksam

Folksam is a customer-owned company.
This means that our customers are also
our owners and that our surplus
goes back to the customers.

This is how we have
always worked.