

Our customers  
should feel secure  
in a sustainable  
world

Annual Review

2017

Folksam



# Three reasons to choose Folksam



## We are there for our customers

1

Folksam is a mutual – or customer-owned – company. Customers and owners are quite simply one and the same for us. We get involved in what is important to our customers and then allow the profits to go back to them, in the form of bonuses, premium reductions or even better service, services and offers.



## We take responsibility

2

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, employ 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

3

Our financial strength provides us with good conditions to develop attractive offers for our customers. This has also contributed to a good return on our customers' pension savings – among the highest in the industry. Both Folksam Life and the subsidiary KPA Pension have significantly more assets than are needed to pay out the guaranteed pensions.

## Contents

	Page
A sustainable plan.....	9
Trends in the world around us.....	10
Our market .....	14
Our vision and how we are achieving our goals.....	18
Value for customers at every stage.....	22
How we exert influence.....	23
Green money for hospital building.....	24
Meeting us in the Folksam Group.....	26
Contacts with the world around us.....	29
Our sponsorship collaborations.....	30
Ellen took on her injury.....	32
Insurance for everything you care about.....	34
Our offer .....	36
Damage and injury prevention work.....	37
Responsibility in claims operations .....	40
Secure, long-term asset management .....	41
Equities.....	44
Fixed-income instruments.....	46
Properties.....	48
Special investments .....	50
Safe off-road.....	52
How we work within the Folksam Group .....	54
We aim to be an attractive workplace .....	56
High targets for climate and the environment.....	58
The year in figures .....	60
Our customers are in control.....	64
Board of Directors	
Folksam General .....	66
Board of Directors	
Förenade Liv.....	68
Board of Directors	
Folksam Life .....	70
Board of Directors KPAAB .....	72
Board of Directors	
Folksam LO Pension.....	74
Folksam Group management .....	76

# This is the Folksam Group

Our job is to provide security in every phase of life. With us, customers can insure themselves, their loved ones and their property and save for their pension. We are also owned by our customers. In other words, every time we meet a customer, we are meeting an owner – and we have many owners. We insure almost half of all Swedes, and almost two million people save with us in the long term for their pensions. This makes the Folksam Group one of the leading Swedish players when it comes to insurance and pension saving.

## Our vision

Our customers should feel secure in a sustainable world.

## Our business concept

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

## Our overriding objective

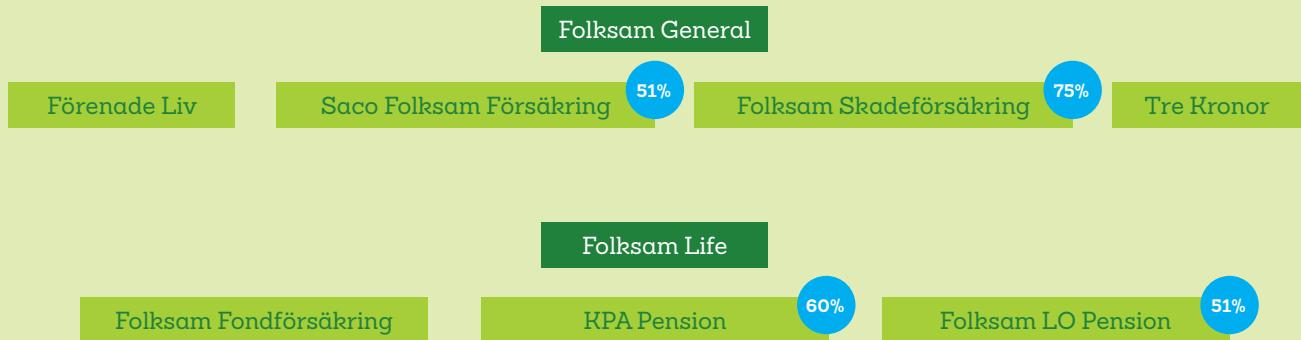
We should have the most satisfied customers in the insurance and pension savings industry.

### Two business goals:

- **Satisfied customers:** Measured through the Folksam Customer Index (FCI).
- **Number of combination customers:** Combination customers are those households with home insurance, individual pension investments or other savings along with car insurance or two other forms of non-life insurance (child, pet, other vehicle, holiday home or boat).

	2017	Target 2017	2016	2015	2014
FCI	78	78	79	78	79
Number of combination customers	129,355	135,647	131,647	132,376	113,919

## Two Groups, four brands, ten insurance companies



The Folksam Group's operations are conducted under the four brands Folksam, KPA Pension, Tre Kronor and Folksam LO Pension. The business comprises the two parent companies Folksam Life (Folksam ömsesidig livförsäkring) and Folksam General (Folksam ömsesidig sakförsäkring) 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, as well as part-owned subsidiaries such as the companies within the KPA Pension brand, which is 60 per cent owned, and Folksam LO Fondförsäkringsaktiebolag under the Folksam LO Pension (Folksam

LO Fondförsäkring) brand, which is 51 per cent owned. KPA Pension comprises KPA AB, KPA Livförsäkring AB, KPA Pensionsförsäkring AB and KPA Pensionsservice 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 (Tre Kronor), Förenade Liv Gruppförsäkring AB 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.

## Our business areas

During 2017, Folksam was organised into two business areas: Private as well as Partner and collectively agreed business. As from 1 April 2018, these business areas have been refined and renamed Life and General.



# The past year

SEK  
394 billion

This is the amount the Folksam Group was managing for its customers at the end of 2017.



1,423 tonnes

The amount by which Folksam has reduced its carbon dioxide emissions in 2017 through circular claim settlement, where we reuse e.g. bicycles and electronics.

78%

Proportion of satisfied customers within Folksam in 2017.

12 green billions

We achieved our intermediate target of investing SEK 12 billion in green bonds in September 2017. We are now focusing on the next target – SEK 25 billion.

6%

In April, we raised the bonus rate for traditional life insurance in the occupational pension operations from 5 to 6 per cent.



Third white paper about pensions

Folksam launched its third white paper about the Swedish pension system, focusing this year on the pension gap between men and women.



### Premiere for Drive Safely

Folksam launched the connected insurance policy Drive Safely, in which digital technology helps drivers to reduce the cost of their premiums, save lives and save the environment.



### Sustainable brands

Folksam and KPA Pension were appointed the most sustainable brands in their categories in the Sustainable Brand Index.



### SEK 4.5 billion

That was the size of the capital gain when the Folksam Group, in its largest single transaction to date, sold part of its shareholding in Swedbank.

### Building assistance online

Folksam's much appreciated Building Environment Guide, which helps developers to do things correctly from the outset, made the move online and became [byggmiljöguiden.se](http://byggmiljöguiden.se)

## Key ratios

Folksam	2017	2016	2015
<b>Folksam Customer Index (FCI), %</b>	<b>78</b>	<b>79</b>	<b>78</b>
Premiums, SEK million <sup>1</sup>	49,939	47,023	50,469
of which Folksam General <sup>2</sup>	14,651	14,269	13,395
of which Folksam Life <sup>2</sup>	35,288	32,754	37,074
Assets under management, SEK million <sup>3,4</sup>	394,125	375,794	344,851
Unit-linked insurance assets, SEK million <sup>3,5</sup>	139,632	124,043	111,144
Number of full-time positions <sup>6</sup>	3,716	3,731	3,706

<sup>1</sup> Premiums comprise premiums earned in non-life insurance, premiums written in life insurance and deposits from savers in unit-linked insurance, including the non-consolidated insurance companies.  
<sup>2</sup> Refers to total sum of premiums per company with respective subsidiaries, including the non-consolidated insurance companies.

<sup>3</sup> At the end of the period.

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

<sup>5</sup> Investment assets for which the policyholders bear the risk.

<sup>6</sup> Based on paid time during the period.



“We want to have the most satisfied customers in the insurance industry”

# A sustainable plan

**Modernisation, consolidation and streamlining. These have been key terms for the Folksam Group in recent years. Now, as we put 2017 behind us, we can confirm that we have made major advances in our improvement efforts.**

2017 was an intense year that offered both challenges and progress. Even though the global economic situation appears relatively bright, we are still living in a low interest environment. The outside world's demands for adaptation to new regulations have required preparations and driven up costs. For example, PRIIP, which regulates how advice should be provided when we sell endowment insurance, came into effect at year-end. GDPR will be coming into force in May, to be followed by IDD and IORP. In addition, we mustn't forget our work on issues relating to money laundering. For our part, of course, it is only natural to adapt. We welcome proper order – this is fundamentally a matter of increasing security for our customers.

Our total premium volume grew by 6 per cent to SEK 50 billion, largely thanks to our strong positions within collectively agreed occupational pensions and KPA Pension. We also grew within non-life insurance, if not at the same rate as the market, and we are still the third-largest player on the market.

We have made further advances in our move towards digitalisation. For example, we launched "My Pages" during the year, which makes it possible for our customers to see their entire involvement in the Folksam Group. We also launched a new medical care insurance policy within Folksam and have developed a new, good-value product for long-term saving, which we began selling at the start of 2018.

Within asset management, I would of course like to mention the sale of shares in Swedbank in March, which we did above all to reduce the concentration risk. Over the years, our involvement in Swedbank has been a real success story for Folksam's customers. Since 2008, the return has totalled SEK 22 billion. Swedbank is still an important strategic holding, even though at a lower level, and we are still a long-term shareholder. I am also satisfied that we have really taken the lead as regards green bonds, which provide our customers with the opportunity to save in the long term as well as for this saving to contribute to a sustainable world. During 2017, we achieved our intermediate goal of investing SEK 12 billion in green bonds, and we are now targeting the next level – SEK 25 billion. Our progress has attracted attention internationally. In September, we were invited to a global business forum in New York and to a climate meeting arranged by the World Bank.

We are now continuing to modernise, streamline and consolidate our operations. The work of incorporating Förenade Liv into Folksam is in full swing, and we are also reviewing whether Folksam Fondförsäkring can be incorporated into Folksam Life.

Whatever we do, sustainability will be an integral part of the plan. Our size and operations provide us with many opportunities to be a positive force for our customers and in society, and we have decided to lead the way in the sector when it comes to sustainability. We support principles such as the UN Global Compact and Principles for Responsible Investment (PRI), and are working to help the world achieve the UN's 17 global goals. During 2017, we announced the decision to become fossil-free within our own operations by 2030. I would also like to mention the MeToo campaign against sexual harassment and violations, which attracted attention during the autumn. One particular campaign related to the financial and insurance sector, which we welcomed here at Folksam. We have clear procedures and guidelines in place, and we promise to continue doing our best to ensure that campaigns of this type will no longer be needed.

We are looking forward to an exciting 2018 and we will ensure that we take advantage of every opportunity that the year brings. Whatever we are doing, the overall goal is always the same: To have the most satisfied customers in the insurance industry. This is particularly important for us, of course, bearing in mind that we are a mutual company – every customer is also an owner.

Stockholm, March 2018



**Jens Henriksson**

President and CEO of Folksam with its subsidiaries.

A photograph of a man and a woman in a kitchen. The man, on the right, is wearing an orange sweater over a light blue shirt and is looking down at a laptop. The woman, on the left, is wearing a grey ribbed sweater and is also looking at the laptop. They are both leaning forward. In the background, there is a white kitchen counter with a potted plant on the left and a white pendant light hanging from the ceiling on the right. A blue cloud-shaped graphic is positioned in the upper left corner of the image.

Trends in the world  
around us

It is important for us at Folksam to follow and understand the megatrends that shape the world around us. This is how we identify new opportunities to grow in a sustainable manner within insurance and long-term saving. Set out below are five important trends that we are constantly adapting to and benefiting from.

## 1. Digitalisation

**New ways of meeting customers.** Digitalisation affects Folksam on many levels, in particular as it allows us to meet customers in new ways. When people can easily accomplish tasks, compare offers and both praise and give criticism online at any time, this also increases the demands for personal digital service. At the same time, it opens the door to exciting new opportunities, such as working strategically with large volumes of data and finding new solutions, in line with more and more things becoming connected. However, digitalisation also gives rise to new questions regarding integrity, vulnerability and criminality online. Insurance companies are greatly affected by matters relating to cyber security, for example, both by offering insurance cover and by themselves being at risk of attacks.

## 2. Environment and climate threats

**Climate change affects daily life.** 2017 was an ominous record year – never before have the global costs for weather-related damage been so high. Total costs for natural and man-made disasters rose dramatically in 2017, to an estimated approx. SEK 3,000 billion. This is an increase of more than 60 per cent compared to 2016, according to the insurance company Swiss Re. If the emissions of greenhouse gases and temperature rises continue at their present rate, this will entail major challenges for both the insurance industry and our customers. It may become more expensive to insure houses, for example, as a warmer, moister climate could exacerbate mould damage. Two important tools for turning around this trend are the UN's global objectives for sustainable development and the Paris climate agreement. There is also growing interest among both companies and private individuals about the circular economy – i.e. working together to reduce the climate threat by recycling and re-using more, for example by repairing electronics and sharing transport.

## 3. Rules and regulations

**New requirements to live up to.** In recent years, a series of new rules and regulations have washed over the sector, and new initiatives are constantly being launched, both in Sweden and the EU. Adapting to new conditions on the market and maintaining proper order will benefit our customers and are important for us – this basically relates to authorities and other stakeholders being able to trust the insurance companies. Current examples of regulations that affect us include the new General Data Protection Regulation (GDPR), which will replace the previous Personal Data Act, as well as the Insurance Distribution Directive (IDD), which will guarantee clear and transparent information about insurance to customers.

## 4. Macroeconomy and geopolitics

**Both anxiety and optimism.** Even though there is now optimism regarding economic growth, both in Sweden and internationally, the global economy continues to be characterised by geopolitical uncertainty and anxiety about terrorist acts, for example. Nationalism is challenging internationalism, borders are tending to be closed more than opened and many countries are reviewing their trade agreements. Sweden is dependent on exports, and restrictions to free trade are not good for Swedish companies. The low interest rates are also affecting the situation. However, interest rates are predicted to be on the rise and, according to the IMF, several countries are growing faster than expected, which is giving the global economy an additional lift.

## 5. Population and lifestyle changes

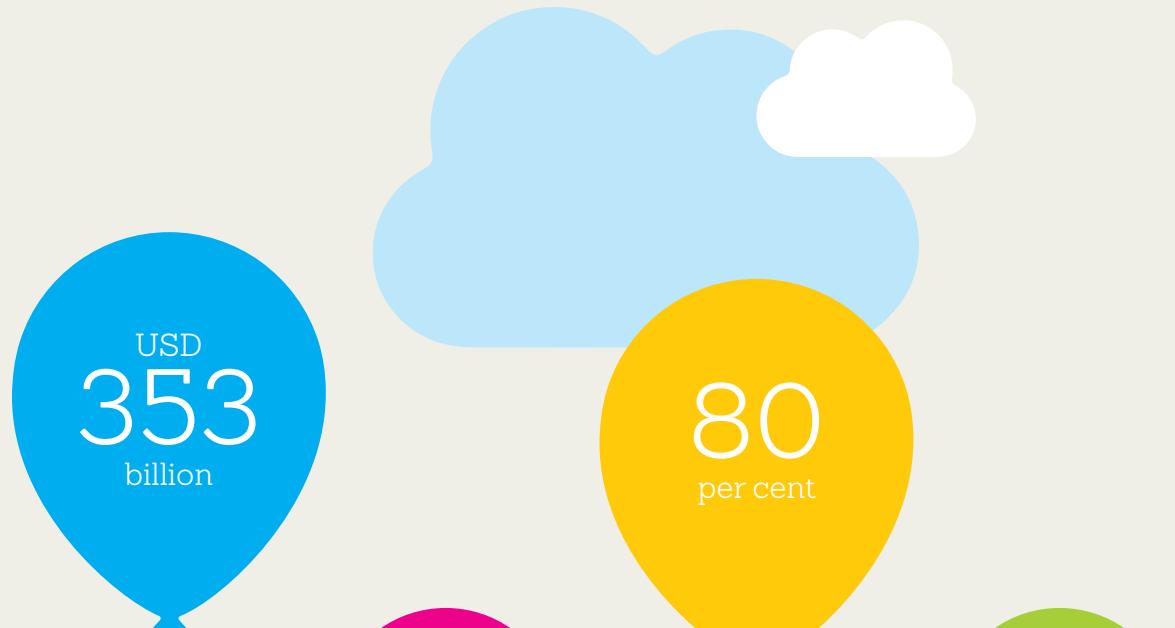
**More, older and healthier.** There are more and more people on the planet, we are living longer and living in cities to a greater extent. In addition, we rarely let go of our smartphones, we are increasingly valuing sustainability and we are choosing lifestyles based on more parameters than just our geographic place of residence. The lives of our customers have changed rapidly, and there is nothing to indicate that things are going to slow down in future. The fact that we are remaining healthy and active for longer into old age, but at the same time working for a shorter proportion of our lives, affects us all. How should we provide for our elderly? This is the background to the Swedish arrangement to raise the minimum age for drawing state pension from 61 to 64 by 2026. The higher pension ages are also placing higher demands on the individual to save for his or her pension, at the same time as we insurance companies have to ensure that the pension funds will last for longer.



## Insurance and savings in 2017

- The Swedish insurance companies' total investments amounted to SEK 4,606 billion (4,264) at the end of 2017. This is the highest figure to date.
- Between 2011 and 2016, paid out retirement pension increased by just over 26 per cent. The state pension has increased by almost 26 per cent.
- The vast majority of employees have occupational pension insurance. Paid out occupational pensions and other private pension savings increased by 28 per cent between 2011 and 2016.
- Around 13 per cent of all employed individuals have medical care insurance. Around 70 per cent of these policies are paid by the employer.
- Premium income in the insurance sector increased by 12 per cent in 2017 compared to the previous year, according to the Swedish Insurance Federation. Life insurance increased by 13 per cent and non-life insurance by 7 per cent. In total, the premiums paid to life insurance companies amounted to SEK 211 billion.
- 95 per cent of Swedish households have home insurance. Around 5 million (4.9) household and home owner insurance policies were taken out in 2017.
- In total, 1.1 million instances of damage and injuries were reported to insurance companies during 2017. All-risk (damage to loose property through a sudden or unforeseen event) is the most commonly reported type of damage. There were 988,000 claims (977,000) from household and home owner, holiday home and boat insurance.

Source: Statistics Sweden and the Swedish Insurance Federation



Proportion of European companies that have reported cyber attacks in 2017

Global cost of natural disasters in 2017

Estimated population in Sweden in 2060

Proportion of Swedish three-year-olds who use the Internet daily

# Our market



**The Folksam Group is currently the largest player in Sweden for life insurance and the third-largest player in non-life insurance. This makes us one of the largest companies in the country and one of the ten-largest institutional investors on the market.**

The insurance and long-term savings sector plays an important role in the economy. Both individuals and companies require financial protection in the event anything happens. It is also becoming increasingly important to have insurance solutions that relieve the pressure on the public sector. For example, increasing life expectancy means that personal long-term saving towards pensions is becoming more important, and there is also growing interest in supplementary insurance solutions within healthcare.

### **The market in brief**

There are currently around 400 insurance companies in Sweden. It is a mature market that is dominated by a few large payers. In non-life insurance, the four largest companies have just over 80 per cent of the market, while in life insurance the four largest have a little over 50 per cent of the market. There are several forms of saving, such as bank, equity and unit-linked savings, but insurance is the most common savings form for Swedish households. The Swedish market also differs from the rest of Europe due to its large occupational pension market, where almost a third of total life insurance premiums are sold via middlemen, such as brokers and agents. This proportion is substantially lower on the European market, according to figures from the Swedish Insurance Federation.

### **New business models**

At the same time, the sector is greatly influenced by the major trends in the outside world (see pages 10-13). New business models are emerging as a result of technical developments, with traditional insurance companies, particularly within non-life insurance, facing growing competition from entire new digital players. Established companies from other sectors are also making a challenge: Retailers such as ICA and IKEA, with far more customer contacts than traditional insurance companies, are now offering their own insurance solutions. Rapid changes are also taking place on the life insurance side, such as the development of "robot advice" where customers can receive a customised yet automated solution when choosing long-term savings.

Global climate change is another important factor. When weather-related damage increases, this affects the

entire insurance sector, which has to prepare new estimates regarding the potential size of claims payments. In 2017, there were 330 natural disasters around the world, according to the report Weather, Climate & Catastrophe Insight from Aon Benfield, with resulting financial losses totalling USD 353 billion.

### **Regulation driving costs**

The market is also affected by the fact that society is placing increasingly complex demands on the players within insurance and pensions saving. The rate of regulation at an EU level has been significant in recent years, and several far-reaching regulations have recently entered into force or are in the process of being introduced. This results in substantial costs for the companies and affects the conditions on the market. An example of this is the matter of how insurance products should be distributed to customers. Current regulations that have a major impact on the sector include Solvency II, GDPR and IDD.

In December 2017, a cross-bloc pension arrangement was presented which entails the raising of the pensionable age. Over a ten-year period, the earliest pensionable age will be raised from 61 years at present to 64 years. There will also be an entitlement to work until the age of 69, rather than 67.

During the second half of 2017, there were many indications that interest rates were on the way up after several years of record-low levels. However, the low-interest environment will not disappear anytime soon, which will result in continued pressure on the insurance companies' ability to produce a return. The supervisory authorities in particular have increased their focus on the financial viability of traditional life insurance. This has resulted in several players, including Folksam, implementing changes in the product conditions with the aim of creating space to handle a prolonged low-interest environment. New types of investments, such as infrastructure and other real assets, are a measure for safeguarding future returns for our customers. Green bonds, which result in higher pensions to customers at the same time as their savings contribute to a sustainable world, are yet another example of a new type of sustainable investment.

## Folksam in 2017

At the end of 2017, the Folksam Group's total premiums within life and non-life insurance amounted to SEK 49.9 billion (47). In total, the Folksam Group and its subsidiaries managed around SEK 394 billion (375). This makes us the largest Swedish player in the field of life insurance, the third-largest for non-life, and one of Sweden's ten-largest institutional investors. This year's growth comes mainly from the collective occupational pension business, particularly KPA Pension, which is contributing with strong growth in its market.

### Continued market growth

The total non-life insurance market grew by 3.1 per cent or SEK 2.4 billion compared with the previous year. Folksam is growing slightly more slowly than the market in general, mainly since our share is decreasing in the household market. However, we are still the third-largest player.

Within personal risk, the number of customers with private or employer-paid medical care insurance continued to increase. This can also be seen from the Folksam Group's sales of health and accident insurance. In order to meet the need, Folksam launched a new medical care insurance policy in October 2017.

When it comes to long-term savings, premium payments from pension savers in unit-linked insurance have increased in recent years, above all due to investments on the broker market and regarding collective agreement occupational pension. Collectively agreed pensions from employers account 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. Folksam has also developed its offers for the individual occupational pension market, i.e. occupational pensions from employers who do not have collective agreements.

At the start of 2018, Folksam also launched an entirely new product for long-term saving – Private Pension. Private Pension is a traditional, favourable insurance policy that is mainly aimed at customers in the 25–55 age bracket. The idea is to offer a competitive product to customers who need to save for the future, but who are not inclined to make such a large personal commitment.

### Improved range of funds

An improved range of funds for our customers is another factor that has helped Folksam to grow. We help our customers to choose by offering guidance based on the parameters of return, fees and sustainability. We also apply the Sustainability Profile, which is a standard for funds' sustainability information supported by Swesif, the industry forum for sustainable investments. 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. The fund management companies must also have signed up to the UN initiative Principles for Responsible Investments (PRI).

During 2017, we were able to raise the bonus interest rate for traditional life insurance within the occupational pension operation from 4 to 6 per cent, fully in line with our consolidation policy. Within other life insurance operations, we raised the bonus interest rate from 4 to 5 per cent.



In total, the Folksam Group managed around SEK 394 billion

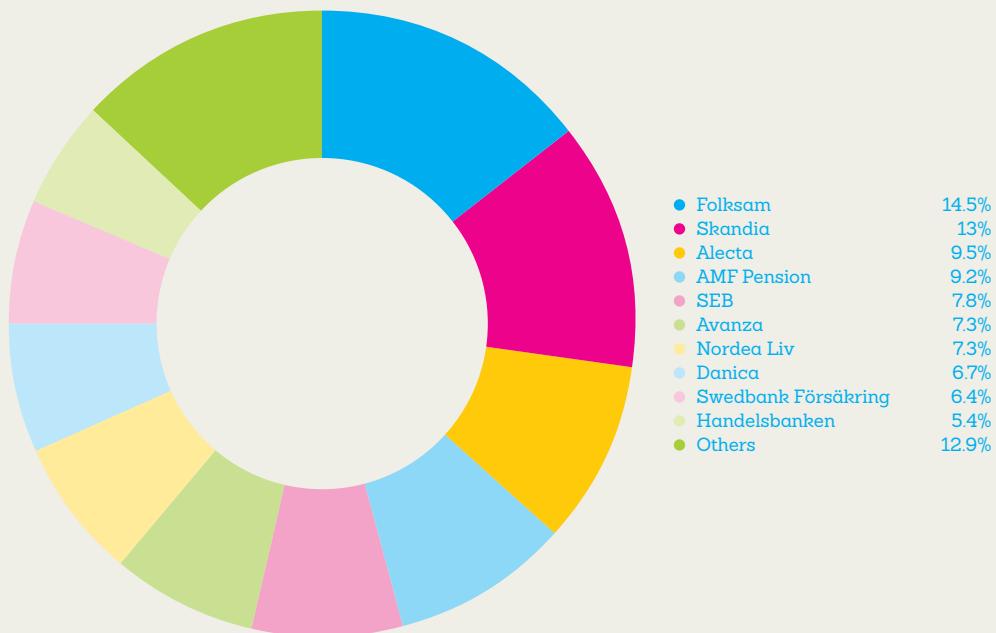
## The year in figures

Folksam Group (SEK billion)	2017	2016
Premiums within life and non-life insurance	49.9	47
Total assets under management	394	375
Total unit-linked insurance assets	139	124
<b>Life insurance</b>		
Total premiums paid in	35	32
<b>Non-life insurance</b>		
Total premiums paid in	14.6	14.2

\* Figures from the Swedish Insurance Federation

Market share 2017, non-life insurance		
Per cent	2017	2016
Länsförsäkringar	30.8	30.2
If Skadeförsäkring	18.5	18.3
Folksam	15.7	16.5
Trygg-Hansa	14.6	15.1
Moderna	3.2	2.8
Dina federationen	2.7	2.7
Others	14.5	14.4

### Market share within life insurance



The four largest companies encompass SEK 97 billion in premium payments, corresponding to 46 per cent of total premium payments for life insurance companies amounting to SEK 211 billion. Market share includes both old and newly purchased insurance policies.

A photograph of a woman and two young boys working in a garden. The woman, wearing glasses and a patterned top, is kneeling in the dirt, smiling. She is wearing work gloves. Two young boys are also kneeling in the dirt, looking down at something. The background shows a yellow house with a white trim and a window. The scene is outdoors in a grassy area.

Our vision and  
how we are achie-  
ving our goals



Our customers  
should feel secure in  
a sustainable world

Our customers are also our owners. As a result, it is only natural for us to focus on having the most satisfied customers in the industry. In order to achieve this, we require proper order, an efficient infrastructure and professionalism at every stage.

## Our vision

*Our customers should feel secure in a sustainable world.*

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 at the same time. We get involved in the things our customers care about, and therefore promote sustainable development.

## Our business concept

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

## Our values

*Personal, committed, and responsible.*

Everything we do must be permeated by our values. We aim to be:

- Personal by showing consideration, conducting a dialogue and working on the basis of the customer.
- Committed by being active and taking the initiative in the customer's best interests, as well as 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 an obvious goal for us. Our customers are also Folksam's owners, and we can therefore focus exclusively on generating the greatest possible value for them.

## Our goal structure

In order to measure our overriding objective of having the most satisfied customers in the insurance and pension savings industry, we work on the basis of our two business goals: "Satisfied customers" and "Number of combination customers".

In order to measure the proportion of satisfied customers, we use our recurring customer survey, FCI (Folksam Customer Index). This gives us customer insights, identifies our strengths and weaknesses and shows how well we are satisfying our customer targets. Every quarter, we interpret and analyse our position and develop areas of improvement.

We measure the number of combination customers in terms of the number of households with home insurance, individual long-term savings or other savings, along with car insurance or two of the following other forms of non-life insurance: child, pet, other vehicles, holiday home or boat.

We break down our overriding objective and business goals into five different measurement areas: financial stability, volume, customer benefit, competitiveness and attractive workplace. Based on this, the respective business area, unit and subsidiary company sets up goals that are broken down all the way to targets for each individual employee. Since 2014, all business areas, units and subsidiaries include at least one sustainability target in their internal business planning.

Achievement of goals 2017	Results 2017	Target 2017	Results 2016
FCI	78	78	79
Number of combination customers	129,355	135,647	131,647



We must always think and act on the basis of our customer's needs

## Our aim and level of ambition

Almost half of all Swedes are now Folksam customers in one way or another. Many come to us through collaborations with union organisations and other partners. This means that, out of our more than four million customers, it is still the case that only a small proportion are classified as combination customers. This entails considerable opportunities – with so many existing customer relationships, we can concentrate on developing these. Within certain customer segments, however, we are also looking for new customers.

We consider our existing customers, our collaborations with various organisations and the fact that we are a mutual company to be three major strategic assets. In order to clarify our focus, we have therefore formulated six strategic ambitions:

### 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 customer relationships so that the customers become combination customers
- to satisfy every customer
- the customers to like Folksam.

## Our main strategic areas

We will achieve our goals by developing three main strategic areas:

### 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.

### Infrastructure

Our operations shall be modern, efficient and consolidated in terms of infrastructure, processes, expertise and information support. The operations the Folksam Group 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.

### Professionalism

As a modern financial company, the operations must be conducted professionally. We must always think and act on the basis of our customer's needs. Our offers must satisfy needs that are shared by many and the customer must find it easy to work with us.

Main strategic area	Implementation 2017	Work 2018
<b>Proper order</b>		
<b>GDPR – General Data Protection Regulation</b> Applies to all EU Member States as from 25 May 2018. The GDPR entails greater responsibility for personal data controllers and strengthens the rights of the individual as regards personal integrity	<ul style="list-style-type: none"> <li>Guaranteed that the Folksam Group can satisfy all the demands for compliance with the GDPR</li> <li>All IT systems impact-assessed and necessary adaptations performed</li> </ul>	<ul style="list-style-type: none"> <li>Continue the adaptation work by e.g. supplementing lists and ensuring that the customers receive information</li> </ul>
<b>PRIIP and IDD – strengthened consumer protection</b> The PRIIP and IDD regulations, as well as the Written contracts requirements regarding telephony, will enter into force during 2018. These are intended to strengthen consumer protection through more stringent conduct and information requirements. These changes impact on distribution for Folksam and intermediaries	<ul style="list-style-type: none"> <li>Customer contacts tailored to PRIIP, which means that customers receive standardised information about endowment policies on site.</li> <li>Development to meet all the demands arising from IDD, which enters into force on 1 October 2018</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of IDD throughout the whole of Folksam, with adaptation of areas such as distribution and product development</li> <li>Adaptation of customer contact in order to satisfy the new Written contracts requirements in the event of telephone sales</li> </ul>
<b>Infrastructure</b>		
<b>Digital customer contact</b> 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"> <li>Continued development of "My pages" at folksam.se</li> <li>Digital services adapted to new regulations</li> </ul>	<ul style="list-style-type: none"> <li>Continue development of "My pages" at folksam.se</li> <li>Launch of the new service "Find medical care abroad"</li> </ul>
<b>Improved claims handling</b> Satisfied customer through accessibility, security, simplicity, expertise and effectiveness. The basis for this is the power of Folksam's employees combined with the new technology	<ul style="list-style-type: none"> <li>Developed new claims and service strategy.</li> <li>Extended the potential for digital self-service for animal injury claims</li> </ul>	<ul style="list-style-type: none"> <li>Focus on more efficient case management, improved digital claims process, statistics and data quality, as well as compliance with regulations</li> <li>Continued work on the broadening of skills and refinement</li> </ul>
<b>People and environments:</b> An attractive workplace with well-known and competitive offers for present and future employees, as well as a well-functioning interplay between people, environments and technology	<ul style="list-style-type: none"> <li>Implemented efforts for rehabilitation of those on long-term sick leave</li> <li>Procured new IT system support for HR processes</li> <li>Increased focus on learning in order to live up to new and more stringent regulations</li> </ul>	<ul style="list-style-type: none"> <li>Implement new system support for HR processes</li> <li>Implement new regulations regarding expertise, professional development, etc.</li> <li>Continued introduction of activity-based working methods throughout the whole of Folksam</li> </ul>
<b>Organisational consolidation</b> Secure an effective and customer-adapted organisation	<ul style="list-style-type: none"> <li>Continued work on the incorporation of Förenade Liv</li> <li>Initiated review of Folksam Fondförsäkring</li> <li>Implemented reorganisations</li> </ul>	<ul style="list-style-type: none"> <li>Continue the reorganisation of the Life and General business areas, which are replacing the two previous areas</li> <li>Continue to implement decisions regarding organisational changes</li> </ul>
<b>Professionalism</b>		
<b>Customer development</b> Increase the commitment among our customers so that more become combination customers with both non-life and life insurance	<ul style="list-style-type: none"> <li>Development of the communication platform has increased accessibility for our customers</li> <li>Developed new insurance for private pension investment</li> </ul>	<ul style="list-style-type: none"> <li>Continued development of "The excellent customer contact"</li> <li>Continued development of our distribution</li> <li>New strategic plan for digital development</li> </ul>
<b>Insurance documents</b> Develop Folksam's insurance documents for end customers, both as regards communications and systems	<ul style="list-style-type: none"> <li>More and more customers are now receiving their documents digitally instead of on paper</li> <li>A large proportion of the customer documents improved, clarified and brand-adapted</li> <li>Ongoing consolidation of system support</li> </ul>	<ul style="list-style-type: none"> <li>Transfer remaining documents to new system support</li> <li>Phasing out of older system support</li> </ul>

# Value for customers at every stage

We strive to generate value for the customer in every part of our operation.

We do this by having clear strategic guidelines for all of our customer contacts, from product development to claims adjustment and pension payments.

## 1. Product development and offerings

We offer products that provide protection for various events and contribute to our customers' 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. We will always adopt an advisory approach. 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. Responsible asset management

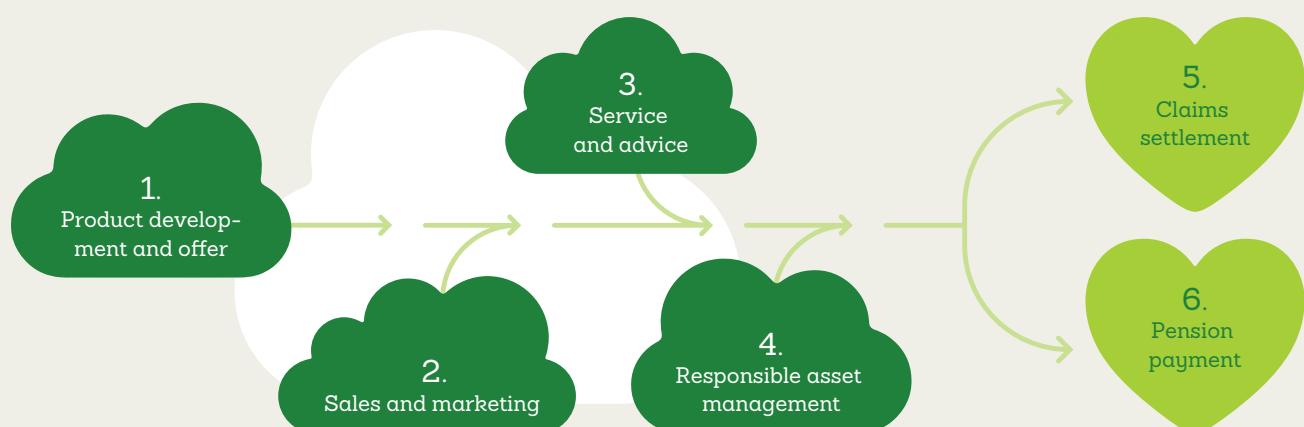
Our management of our customers' money will promote long-term security based on return and sustainable development. In order to achieve good risk diversification, we distribute our investments over various kinds of assets and markets. We manage our investments in a sustainable direction, have investment 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-quality, 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 are saving in the long term 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 in the long term.



# How we exert influence

Our operation is based on three cornerstones: Our vision is for our customers to feel secure in a sustainable world, that our customers are our owners and that sustainability is good business. Thanks to our size, we have plenty of opportunities to influence the world around us and to promote sustainable development.

## Responsible asset management



We manage around SEK 400 billion, which we invest in fixed-income instruments, shares and properties, for example. To an ever greater extent, we are working to steer our investments so as to promote sustainable development, for example through green bonds. We are also placing demands on those areas in which we invest. Our entire managed assets are covered by guidelines based on how we can take responsibility. This includes criteria in respect of the environment, human rights and anti-corruption.

## Environment and climate



The environment and climate issues are central for the Folksam Group. If we do not help to slow down climate change, the costs for insurance will rise in the future. We have good opportunities to exert an influence. This means, for example, that we renovate houses using sustainable materials, buy and recycle spare parts for cars and require that the customer's replacement vehicle must be environmentally adapted. Our car, home and holiday home insurance products bear the Good Environmental Choice label, and in our investments we are steering towards alternatives that are more tailored to the environment and the climate.

## Damage and injury prevention



By helping our customers to make the right choices, to think first and to prevent the occurrence of accidents, we can contribute to fewer claims – while our customers contribute to lower claim expenses. For example, 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 as well as providing damage and injury prevention advice.

## Social responsibility



Society's challenges are the Folksam Group's challenges. 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



Size produces power. The fact that we are financially strong gives us the potential to exert influence, to generate a good return from pension savings and to create the conditions to develop attractive products for our customers. Over the last ten-year period, our life insurance companies KPA Pensionsförsäkring and Folksam Life have also yielded the highest returns in the industry.



Double  
good

Return and  
environmental  
benefit

# Green money for hospital building

Södertälje Hospital needed to be both refurbished and extended. But how would this be financed? KPA Pension's investment in green bonds was an important part of the solution.

When Charlotta Brask, Sustainability Manager for Stockholm County Council, talks about the council's sustainability work, she keeps coming back to the same thing – the importance of an overall perspective.

*"All the county council's assignments contribute towards a sustainable society. If we reduce our climate impact, this makes a difference both locally and globally. We always work on the basis of our own environmental impact and carry out measures where they do the most good," says Charlotta Brask.*

The overall perspective has, to a great extent, characterised one of the council's major ongoing projects: The conversion and extension of Södertälje Hospital, which when completed will be one of the most modern in Sweden. It will be a significant improvement for the inhabitants of the region, who will benefit from more efficient care chains and shorter waiting lists as a result. It will also be sustainable and climate-smart – only environmentally approved products are being integrated and the new structures will cope with future energy and environmental requirements, far beyond that which is required today.

However, it will cost money to build, of course. This is where the green bonds come into the picture. A green bond is a type of loan that is earmarked for particular environmental projects. The point is that the party that is lending the money knows that it is being used for projects that have an environmental benefit – without this adversely affecting the return. Stockholm County Council, which has many opportunities to conduct green projects within both public transport and care, soon saw the benefits, and in May 2014 was the first county council in Sweden to invest in a green bond. There have been a further three since then. In total, the county council has put 6.4 green billions to work.

*"The county council's green bonds link up financing with our goals and ambitions in respect of environmental work. There is a very high level of interest, which is extremely pleasing. We are also being given the potential to explain more about what we are doing for the environment, and that feels important," says Charlotta Brask.*

KPA Pension has invested in several projects at Stockholm County Council, such as Nya Karolinska and the expansion of the underground system. This means that the parties in the team have got to know each other well. This is extremely positive, in Charlotta Brask's opinion.

*"Normal bonds can be sold on, but investing in a green bond is a different thing entirely. There is a different relationship with the investors and a high degree of transparency, for example in the form of study visits to the site."*

She can also see the potential for green bonds to also drive through positive change in other parts of the financial market.

*"We can see ripples on the water. If the green bond market continues to grow, this can in turn result in pressure for change on other financial market players who are still investing 'brown', for example in fossil energy sources."*

She has noticed that the environmental work also engages, inspires and generates pride within the county council.

*"People often come up to me after I have been out and about, talking about green bonds, and say 'Wow, are we doing this at the county council? It's really exciting!'"*



”Everything we do contributes to a sustainable society”

Charlotta Brask

## How KPA Pension works with **green bonds**

Heart KPA Pension is the pension company for the municipal and county council sector. The fact that the employees' occupational pensions are invested in part in municipal operations and municipal assets contributes to a secure and sustainable pension. KPA Pension calls this "the virtuous pension circle".

Heart For KPA Pension, green bonds are a way to give customers a good return in the long term, at the same time as the money is making an active contribution to society's green transition.

Heart As an investor, KPA Pension requires a high level of transparency and detailed information, as well as a dialogue with the loan recipient. KPA Pension also requires that the bond lives up to the Green Bond Principles standard, which specifies that the money must be used to finance climate-smart, ecologically sustainable solutions, for example within energy, transport or the reduction of emissions.



Meeting us in the  
Folksam Group



Nine out  
of ten are  
satisfied



We want to have the most satisfied customers in the industry – and we frequently achieve this goal. Of the customers who have had contact with our customer service or filed a claim, nine out of ten say that they are satisfied.

Telephone, social media or meet in person? Our starting point is that we should contact customers in the way that best suits them. In 2017, we had well in excess of 10 million customer contacts and handled around a million claims. We work hard to be both proactive and relevant in our customer communication, and to ensure that our communication channels are stable and good quality. It is important for us to identify occasions when we can have a direct dialogue with our customers, such as by telephone or physical meetings. It is at these times that we can really generate customer value through needs-based advice.

Folksam currently has a strong brand, in comparison both with competitors and with our own previous results. We measure our customers' perception of us using the Folksam Customer Index (FCI). We ask every category of customer (private customers, partners, employers) what they think about us and our work in relation to service, information, products and personal treatment. We also ask company-wide questions about trust and sustainable development.

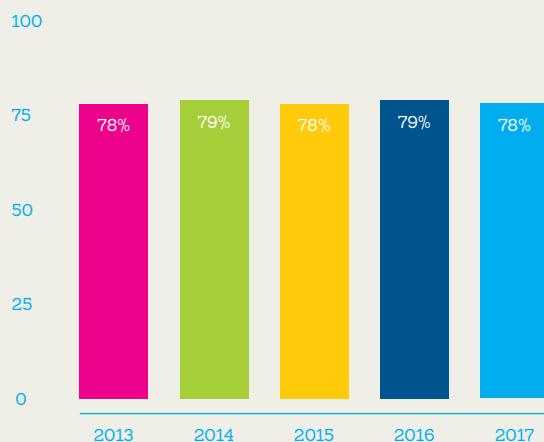
For many years, our own surveys of customer satisfaction have reported a positive trend. For 2017, customer satisfaction stood at 78 per cent, which corresponded to our goal.

The fact that our customers are satisfied can be seen most clearly from our surveys of customers who have recently 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.

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.

We are continuing to develop our points of contact in relation to our customers. The Internet is particularly important in this regard, although it is also vital to work with combination discounts, bonus interest and accessibility in general.

Customer satisfaction, Folksam Group 2013-2017, FCI, %





We met  
customers here  
in 2017



The above figures are approximate  
\* Generated approximately one million claims



## When the customer is dissatisfied

Occasionally things go wrong. Customers sometimes feel that we have not paid enough compensation, that a case has not been handled in line with their expectations or that misunderstanding and dissatisfaction have arisen in some other way. There are several ways for the customer to submit a complaint. We have clear procedures for handling complaints and we use the knowledge we obtain from customers sharing their opinions in order to

constantly improve our operation. If the customer is still not satisfied, it is possible for the matter to be taken further to our customer ombudsman. The customer ombudsman's primary duty is to offer an impartial review of our decision. This function, which has existed within Folksam for almost 50 years, is independent of Folksam's company management and is answerable only to Folksam's AGMs.

# Contacts with the world around us

It is not only customers who are affected by our operations. Conducting an ongoing dialogue with all of our stakeholders in society is important to us. This is a precondition for us to be able to conduct our assignments optimally and to contribute to sustainable development. We share our knowledge, but we also receive new knowledge and information that we can use and share in turn.

Our contacts with the outside world can vary and take different forms, from ordinary conversations and one-off commitments to really long-term collaborations. The Folksam Group has long been active in various organisations, both national and international. 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](http://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
- Task Force on Climate-related Financial Disclosures, TCFD

## **Certifications:**

- Good Environmental Choice



## **Haga Initiative** gearing up

Since 2014, Folksam has been a member of the Haga Initiative, a corporate network whose vision is to achieve profitable business without impacting on the climate. Together with the other member companies, we are striving to influence the commercial sector to achieve the UN's climate objectives. In February 2017, those of us within the Haga Initiative decided jointly that we would be fossil-free within our own operations by 2030 – fifteen years earlier than that set out by the Government in its climate goals. The Folksam Group has long worked systematically on environmental and climate issues, and we impose tough requirements on ourselves when it comes to quality and resource efficiency, from asset management and claims adjustment to energy consumption in our own operations. Read more about our work regarding climate and the environment in our sustainability report.

# Our sponsorship collaborations

Our sponsorship collaborations must always support our business activities. They should both strengthen the Folksam brand and help us to build and develop 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 support both elite and recreational sport as well as to create and strengthen long-term relationships with Swedish sport.



Svenska  
Golfförbundet

During 2017, for example, we entered into a three-year collaboration agreement with the Swedish Golf Federation, with us as the main partner. This initiative will contribute to the Federation's breadth and competition activities, as well as investments in equality.

## Our sponsorship partners within sports are:

- The Swedish Equestrian Federation
- The Swedish Athletic Association
- The Swedish Parasports Federation
- The Swedish Football Association
- The Swedish Ski Association
- The Swedish Basketball Federation
- The Swedish Floorball Federation
- The Swedish Orienteering Federation and O-Ringen
- The Swedish Wrestling Federation
- Vasaloppet
- Vätternrundan
- The Swedish Golf Federation

## Human and social sponsorship



For a number of years, we have conducted a far-reaching collaboration with the aid organisation We Effect (formerly Swedish Cooperative Centre) in the field of human and social sponsorship. We Effect works to provide poor and vulnerable people with a better life. The 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. Our total collection for We Effect amounted to SEK 1.5 million in 2017.

## Research foundation

Folksam's Research Foundation represents part of our commitment to the health of our customers. The Foundation is tasked with promoting the prevention of accidents and disease, rehabilitation as well as health-promoting scientific research. This promotion can take place through its own operations or through financial grants. The foundation is primarily intended to provide research grants in the areas of road safety, health and the environment. Five applications were granted during 2017: Health effects of night shift work for women and men, injury location and injury mechanism in the case of whiplash, evaluation of different tendon rehabilitation models, injury risks in the case of recreational and competition cycling, as well as medical disability and long-term sickness absence following a car accident.



As the insurance  
company for sports,  
sporting sponsorship is  
important to Folksam



Double  
good

Insurance  
and rehab

# Ellen took on her injury

Football player Ellen Markgren was only going to run. Instead something popped in her knee, and her whole season was destroyed. However, thanks to Folksam's members' insurance and the Advice and Care service, Ellen quickly received help with her rehabilitation.

Many months have passed since that evening in May at Sörvalla IP in Skellefteå. Fifteen year-old Ellen Markgren was at the game with Myckle IK. But when she started to run, something suddenly popped in her knee. The noise was so loud that the player next to her heard it. Ellen fell to the ground in terrible pain. Instead of training, she had to make an emergency visit to Skellefteå hospital.

*"My Mum and Dad drove me to the hospital, and the doctor there thought that it was probably a torn ligament. They bandaged my knee and I was given crutches. I hoped that it would get better over the next few days," explains Ellen Markgren.*

But the swelling refused to go down and Ellen grew anxious when she couldn't get rid of her crutches.

*"I was then advised by someone at my club to take the matter further through the insurance with Folksam that football players have," says Ellen Markgren.*

She called 'Advice and care for sports injuries' and was given an appointment with a physiotherapist for an examination. The physiotherapist did not believe it was a torn ligament, but instead referred Ellen to Norrlands kliniken in Umeå. There Ellen was given an MRI scan, and the diagnosis was not at all pleasant: The anterior cruciate ligament in her left knee had almost snapped off. She realised that she would have a tough battle against the injury.

*"It was difficult to hear. I wouldn't be playing football for a long time. But I just had to get started with my rehab," says Ellen Markgren.*

It would be a summer without football. In September, she tried out with the team again. But it didn't feel good.

*"It hurt when I turned, when I pushed off, so I left the pitch. I went for another examination in October, but my knee still wasn't stable."*

While the doctors were discussing whether to operate on her knee, Ellen Markgren gritted her teeth and continued her rehab.

*"It has been extremely difficult, as I am missing both football and the team. I have tried to maintain some contact by going to the odd match, but I live a long way away and it is difficult to find the time," says Ellen Markgren.*

*"At the same time I want to get fit, so I am motivated. And there has still been a positive side-effect – I have focused my energy on school!"*

Ellen Markgren is now on the waiting list to have her knee operated on after all.

*"I was at the health care centre and the doctor said that he would arrange a referral for keyhole surgery. During this procedure, they go in with a camera and remove any parts that can rub against each other, for example."*

Once the operation has been done, Ellen Markgren hopes to be able to get back on the pitch as soon as possible. She has her sights set on playing this summer, but at the same time she is realistic.

*"It will take time. But I am attending rehab to keep in shape, and I really want to be back as quickly as possible."*

She is extremely satisfied with the help she has received from Advice and Care, and has learnt a great deal about knees along the way. If she were to give a single piece of advice to other young football players, it is this:

*"Get the whole team to do knee exercises together! It is important to be meticulous about preventive activities, because they really make a difference."*



“I want to get back as quickly as possible”

Ellen Markgren

## How Folksam works with **Advice and Care**

Heart **Advice and Care** is a free advice service within Folksam's members' insurance for sportspeople playing football, basketball and floorball. Active sportspeople, leaders and parents can call and receive information from licensed physiotherapists about sport injuries, as well as practical advice about how injuries can be prevented, for example through warm-up exercises.

Heart If a sportsperson injures him or herself and requires more than just advice, the cover includes two visits to a physiotherapist and one visit to a doctor who specialises in sports injuries.

Insurance for  
everything you  
care about



Our insurance policies  
are to be among the best  
in independent product  
comparisons

The Folksam Group offers long-term saving, personal risk insurance and non-life insurance under the brands Folksam, KPA Pension and Folksam LO Pension. Our task is to meet the need for security shared by many people and characterised by high quality. We also take care of our customers' money as responsibly as we possibly can.

Our job is to generate security. We have to get our customers to feel that they are secure should anything happen, as well as to provide them with security when something actually has happened. Customers usually request that the insurance policies they buy should compensate tangible, minor costs such as doctor's visits or stolen property. However, we also know that customers may need things that they don't think about asking for. Liability insurance is a good example. Few customers request liability insurance, but if the unlikely injury nevertheless occurs, this can result in damages amounting to millions of kronor for the individual. We have to help the customer cover every need.

We have a high level of ambition. Our insurance policies should be among the best in the industry in independent and credible product comparisons. For this reason, we are constantly working to develop our offers. Today, digitalisation is imposing new requirements for us to be able to adapt ourselves to the way customers want to buy insurance and the service they are demanding. We also need insurance products that are easy to understand.

When we are developing products, we benefit from the fact that we are in constant dialogue with the world around us. We have employees who meet our customers on a daily basis, we conduct customer surveys and implement focus groups, we talk to our partner customers, such as trade unions and car companies, we have contact with trade and consumer organisations, such as the Swedish Consumers' Insurance Bureau and the Swedish Consumer Agency, we follow developments on the web and in social media, and of course we also monitor our competitors.

	Conventional life insurance	Unit-linked insurance	Personal risk insurance*	Non-life insurance
Folksam General			●	●
Folksam Life	●	●	●	
KPA Pension	●	●	●	
KPA Livförsäkring			●	
Folksam LO Pension		●		
Folksam Unit-Linked Insurance**		●		
Tre Kronor***				●
Folksam Skadeförsäkring				●
SACO Folksam			●	

\* Förenade Liv is incorporated with Folksam Life and is therefore not included in the table

\*\* Evaluated regarding possible incorporation with Folksam Life

\*\*\* Supplies insurance policies that are sold under a different brand

# Our offer

## Pension savings

### Traditional life insurance – we choose for the customer

Folksam Life and KPA Pension offer traditional life insurance. This is a form of saving where we invest and manage the capital on behalf of the savers, who do not themselves need to select the risk level. We control the risks by distributing the savings capital between equities, interest-bearing securities, properties and special investments. This form of saving also provides a guarantee regarding premiums paid in and an agreed guaranteed interest. Folksam Life and KPA Pension have various ways of handling surpluses in their management: In Folksam Life, the surplus is distributed using bonus interest, so that the return can be evened out over time. In KPA Pension, the surplus is distributed without evening out over time.

### Unit-linked insurance – the customer chooses the risk level him or her self

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

Through Folksam Fondförsäkring and Folksam Life, we offer our customers a quality assured, guided range of around 60-80 funds. We help our customers to choose by offering guidance based on the parameters of return, fees and sustainability. Since we are not dependent on our own fund management company, we can always choose from the best funds on the market in each area.

In addition, we offer a tailor-made range of funds in the relevant agreement area. For KPA Pension, the range of funds consists of ethically reviewed funds. Folksam LO Pension has a carefully selected range of external funds that meet the requirements in the agreement area.

### Personal risk insurance

The Folksam Group offers personal risk insurance through Folksam Life, Folksam General and KPA Livförsäkring (Förenade Liv is in the process of being incorporated into Folksam

Life). Our insurance policies cover group life and occupational group life insurance as well as health and accident insurance. The solutions are adapted for the various needs of 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.

During 2017, a medical care insurance policy was also launched under the Folksam brand, in conjunction with the incorporation of Förenade Liv into Folksam Life.

## Non-life insurance

The basis for our non-life insurance offer comprises home insurance, where customers can choose insurance according to their needs: Basic, Medium and Large. We also offer insurance policies for e.g. motor vehicles, animals, boats, holiday homes and companies. The policies are offered via Folksam General, Folksam Skadeförsäkring and Tre Kronor (which supplies insurance policies that are sold under a different brand).



All of our home, holiday home and car insurance policies bear the Good Environmental Choice label. The Good Environmental Choice certification also means that Folksam General does not invest in coal, nuclear power or uranium.

### Criteria for our 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 about our offer at [folksam.se](http://folksam.se)

# Damage and injury prevention work

The best insurance is often working to achieve prevention. We view this as an important part of our offer. By helping our customers to make the right choices, to think first and to prevent the occurrence of damage or accidents, we can contribute to lower claim costs, lower insurance premiums and safer customers.

We provide information and advice to our customers about everything from the way they protect themselves against fire and burglary to the way they can protect their property in storms. Our customers obtain this information either via our website or by us at Folksam arranging and participating in seminars and other meetings, answering customer questions, making instructional videos and communicating in the media. We also conduct extensive research above all within road traffic safety and sports injuries (additional information below). An example of how our research can be converted for the benefit of the customer is our initiative 'Advice and care for sports injuries'. This is a free advice service that is included in the members' insurance for football, basketball and floorball players. Read more about 'Advice and Care' on pages 32-33.

Every year, we 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 persuade companies to take responsibility.

## **Some of the studies we carried out in 2017:**

- Investigation of damage to property in the event of lightning for the fifth year in a row.
- Study of non-life claims in apartments and houses in the event of heavy rain/flooding.
- Review of bicycle thefts.
- Review of apartment break-ins that show that thieves are choosing new ways to gain access.
- The report Welfare Tendency.
- Extended test of outdoor paints (see separate box)

**More paint systems** already rejected in Folksam's extended test

One thing that we know engages our home and holiday home customers is our recurring paint test, which is the market's only independent test of outdoor paints in various Swedish climates. The paints that cope with two years of exposure outdoors with no serious remarks and that offer excellent environmental performance are awarded our "Good Choice" mark. The purpose of the test is both to help customers to make sustainable and economical paint choices, as well as to encourage paint manufacturers to improve their products.

During 2016 and 2017, we have tested a new batch of paints. The results will be presented in spring 2018 and will, for the first time, also present the cost per square metre of painting with the paints. Half-way through the test, however, we were able to ascertain that one paint and two paints systems had been rejected – they had exceeded the limit for acceptable mould growth after just one year.



## Road safety research

Folksam has been conducting research into road traffic safety for more than thirty years. This has helped to save lives and reduce injuries in traffic. Fewer road traffic claims also means lower claims expenses and consequently lower premiums in our car and home insurance products. In this way, our road safety research is part of our offering and is something our customers benefit from.

Every year, we handle more than 50,000 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 how they can be avoided.

Folksam's researchers have ties to various universities and participate in a range of national and international networks. Our road safety research costs SEK 7-8 per automotive insurance policy and year.

Consumer tests and information are important tools in the work of influencing road users. We have noticed that many consumers are looking for knowledge from independent parties regarding e.g. safe cars, child car seats and helmets in connection with purchases.



We work in a number of ways to help our customers make safe traffic choices, not least when it comes to their choice of car. 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 their insurance premiums, as they are directly contributing to saving lives and safeguarding the environment. In the same way, customers who have motorcycles equipped with ABS brakes receive a 15 per cent reduction on their motorcycle insurance with us.

The entire list of safe and fuel-efficient new cars for 2017 comprised 49 models in various versions. There are more this year: Despite the fact that the emissions requirements were tightened up by more than 5 per cent ahead of 2018, a total of 54 car models satisfy the requirements for safe

and fuel-efficient new cars in 2018. The safety requirements include autonomous emergency braking with vehicle detection fitted as standard, which was introduced as a basic requirement in 2017.

We are pleased to be able to define really tough conditions in 2018 in order for cars to be awarded the Good Choice mark. This exclusive group of cars is showing the way to the safe, emissions-free car.

The safety conditions state that an autonomous emergency braking function with pedestrian detection and lane-keeping system must be able to be selected. The emissions conditions stipulate maximum CO<sub>2</sub> emissions of 60 g. In practice, this means that these cars are wholly or partially powered by fossil-free fuels.

### Other traffic tests and studies we have conducted in 2017:

- Study of 2017's safest and most fuel-efficient new cars
- A test of child car seats was presented in February
- In March, a new Swedish national recommendation was presented regarding how children should be protected in cars
- The supplementary insurance policy 'Drive Safely', which rewards good driving behaviour, was launched in March
- A study about the fact that the majority of fatal accidents involving cyclists and pedestrians could have been prevented was presented in April
- A new bicycle helmet test was presented in June, which demonstrated that there can be very large differences between helmets
- A study of speed measurements of commercial vehicles in Stockholm was presented in September
- A study of how accidents involving elks can be avoided using new autonomous emergency braking systems was presented in September

The study "How safe is your car?", which is based on actual accidents, was also presented in September. For the fourth time in a row, a Volvo model achieved the best results, on this occasion the XC90 02-15 model. As a follow-up to this study, a further study about the safest family cars was presented in October.



Nine out of ten active sportsmen and women are insured with us

## Four-wheel drive car drivers at a greater risk of accidents

Unless you have particular accessibility requirements in deep snow or on ice, you should not buy a four-wheel drive car. That is the conclusion of a Folksam study that was presented in May. Many motorists have viewed four-wheel drive as an important safety system in winter road conditions, but the study shows that you should actually take care if you have a four-wheel drive car – the risk of accidents resulting in personal injury on ice or snow appears to increase by between 20 and 30 per cent. The reason may be that four-wheel drive causes the driver to misunderstand the prevailing road conditions. Better grip on the road when accelerating leads to drivers failing to adapt their speed according to the road conditions, and when they need to brake, they are travelling at a higher speed and their braking distance is consequently longer.

### Sports research

Folksam has a long-term relationship with Swedish sport. Nine out of ten active sportsmen and women are insured with us through our collaborations with 54 sports associations, with the Swedish Equestrian Federation being the latest addition. Every year, our customers report around 16,000 sports injuries to Folksam. This provides us with a unique database that can be used for research and injury-prevention work, which can help people to remain physically active throughout their lives.

During 2017, we have continued our long-term collaboration with the Knäkontroll (knee control) project. The 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. This project has proven to reduce the risk of injuries by up to 64 per cent among young female football players.

In addition, Folksam cooperates actively with both the Vasaloppet and the Vätternrundan events to create safe cycling competitions (see also page 52). In order to help our customers choose safe sports equipment, Folksam conducts annual tests. During 2017, we carried out a bicycle helmet test which showed that all helmets need to be improved, but that five are clear winners and are recommended by Folksam as a Good Choice.

The research collaboration with Swedish School of Sport and Health Sciences (GIH) on the sports injury database has also continued. In order to put the focus on preventive initiatives among sportsmen and women in Sweden, Folksam and researchers from GIH have analysed popular sports that report a lot of injuries, such as football, handball, floorball, ice hockey and basketball. Within the framework of this collaboration, follow-up work is also being conducted looking at the results of the knee control training programme at a national level in Sweden.



## Knee injuries most common in team sports

In four out of five popular team sports, knees dominate when it comes to injuries resulting in lasting problems. This can be seen from a doctoral study that is based on Folksam's unique sports injury database. Handball players are at the greatest risk of injuring themselves, with the largest number of acute injuries per 1,000 players, while floorball players are at the lowest risk of being injured. The study also shows that dental injuries among male ice hockey players increase markedly at the age of 18 – the time when the players stop wearing grilles. This is leading the researchers to ask whether grilles should be mandatory regardless of age.

# Responsibility in claims operations

Despite our damage-prevention work, our customers still suffer damage of various kinds. Folksam has agreements with around 2,300 suppliers, of which some 2,000 are in the construction and automotive sectors. In 2017, for example, we repaired damaged cars and houses to a value of more than SEK 3 billion. We learn from each case, which provides us with considerable potential to exert an influence in the construction and automotive industries, in the form of 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. Everyone who has customer contact at our suppliers must also receive training in Good Environmental Choice.

We also want to work to counter the throwaway society. We can do this by means of circular claims adjustment, where we make sure that products are recycled and repaired rather than new ones being bought. (see below) This benefits the environment as well as representing a good deal for us and our customers.

This working method contributed to us being able to settle 40,144 claims regarding e.g. bicycles, furniture and electronics more sustainably in 2017, thereby reducing emissions by approximately 1,423 tonnes and the volume of waste by 2,749 tonnes.



We want to work to counter the throwaway society



## 90 per cent of collected goods have their lives extended

Folksam and its business partner GIAB have developed a method for re-using damaged products in the first instance, and recycling them in the second instance: Circular claims adjustment. This means that all damaged products that qualify for compensation are collected and verified by GIAB, which then makes sure that the products are reused through reconditioning, repair and resale. This can include everything from glasses to furniture and

mobile phones, which are given a new lease of life instead of being thrown away. Around 90 per cent of all the goods that are collected gain an extended service life. There is a separate service for mobile phones: The mobile circle. The policyholder receives a remanufactured or repaired phone, rather than cash compensation to buy an entirely new phone. Read more about circular claims adjustment at [folksam.se](http://folksam.se) and in Folksam's Sustainability report.

# Secure, long-term asset management

Our customers should feel secure in the knowledge that we are working to achieve both a good return and a more sustainable society. For this reason, we govern our asset management on the basis of three cornerstones: Responsible risk management, responsible investments and responsible ownership.

The Folksam Group is one of Sweden's largest investors. We are also growing rapidly. At the end of 2017, we managed SEK 394 billion, an increase of SEK 135 billion in just five years. If we include our unit-linked insurance assets, our customers' total assets amounted to nearly SEK 534 billion in 2017. This is a great responsibility we have been entrusted with and which we need to handle successfully.

Our size provides us with the potential to influence the world around us in both the short and the long term. As an investor and an owner, we are able to focus on a number of issues that we know are important for our customers. Customers should be able to feel secure in the knowledge that we are working both to achieve both a good return and for a more sustainable society. We have therefore formulated an objective of being, and being perceived as, a leading player within responsible asset management, in addition to producing a competitive return.

## Continuous improvements

In order to achieve this objective, we need developed working methods and a consensus regarding how sustainability can be fully integrated in asset management operations. The basis for this is our belief in making an impact, constant improvements and transparency. Another fundamental element is the fact that we apply the same criteria when it comes to investor and owner responsibility with all types of assets. We always work on the basis of the following trinity: Responsible risk management (e.g. the prudent person principle and active allocation), responsible investments (sustainable investment criteria and investment strategies) and responsible ownership (e.g. company dialogues, requirements as a lender).

This forms a framework that helps us to target our investments at clearly sustainable choices. The investment focus on green bonds that we introduced in 2016 and that is still in progress is one such example. Read more about our investments in green bonds on pages 24-25. On 1 January 2017, Folksam also introduced a new climate and environment criterion that applies to all companies in the Group (see separate fact box).

## Good risk spread

In order to achieve a good risk spread, we make sure that we invest our customers' money in various types of assets and markets. We invest in interest-bearing securities, equities, properties and special investments (unlisted assets that in most cases have a low correlation with equity and fixed-income markets). We also have a number of strategic holdings, for example in Swedbank. During 2017, Folksam, by way of Folksam Life and Folksam General, reduced our equity interest in Swedbank from 9.3 to 7.0 per cent by selling a total of 25.6 shares.

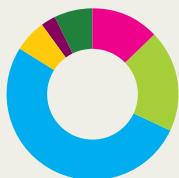


## Folksam's new **climate and environment** criterion

During 2017, the Folksam Group developed a new climate and environment criterion that applies to all the companies in the Group. In this work, 27 sectors were identified that were judged to have the greatest impact on the environment. After this we looked at our foreign holdings, with the aim of reducing those holdings where Folksam has the least potential to exert an influence. Alongside MSCI ESG Research, we examined 282 foreign companies. Folksam's shareholders' committee subsequently decided to retain the holdings in those companies that had been awarded the best environmental rating, and to exclude 42 that had received the lowest environmental rating. Prior to this decision, Folksam Life had holdings in 39 companies and KPA Pension in 24 companies.

We conducted this sale in order to reduce the concentration risk in the Folksam Group's asset portfolios, although Swedbank remains a long-term, strategic investment for Folksam. This was also the Folksam Group's largest single transaction to date, with a capital gain of SEK 4.5 billion.

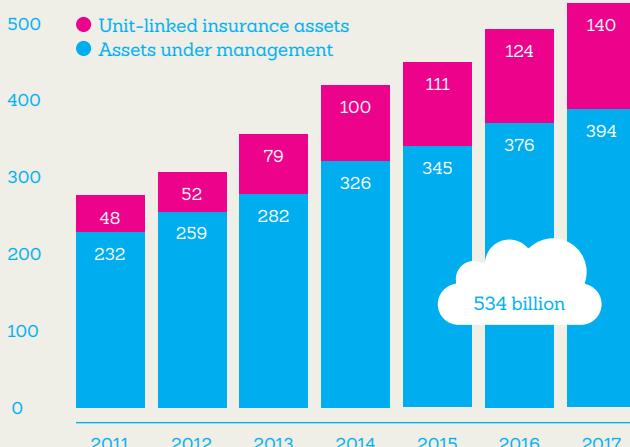
### Folksam's managed assets, December 2017



Swedish equities	13%
Foreign equities	19%
Swedish interest-bearing	51%
Foreign interest-bearing	6%
Special investments	3%
Properties	8%



### Our customers' total assets

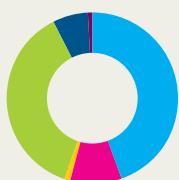


## Different companies, different profiles

The Folksam Group's ten insurance companies all have different focuses and profiles, with different objectives for their asset management. 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 optimally to stable and competitive premiums.

For a number of years and in many different market situations, Folksam has successfully managed risks and opportunities in order to generate good returns for our customers. The total return for 2017 was 3.4 per cent (6.6) for Folksam General and 4.2 per cent (8.4) for Folksam Life. For KPA Pensionsförsäkring AB, the total return was 4.6 per cent (6.6) and the bonus interest rate was 4.8 per cent (6.7). Viewed over the past ten years (2008–2017), KPA Pensionsförsäkring leads the sector at 7.5 per cent, with Folksam Life just behind at 6.9 per cent. Over the same period of time, the total return has averaged at 6.9 per cent per year.

**Distribution of assets under management per company, December 2017**



Folksam Life	44%
Folksam General	10%
Förenade Liv	1%
KPA Pension	38%
Konsumentkooperationens pensionsstiftelse (Coop Pension Foundation)	6%
Others	1%

Total return ratio					
Per cent %	2017	2016	2015	2014	2013
Folksam General	3.4	6.3	2.2	8.1	7.7
Folksam Life	4.2	8.4	3.7	12.0	7.6
KPA Pension	4.6	6.6	3.3	13.3	8.2

# Equities

We are convinced that responsible companies will be more profitable in the long term. As a large institutional owner, we are therefore working to encourage the listed companies in which we have equity shares to act more sustainably.

We exert influence by following our established investment criteria (see table). Our goal is not to reject companies to invest in, but rather for as many as possible to improve in terms of taking responsibility. We are also working to encourage the companies to push equality and diversity issues, as well as acting to ensure that the bonus programmes in the companies will be viable and structured in such a way as to benefit the shareholders in the long term – all to the benefit of our customers.

Human rights, anti-corruption as well as climate and the environment are the fundamental criteria. Folksam has been actively committed to the climate for many years and has signed up to the Global Compact, the Principles for Responsible Investments (PRI), the Montreal Carbon Pledge (MCP) and the Carbon Disclosure Project (CDP). In December 2017, we also gave our support to TCFD, the

Task-force on Climate-related Disclosures, a framework of recommendations that are intended to ensure better work and reporting regarding climate-related risks and opportunities. In order for the world to be able to live up to the climate agreement that was reached in Paris, however, the level of ambition needs to be raised further. For this reason, we are now choosing not to invest in companies with more than 30 per cent revenues from coal.

There are some companies that we do not invest in at all. The disqualifying criteria are tobacco and illegal arms such as cluster weapons, anti-personnel mines and nuclear weapons.

The criteria apply to all companies within the Folksam Group, with two exceptions: The companies within KPA Pension have even tougher exclusion criteria and do not invest in the alcohol industry, the arms industry or the commercial gambling industry. Folksam General, whose car, home and holiday home insurance products are Good Environmental Choice certified, excludes investments in coal-fired generators, nuclear power and uranium in addition to arms and alcohol.

Folksam's investment criteria				
Criterion	Folksam Life	Folksam General	Förenade Liv	KPA Pension
Environment and climate	●	●	●	●
Human rights	●	●	●	●
Corruption	●	●	●	●
Tobacco	●	●	●	●
Illegal weapons	●	●	●	●
All weapons		●		●
Alcohol		●		●
Gambling				●
Coal-fired power	●	●	●	●
Nuclear power		●		

● Influencing criteria ● Exclusion criteria \*\*Excludes companies where at least 30 per cent of revenues are generated from coal

## How we affect the companies in practice

### Collaboration

Different types of collaboration are important in our efforts to exert influence. The Sustainable Value Creation collaboration is an example that is aimed at enjoining Swedish listed companies to adopt sustainable development and long-term value creation. We also collaborate with the Norwegian life insurance company KLP and the Finnish pensions company Ilmarinen in the Nordic Engagement Cooperation (NEC), whose objective is to coordinate corporate governance activities relating to the environment, human rights and anti-corruption. During 2017, the Danish pension company PFA also became involved in the collaboration within NEC. We present our collaborations in greater detail at [folksam.se](http://folksam.se) and in the Folksam Group's GRI report.

### Screening and rating

Every year, we screen more than 1,400 Swedish and foreign companies. The companies are analysed and their work relating to human rights, climate, the environment and anti-corruption is graded. In addition, an estimate is made of the company's general business risk.

### Dialogue

We have ongoing contact with a number of companies in which we own shares, and we monitor their work as

regards our investment criteria and their corporate governance. During the year, we have, for example:

- Held a dialogue with 34 companies in which we have holdings.
- Initiated dialogue with eight foreign companies due to serious incidents.

Occasionally we choose to also participate in the general social debate in order to create opinion. The strategy is to thus reinforce our efforts to influence the listed companies. During 2017, we launched dialogues with the companies Enel and Siemens Gamesa due to their involvement in operations linked to Western Sahara, an area that is illegally occupied by Morocco.

### We take part in shareholders' meetings

Folksam participates in the Swedish AGMs where we have shareholdings. This means that we attend around 50 AGMs per year. Before the meetings, we send letters to the board chairs to inform them of the issues we will be focusing on in particular. Here you can see what questions we asked and what answers we received:

- The meeting reports
- The blog "A Cat Among the Pigeons"
- The Twitter account @etikkatten.

Folksam has also used its influence to vote at AGMs abroad by electronic voting since 2005. During 2017, Folksam voted in a total of 96 foreign AGMs.

### Examples of our influence in 2017

2017 AGM regarding splitting up the posts of Chair and CEO. We and other investors consider that this is preventing the required transition to the development that is needed to satisfy the goals of the Paris Agreement. Our proposal was supported this year by 38.7 per cent of the votes at the meeting.

Folksam attended and submitted a proposal to Chevron's

For several years, Folksam has been involved in work aimed at exerting an influence in relation to child labour and living conditions in the cocoa industry. This work continued during 2017, resulting for example in us signing a letter setting out a number of investors' recommendations for and expectations of the cocoa industry.

# Fixed-income instruments

In order to achieve good risk diversification, we distribute our investments between various kinds of assets and markets. 51 per cent of our capital is invested in interest-bearing securities issued by the Swedish Government, as well as by municipalities, mortgage institutes or companies in Sweden. In addition, 6 per cent is invested in foreign interest-bearing securities.

## Strong advance for green bonds

Since 2016, Folksam has invested heavily in green bonds. Green bonds are interest-bearing securities where the borrowed funds are earmarked for environmental and climate-related investment projects. For us as investors, green bonds differ from normal bonds in one important respect: We have to know how the borrower will be using our customers' money in order to ensure that it is really being used for green purposes. We can contribute to a well-functioning market by stipulating demands as regards the selection of projects and how the projects are

followed up.

Folksam requires that the green bond must live up to the Green Bond Principles standard, which specifies that green bonds must be used to finance climate-smart and ecologically sustainable solutions. This may include investing in projects in areas such as renewable energy, energy efficiency, clean transport, greenhouse gas emissions reduction, or waste and water management. It may also include work related to sustainable agriculture and fisheries, or to the preservation of biological diversity on land and at sea. During 2017, Folksam also elected to sign up to the Green Bond Principles.

The intermediate goal of investing SEK 12 billion in green bonds was achieved as early as September. In total, Folksam invested around SEK 15 billion (see table) in green bonds during 2017. The next goal is to reach SEK 25 billion before the end of 2017.

Folksam's investments in green bonds in 2017

Issuer	Amount (SEK million)	Geographic area	Project
European Investment Bank	845	The world	Renewable energy etc.
Nederlandse Waterschapsbank	560	The Netherlands	Climate adaptation etc.
IFC (part of the World Bank)	3,190	The world	Renewable energy etc.
The World Bank	3,132	The world	Renewable energy etc.
Lund Municipality	400	Lund	Trams etc.
Stockholm County Council	700	Stockholm County	Expansion of the underground etc.
City of Gothenburg	400	Gothenburg	Low energy buildings etc.
Nordic Investment Bank	500	The Nordic region and the Baltic States	Water treatment etc.

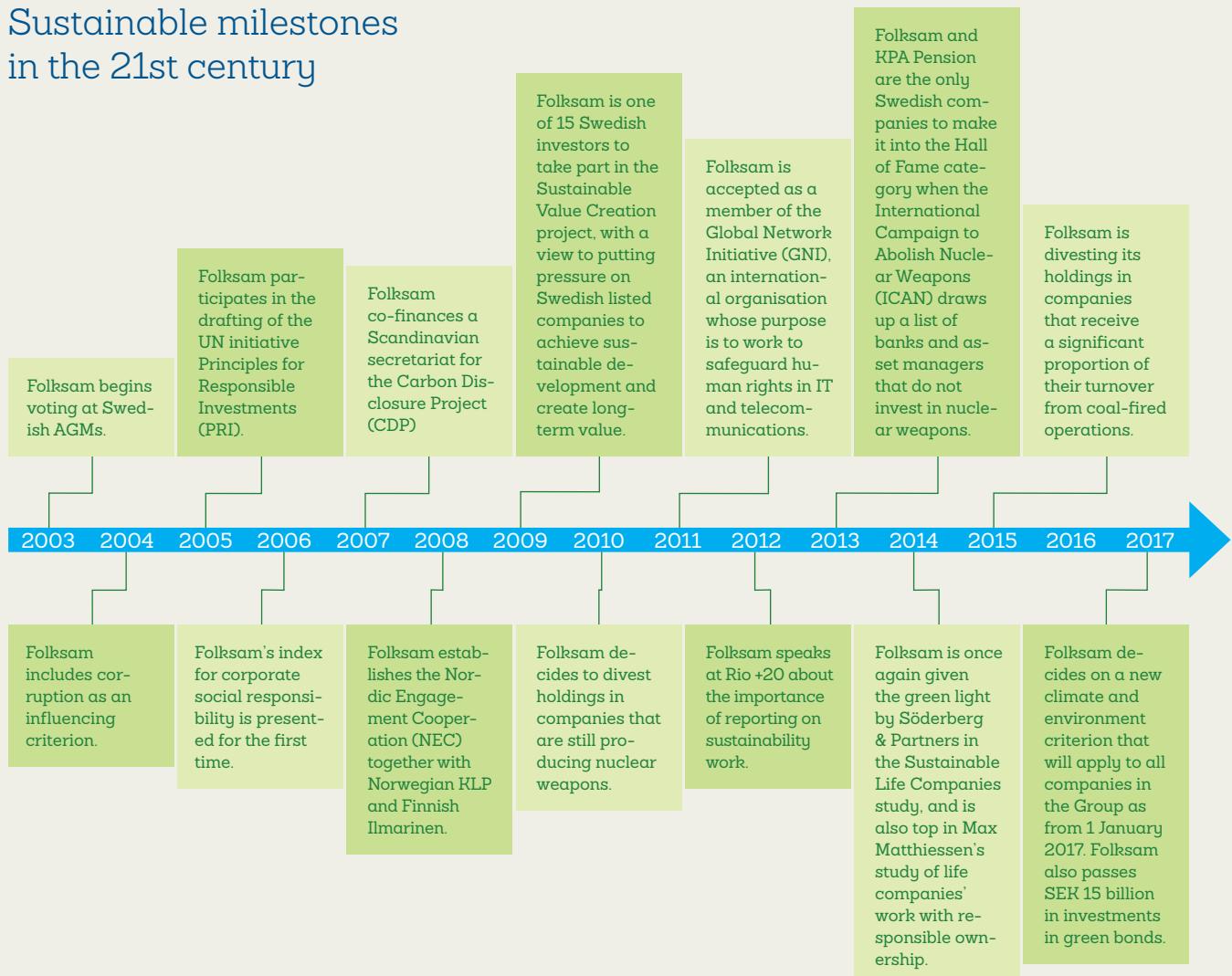
\* The list also includes investments from Ronsumentkooperationens Pensionsstiftelse (Coop Pension Foundation)

## Examples of green bonds in 2017

During 2017, we invested for example in Stockholm County Council's green bond. Here, the money is being used for the upgrading of the Red Line on the underground. By contributing to sustainable public transport, more people will be able to use public transport, contributing to a reduction in emissions of carbon dioxide into the atmosphere.

Another addition in 2017 is the World Bank's green bond, where the money is used for a great many different projects, including a water project in Brazil that aims to improve water treatment for 2.6 million people, thereby providing 164,000 people with improved sanitation, quality of life and a better environment.

## Sustainable milestones in the 21st century



# Properties

Properties are an important asset class in Folksam's various portfolios, making up around 8 per cent of Folksam's total managed assets. Since 2014, our aim has been to increase property investments by around SEK 10 billion from the level at that time, which stood at SEK 18 billion. At the turn of the year 2017/2018, we had invested around SEK 9 billion, and the total value of our properties amounted to SEK 33.1 billion. Our ambition is to continue to increase our property portfolio over the next few years.

## Investments and project development

The Folksam Group is investing in attractive properties for housing and businesses. We want our residential tenants to feel proud and secure in their homes. We also want to own the most attractive office and retail buildings. This means that the offices must be well situated and must meet current demands for efficient workplace solutions. The shops must enjoy good conditions to achieve sales.

Today, Folksam primarily owns properties in Stockholm and the southern Swedish province of Skåne, although during the year we also became established in Gothenburg through acquisition of five centrally located office buildings. We are also investing in community properties and have, in partnership with Skanska, produced new rental properties in both Stockholm and Skåne.

Distribution of the property portfolio, share %



Another part of our operation involves creating value by developing the properties we already own. Two such examples are the ongoing Slussen project in Stockholm, where we own properties, as well as the modernisation of our residential area comprising 450 apartments in Staffanstorp.

## Improved focus with unique collaboration

In order for us to both concentrate on acquiring new properties as well as improve the quality of the properties and develop their full potential, we are collaborating with Newsec. Newsec are responsible for the management of the entire property portfolio. They are responsible for ensuring that our tenants are happy in their premises and apartments, and that the buildings are run and maintained in the best possible way.

This division of responsibility makes it possible for us to focus on both the operational and the financial perspectives – at the same time. This makes us unique in the property sector and generates the best conditions for Folksam and Newsec jointly to be able to create vibrant, sustainable and secure environments for customers who rent homes and premises.

Geographic distribution, share %



## Responsible property ownership

Through responsible property ownership, we will be working to support the long-term, sustainable and climate-neutral development of society. We will:

- Conduct operations in line with clear environmental goals and work actively with energy efficiency improvements and the circular economy for minimised use of resources
- Collaborate and develop good relations and sustainable forms of behaviour with customers and stakeholders, such as suppliers, housing and office tenants
- Have an environmentally aware and socially sustainable attitude during acquisitions, management, leasing and project operations
- Focus on clear requirements, following-up and constant improvements

Folksam is one of few operators in the insurance industry that accounts for, and offsets, the climate impact from its property holding. All property electricity purchased by Folksam for its directly-owned properties has the Swedish Society for Nature Conservation's Good Environmental Choice eco-label. The electricity that is re-invoiced to tenants is now environmentally friendly, origin-specified electricity from wind power.

## Investments and projects in 2017

- During 2017, we have made acquisitions amounting to approx. SEK 4.7 billion in the form of five office buildings in central Gothenburg, 28 residential properties in Helsingborg and an office building in central Stockholm.
- KPA Pensionsförsäkring sold 23 retail properties to ICA Fastigheter and Secore Fastigheter at an underlying property value of SEK 525 million. The properties were vacated in February 2018.
- In December 2017, Folksam and the Swedish Union of Tenants reached an agreement whereby the refurbishment of a residential area comprising 450 apartments in Staffanstorp can be accelerated. The focus is on creating a sustainable residential environment, including both the renovation of apartments as well as green solutions such as solar panels on the roof.
- New rental properties are also being produced in Stockholm, Helsingborg and Malmö thanks to a strategic collaboration with Skanska Hyresbostäder.

## Our real estate operation

- **Total number of properties:** Approx. 157
- **Total area:** Approx. 775,000 m<sup>2</sup>
- **Total value of the properties:** SEK 33.1 billion
- **Total return:** 12.1%
- **Net operating income trend:** 2.3% on comparable portfolio
- **Occupancy:** 96%
- **Number of residential apartments:** Approx. 4,800
- **Area of commercial premises:** Approx. 414,00 m<sup>2</sup>

# Special investments

Special investments complement the Folksam Group's asset portfolios and make up approx. 3 per cent of the 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, occasionally in real assets. We have particularly identified infrastructure as being of interest to us.

Within special investments, we also make indirect property investments to supplement the direct property investments. We prioritise investments that, in addition to being profitable, also contribute to strengthening the investing company's brand and strategic networks.

Since 1 January 2017, the Folksam Group's investment criteria also apply formally to special investments, which is strengthening and clarifying the Folksam Group's work regarding responsible investments.

## Some of our holdings:

### Ellevio AB

During 2015, the Folksam Group invested in the electricity grid company Ellevio. The Folksam Group jointly owns 17.5% of the company. Other shareholders are AP3, AP1 and OMERS Infrastructure. During 2017, Ellevio has made an additional acquisition, Elverket i Vallentuna. This acquisition is part of the strategy of strengthening the company's position in the growing Stockholm region. Ellevio is also making substantial investments to weather-proof and future-proof its electricity grid.

### Infranode

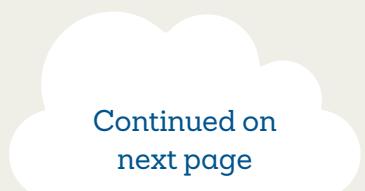
In February 2017, the Folksam Group decided to invest SEK 1 billion in Infranode, which invests in the infrastructure sector in the Nordic region. This investment is providing Folksam with tangible assets with secure, stable cash flows, at the same time as making a positive contribution to the spread of risk in the Folksam Group's asset portfolios.

### Silvestica Green Forest

The Swedish forestry fund Silvestica Green aims to acquire forest land in Sweden, Finland and the three Baltic States, in order to manage and refine its forest holding in a sustainable and responsible way. The Folksam Group is investing a total of EUR 50 million, and has worked actively to include sustainability in the work of the fund. The fund is supported by SEB and CRK Forest Management.

### Volvo Cars

In December 2016, the Folksam Group invested SEK 1 billion in preference shares in Volvo Cars. This investment provides our customers with a good risk-adjusted return, the opportunity to become an owner of a company with strong links to Swedish industry, and at the same time supports Volvo Cars' expansion plans. The Folksam Group was one of three Swedish institutional investors to take part in Volvo Cars' issue of preference shares. The total value of the issue amounted to SEK 5 billion.



Continued on  
next page

## Spotify

In 2016, Folksam invested USD 30 million in a convertible loan from Spotify.

## Brunswick Real Estate Capital II

In 2016, Folksam and KPA Pension decided to invest SEK one billion in Brunswick Real Estate Capital II, a credit fund focusing on loans to commercial properties in Sweden.

## HealthCap VII

Folksam Life has invested EUR 25 million in the venture capital fund HealthCap VII. Venture capital investments are early investments in companies that need capital to develop and grow. The goal is to achieve a well diversified portfolio of investments in life science. The focus of this fund is companies that develop drugs and medicinal products for the treatment of rare illnesses.

## Events during 2017

 As part of our corporate governance, we held a sustainability meeting with the electricity grid company Ellevio during autumn 2017, as a follow-up to the previous year's meeting. During the meeting, we went through the same types of sustainability questions that we raise with our listed holdings. An ongoing area of focus relates to health and safety issues. Ellevio gave a presentation of how they work systematically to manage the risks that exist in their operation for employees and subcontractors, as well as reporting how the company works integrate sustainability issues in the operation. In 2017, Ellevio was Sweden's first pure electricity grid company to sign up to the UN Global Compact, UNGC.

 In April, Folksam General decided to sell its share of the jointly owned company Cooperante to the Swedish Football Association. Cooperante owned 11 per cent of Arenabolaget in Solna. The original investment was SEK 100 million. The sale was a natural consequence of the refinement of the ownership structure that has taken place regarding the Friends Arena, as well as the fact that the investment had not developed as anticipated.

# Safe off-road

Insurance is good, but the best solution is no injuries at all. This was the argument put forward by Cykelvasan and Folksam's researchers when they launched the 'Cycle Safely' project.

Struggle, sweat and legs full of lactic acid, but also natural experiences, adrenaline rushes and the joy of exercise. Since Cykelvasan was launched in 2009, it has grown and grown in popularity and is now the Nordic region's largest mountain biking race. A new record was set in 2017, with more than 23,000 cyclists registered in the five races.

However, letting so many cyclists loose in tough terrain and at high speed between Sälen and Mora – or the Vasalopp arena, as the organiser refers to this section – also entails the risk of accidents. Since 2013, Cykelvasan has therefore been working to reduce the risk of accidents through its 'Cycle Safely' project alongside Folksam.

*"When we realised that around 20 cyclists had to go to hospital with various injuries they had sustained during the race in 2013, we were not happy with the situation. We therefore began to look at various ways of reducing the accident statistics," explains Johan Eriksson, development manager at Vasaloppet, which arranges Cykelvasan.*

But how should this be done? In a meeting with Folksam, which has long collaborated with Vasaloppet through its insurance policy 'Ready to start for recreational sports enthusiasts', the idea arose of doing something with Folksam's researchers.

*"We realised that we could get an enormous amount of assistance from Folksam's existing research into bicycle accidents, and that they in turn could obtain unique knowledge from us. For obvious reasons, Folksam usually comes into contact with those who have been injured, but together with us it was suddenly possible to also conduct a dialogue with cyclists who had not been injured. Together we enjoyed a fantastic collaboration," says Johan Eriksson.*

The starting point for Cykelvasan was not to limit the number of participants in the race, but instead to focus on making the event safe for many. For this reason, it was important to include a large number of perspectives in the work, explains Johan Eriksson:

*"Folksam and we put together a team with a variety of backgrounds and areas of expertise, who were given the opportunity to cycle the course themselves. Researchers from the Swedish Transport Administration and cycling police officer were both included, for example. We have also had a number of really fast MTB instructors who have cycled the entire route with Folksam's cameras on their handlebars, and who have thereby helped us to identify and eliminate problematic sections.*

It did not take long to pinpoint a number of important points where action was required. The number of competition days was extended, the riders were split into groups of equal ability in order to reduce risks associated with overtaking, for example, and the course was improved. Above all, however, the emphasis was on providing information ahead of the race in a positive manner.

*"Cykelvasan is a wonderful experience that we would like many people to enjoy. So we decided not to scare people, but rather to generate interest in how the participants can prepare themselves as well as possible," explains Johan Eriksson.*

The results included a series of inspirational films in which researchers and MTB instructors jointly show how the cyclists can train properly, avoid becoming dehydrated, keep an eye on their equipment and improve their technique – how to cycle in a group, for example. In addition, Cykelvasan offered bike inspections before the start as well as training regarding the trail. For the past three years, there have also been mobile health care centres at a number of locations that can check minor injuries and thereby relieve the load on the hospitals.

These measures have produced results. Since 2013, the accident statistics have fallen consistently.

*"Things are moving in the right direction, but every injury is one injury too many. The aim is for nobody to sustain any injuries at all," says Johan Eriksson.*



”The aim is for nobody to sustain any injuries”

Johan Eriksson, Cykelvasan

## How Folksam works with **research**

Heart **Carrying out preventive work** is an important part of Folksam's offer. As a result, Folksam has been focusing its research on road traffic safety and sports injuries for many years, both in respect of how they arise and how they can be prevented. With Folksam's insurance policies, customers enjoy double the security:

Both insurance cover should anything happen, as well as research that contributes to the potential to reduce the risk of accidents in everyday activities.

Heart **Folksam also conducts** recurring tests of cycle helmets and other sports equipment, as well as studies into bicycle thefts.



# How we work within the Folksam Group



**The Folksam Group is growing and developing at a rapid rate. In order to live up to both our own and our customers' requirements, we need proper order – covering everything from the way we are managed to our day-to-day sustainability work.**

Modernisation, consolidation and streamlining are three important guiding principles for the Folksam Group. Both we and the world around us are developing rapidly, and we have to make constant progress in order to retain really satisfied customers. Proper order is essential if we are to achieve this. We have to have efficient processes, be a responsible employer and act in an environmentally correct manner in our day-to-day operations.

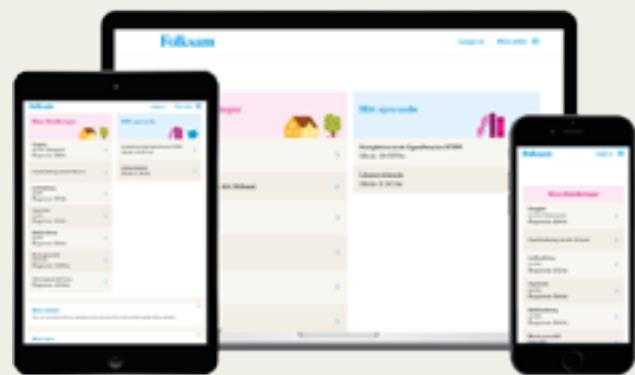
We are therefore focusing considerable resources on developing as a modern financial company and identifying improvements, both in the long term and in everyday activities. Some development projects encompass the whole of the Folksam Group, while others apply to specific business areas, units or functions.

IT has remained a priority during 2017. It is a cornerstone of our strategic work with the Folksam Group's infrastructure. In April, for example, we launched the new, user-friendly "My Pages", which makes things even easier for our customers in their contacts with us and which is an important step in our move towards digitalisation. Here the customer can obtain a comprehensive view of their involvement in the Folksam Group.

During 2017, we have also reviewed the way we will collaborate in future with our intermediaries, as well as how many of these there should be. We have also focused heavily on the implementation of new regulations that have entered into force or that are imminent. The new regulations that Folksam is working with include the Insurance Distribution Directive (IDD), the new General Data Protection Regulation (GDPR), the new standard for insurance agreements (IFRS 17), the written contracts requirement in the event of telephone sales (the Distance Selling Act), the new occupational pension arrangement (IORP II), the ordinance on factsheets for packaged and insurance-based investment products for non-professional investors (PRIIP) and the law regarding the securities market (MiFID II), to name just a few.

This entails considerable investments in both IT and training, and has required us to prioritise carefully to ensure that each project really delivers benefit to our customers.

At the start of 2018, we also decided, in line with our streamlining and consolidation efforts, to refine our business areas so that they only encompass life and non-life. The business areas are being renamed Life and General, and will belong to respective parent companies. Business responsibility is being streamlined as a result, allowing the Folksam Group to act more efficiently. Within the trade union offer, both life and non-life business are important. As a result, there is a common department for trade union business within the two business areas, which implements the actual business decisions.



# We aim to be an attractive workplace

The Folksam Group has around 3,900 employees around Sweden. It is their combined expertise and commitment that allows us to offer our customers security in the form of insurance policies and long-term savings. Being an attractive workplace is therefore important in order for us to achieve our goals. We work with a long-term and structured approach in order to attract, recruit, retain and develop our employees. We also create the conditions for our managers and leaders to assume responsibility for skills provision and optimum performance.

In order to ascertain whether the Folksam Group is perceived as an attractive workplace, we conduct annual employee surveys. We also measure and analyse sickness absence, personnel mobility and diversity, as well as charting salaries from an equality perspective.

## A sustainable and equal workplace

Having a long-term, sustainable view of our employees' daily activities is only natural for us. We know that the day-to-day working environment plays a major role as regards health, job satisfaction, creativity and learning. As a result, we work with an activity-based approach, founded on the operations' various needs and conditions, as well as striving to achieve a well-functioning interaction between people, technology and the environment.

We are also convinced about the value of working actively with diversity issues. Diversity contributes to customer benefit and profitability, and makes us a more attractive workplace. We want to have an inclusive working climate where the skills of each and every individual are utilised, regardless of gender, origins and age, and where differences are viewed as an advantage. The #metoo campaign has brought a structure problem to the surface. Within the Folksam Group, there is zero tolerance in respect of any type of discrimination or unequal treatment. We have long had established procedures for dealing with such issues. During the year, we have worked to further develop our formal, internal regulations as regards discrimination, harassment and retaliation, in order to emphasise even more clearly the attitude of the Folksam Group towards such issues.

By employing a systematic and skills-based approach in the staffing process, we are also contributing to increased diversity and a reduced risk of discrimination. We now have an even gender distribution at both employee and managerial levels, as well as in the Group management. In addition, a larger proportion of our professional groups now have a more even gender distribution.

## Potential for development

At Folksam, going to work and working together should be fun. As a result, those of us who work here feel a great sense of commitment and take responsibility for keeping our customers satisfied. As a large employer, we are able to offer many different career paths, whether the aim is to grow into a managerial role, to immerse yourself as a specialist or to try out an entirely new area of work. During 2017, around 400 of our employees found new jobs internally within Folksam. In addition, 540 employees were recruited externally.

Folksam's aim is to have employees who contribute to a culture where we jointly accept responsibility for continual development, collaboration and learning. In recent years, the insurance sector has been characterised by a series of new and tightened regulations. We welcome these as they strengthen the protection for our customers, although they also place increased demands as regards the skills of our employees. We have therefore increased our focus on learning within these areas.



At Folksam, going to work should be fun

## Focus on working environment and health

One challenge for both Folksam and society in general is the high sickness absence rates witnessed in recent years. Folksam aims to be an attractive workplace, and we are therefore investing to promote good health and motivation. During 2016, an assignment was carried out regarding repeated short-term sickness absence. During 2017, however, the focus has instead been on long-term sickness absence, as we have strengthened our efforts for the rehabilitation of those on long-term sick leave alongside occupational health. We have already begun to see positive effects from these efforts. We are also focusing on further developing the interplay between processes, working methods, environments, technologies and other conditions for a good working environment and health.

## Reward for achieved goals

In order to place additional focus on Folksam's strategic goals, we have a reward programme for our employees. The reward programme is determined by the results of the two business goals, Folksam's Customer Index and the number of combination customers, and is paid out in the form of provisions in individual occupational pension policies. All employees in Folksam's Swedish operations are covered by the programme, apart from the President, the Group management, the CEOs and deputy CEOs of the subsidiary companies and the internal audit managers.

## What the employees think

Every year, Folksam's employees are given the opportunity to express their thoughts and opinions about the operation, the leadership and the workforce in an employee survey. The survey comprises a number of strategically important issues, such as skills development, working environment and health, work organisation, employeeship, risk management and leadership. Valuable input from our employees means that we can continue to develop the operation at all levels. The survey is characterised by consistently good results. In the 2017 survey, the overall index stood at 74 per cent (72 per cent in 2016) positive responses on average. The questions relating to commitment continue to yield good results. For example, 85 per cent responded that they feel great commitment to their work. The response frequency in the survey remains stable at 91 per cent.

## Employee facts 2017

- 💛 **Number of employees:** 3,890
- 💛 **Average age:** 43.5
- 💛 **Employee turnover:** 13.9%
- 💛 **Sickness absence:** 5.4%
- 💛 **Gender distribution, total:** 53% women, 47% men
- 💛 **Gender distribution, managers:** 49% women, 51% men
- 💛 **Gender distribution, Group management:** 50% women, 50% men
- 💛 **Salary difference women/men, equivalent work:** 1%

# High targets for climate and the environment

Being at the forefront as regards environmental and climate issues has long been a priority for the Folksam Group – we have been working on environmental issues since the 1960s.

We want to contribute towards Sweden achieving its climate target of reducing carbon dioxide emissions by 40 per cent by 2020. Our greatest potential to exert influence exists in our relations with our customers. At the same time, it is natural for us to act in as environmentally friendly a manner as possible in our own operation. That is why we work with clear goals when it comes to our own activities. Since 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.

The Folksam Group has opted to abide by the same climate objectives as Sweden, but we have realised that it is possible to do even more. In 2016, we decided to further ramp up our level of ambition and to do more than that required by the climate objective. In February 2017, we therefore gave our support to the goal of "net zero" emissions of greenhouse gases by 2030, within the framework of the Haga Initiative (see page 29). In practice, this means that we are now focusing on achieving the goal of zero emissions fifteen years earlier than that specified in the Government's climate objective. Our ambition is to show that it is possible to reduce climate impact while

still increasing profitability, thereby contributing to welfare. The decision means that all units within the Folksam Group will need to cooperate to make us less dependent on fossil energy over the coming years.

Read more about our work regarding reducing our climate impact in our sustainability report.

Folksam's carbon footprint, tonnes of CO<sub>2</sub>



## How we compensate for our climate impact

We make sure that we offset the climate impact entailed by our operations and property holdings through the Vi Agro-Forestry Programme's tree-planting project. The Vi Agro-Forestry Programme plants an average of six trees

for every tonne of carbon dioxide we release. The total climate impact Folksam offsets amounts to 5,301 tonnes of carbon dioxide, which means that nearly 31,806 trees will be planted in 2018.



## The year in figures

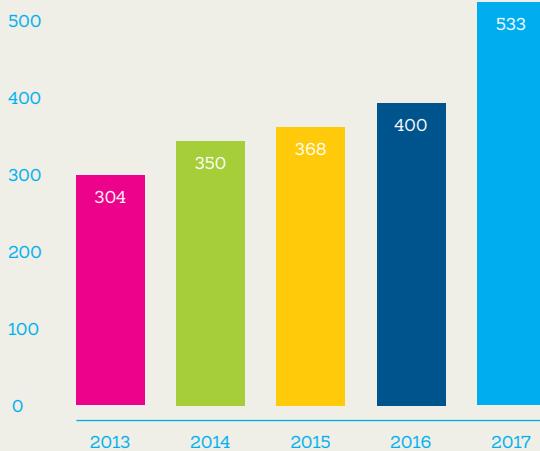


The Folksam Group continued to develop in a stable fashion in 2017. The premium volumes developed in a controlled manner, the return was good and the market shares and appreciation of our brands remained at high levels.

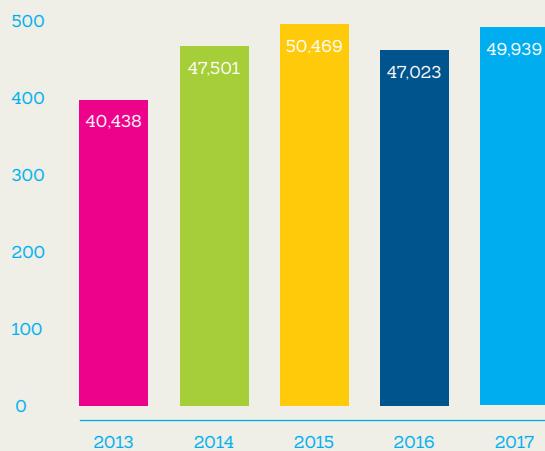
As we are a mutual company, every krona will benefit our customers, not only in the form of bonuses. The surplus is also converted into better insurance and lower premiums. The Folksam Group continued its positive development

during 2017. The total premium volume was SEK 49,939 million (47,023). The growth comes primarily from the collective occupational pension business.

Total managed assets and unit-linked insurance assets, billions



Total premium volume, SEK million



#### Folksam's most important key ratios

Folksam	2017	2016	2015
Folksam Customer Index (FCI), %	78	79	78
Premiums, SEK million <sup>1</sup>	49,939	47,034	50,469
of which Folksam General <sup>2</sup>	14,651	14,269	13,395
of which Folksam Life <sup>3,4</sup>	35,288	32,754	37,074
Managed assets, SEK million <sup>3</sup>	394,135	375,794	344,851
Unit-linked insurance assets, SEK million <sup>3,5</sup>	139,632	124,043	111,144
Number of full-time employees <sup>6</sup>	3,716	3,731	3,706

<sup>1</sup> Premiums comprise premiums earned in non-life insurance, premiums written in life insurance and deposits from savers in unit-linked insurance, including the non-consolidated insurance companies.

<sup>2</sup> Relates to the summary total premiums per company and its respective subsidiaries, including the non-consolidated insurance companies.

<sup>3</sup> At the end of the period.

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

<sup>5</sup> Investment assets for which policyholders bear the risk.

<sup>6</sup> Based on paid time during the period.

## Adjusted bonus interest

Folksam Life raised the bonus rate for traditional life insurance in the occupational pension operations, initially from 4 to 5 per cent in February and then from 5 to 6 per cent in April. This change took effect from 1 April 2017 and is in line with Folksam's consolidation policy.

At the end of 2017, Folksam Life's collective consolidation stood at 120 per cent (121) for the occupational pension operation and 118 per cent (120) for the remaining life insurance operation.

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 2017 was 4.8 per cent.

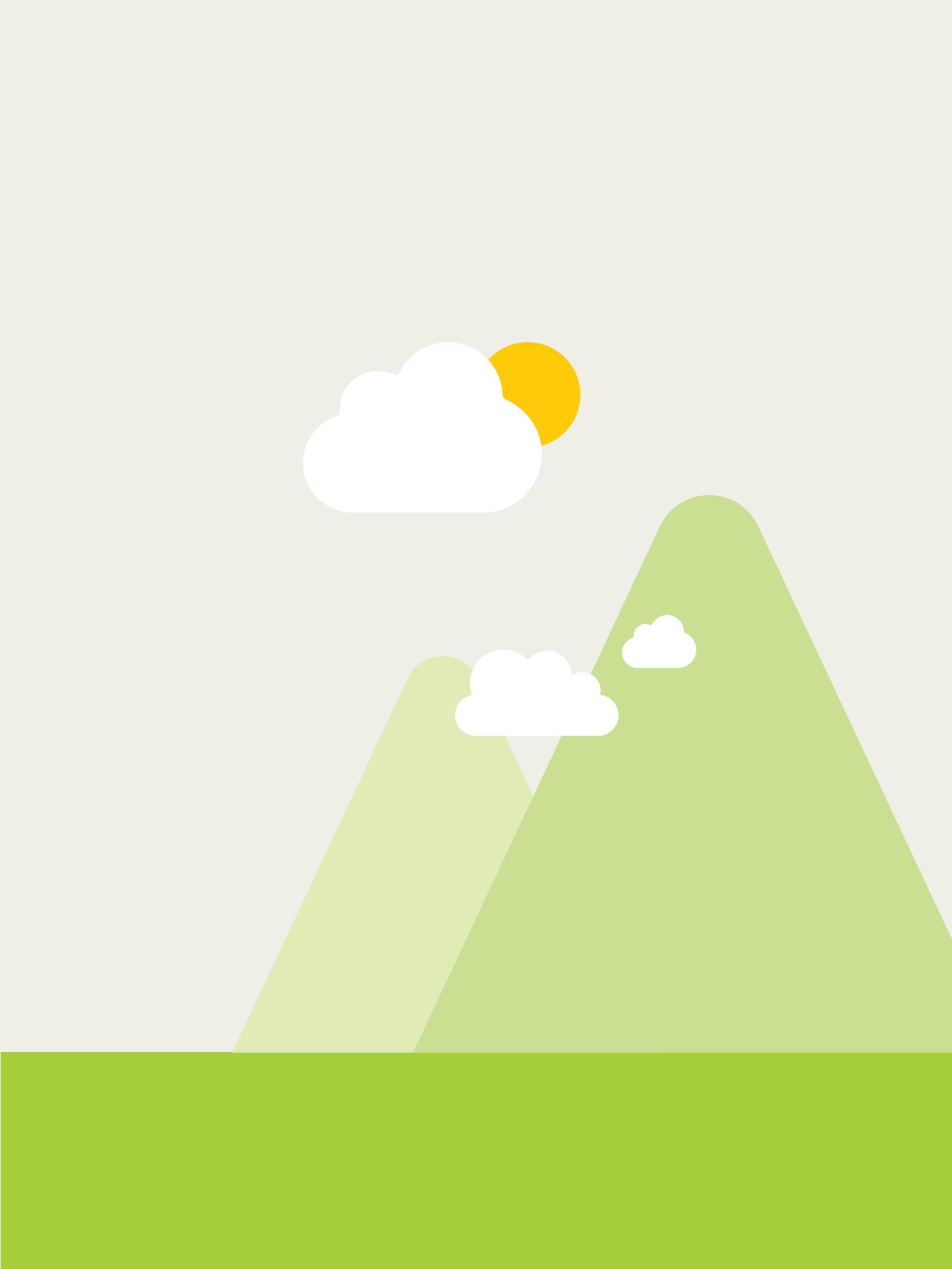
## New year with bonus

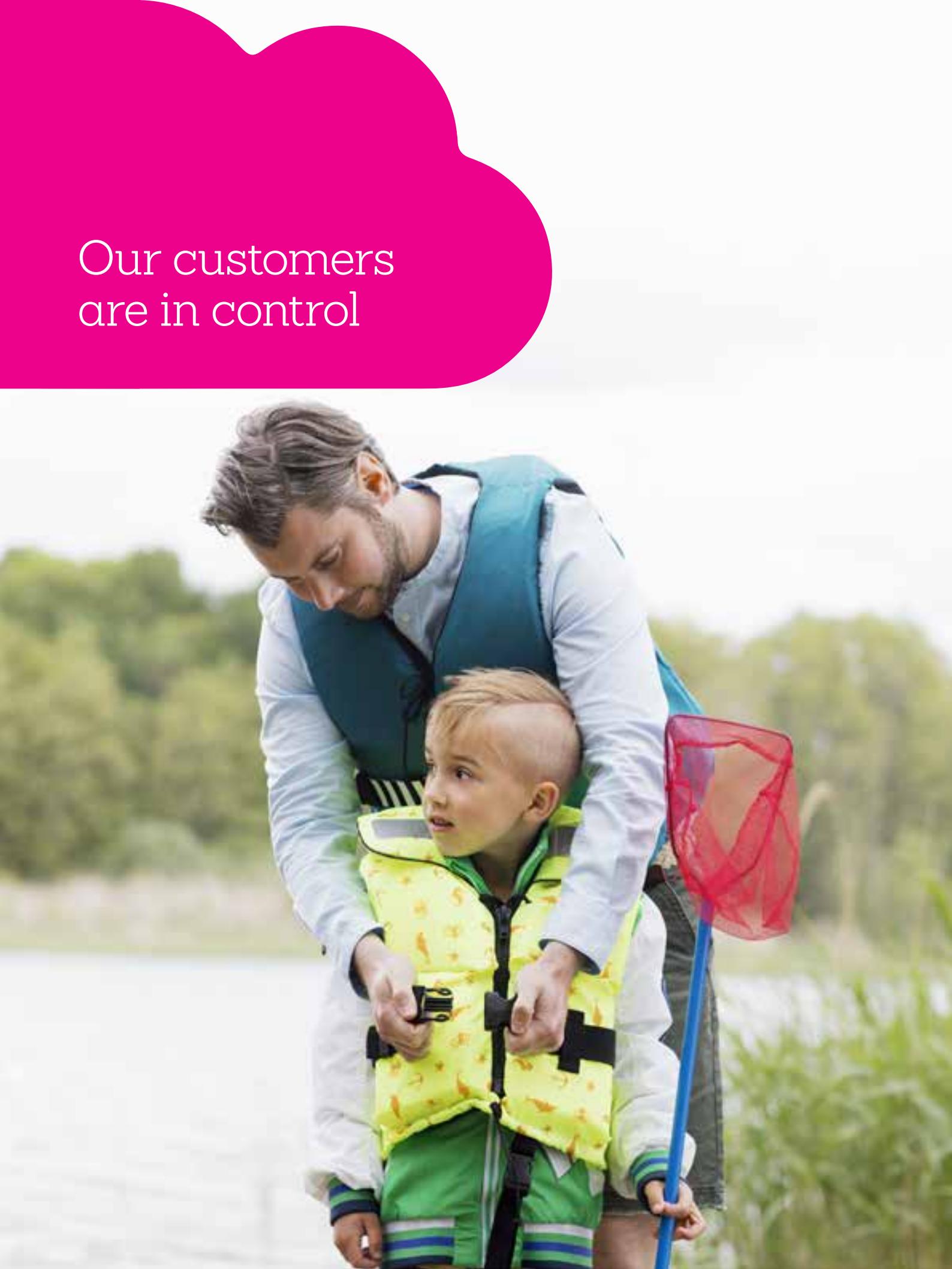
Bonus interest is the ultimate proof that we are owned by our customers, and helps to encourage our customers' appreciation of us. Thanks to its strong financial position, Folksam General is issuing bonus interest to its customers for the sixth year running after having introduced the bonus interest programme in 2012. The bonus amounts to SEK 320 million (271) and will cover pet, home and vehicle insurance as well as personal risk. The bonus is shared between 2.4 million customers.

Bonus in Folksam General		
	Insurance (covered)	Bonus interest
2014	<ul style="list-style-type: none"> <li>• Home</li> <li>• Automotive</li> <li>• Personal risk</li> <li>• Animals</li> </ul>	4.4% per paid premium SEK
2015	<ul style="list-style-type: none"> <li>• Home</li> <li>• Automotive</li> <li>• Personal risk</li> <li>• Animals</li> </ul>	4.1% per paid premium SEK
2016	<ul style="list-style-type: none"> <li>• Home</li> <li>• Automotive</li> <li>• Personal risk</li> <li>• Animals</li> </ul>	3.1% per paid premium SEK
2017	<ul style="list-style-type: none"> <li>• Home</li> <li>• Automotive</li> <li>• Personal risk</li> <li>• Animals</li> </ul>	3.4% per paid premium SEK

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

\* No bonus interest was paid out during 2016 and 2017.



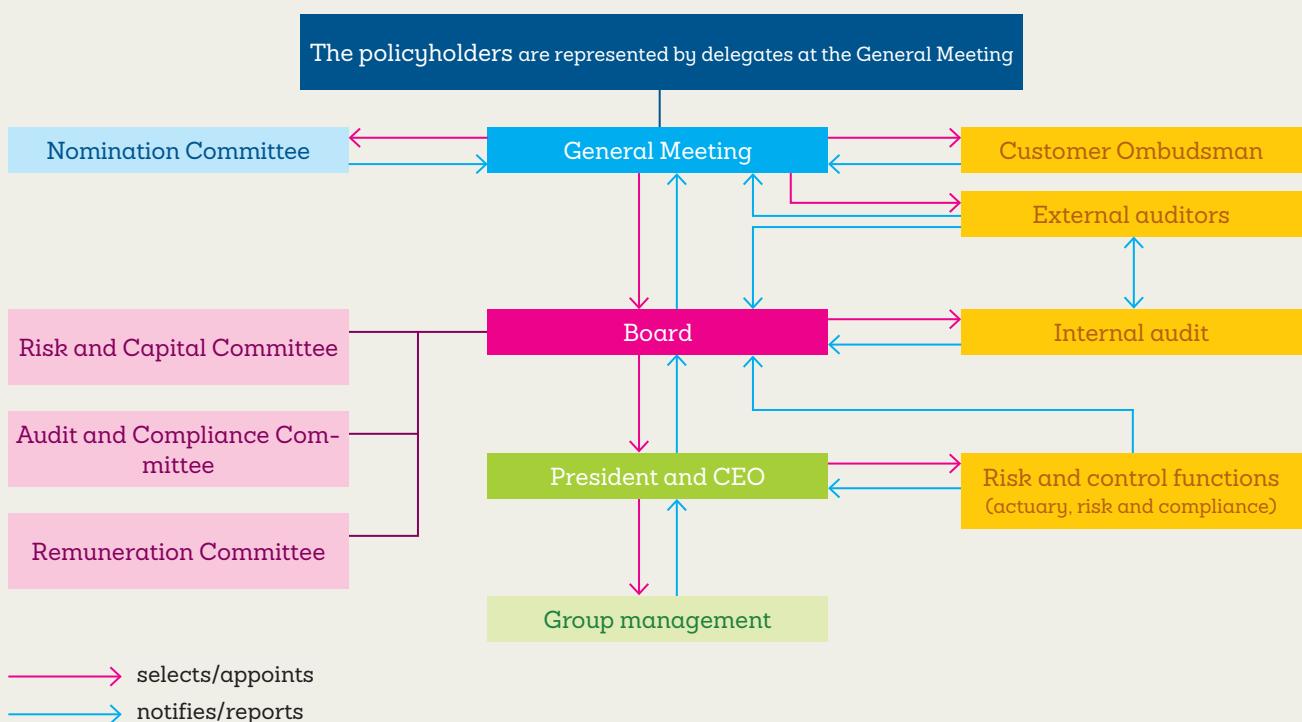
A man with a beard and short brown hair is leaning over a young boy. The man is wearing a white long-sleeved shirt and a teal life vest. The boy has short blonde hair and is wearing a yellow life vest with a green and black patterned lining. He is also wearing a green and white striped shirt. The man is holding the zipper of the boy's life vest open. In the background, there is a body of water and some greenery. A red fishing net is visible on the right side of the image.

Our customers  
are in control

It is our four million customers who ultimately have control over the Folksam Group. On the following pages you will find information about who represents the customers on the various company boards, as well as the most important events in 2017.

The customers' influence in the form of voting rights, the right of expression and proposal takes place through specially elected delegates. The 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 and companies

Within the Folksam Group's boards, the board members represent the policyholders' interests. This means that the members represent the various customer groups: The cooperative sphere, the trade union sphere, the sports movement, retirees, entrepreneurs and employers. Since 2013, there have also been board representatives who do not come from these spheres.

The nomination committees propose board members to the AGMs. They should aim to ensure that the boards have a suitable composition with regard to skills, age and gender.

For further information about how the boards are appointed and how they work, feel free to read our formal annual reports at [folksam.se](http://folksam.se)

# Board of Directors Folksam General

## Back row, from left

Helena Liljedahl  
Heidi Stensmyren  
Leif Linde  
Anders Lago  
Karl-Petter Thorwaldsson, Chairman  
Ann-Louise Andersson,  
employee representative  
Bo Jansson  
Kerstin Kujala, employee representative  
Malin Ackholt

## Front row, from left

Eva Nordmark, Vice Chair  
Mikael A. Carlsson, employee representative  
Patrik Nygren  
Pia Carlsson Thörnqvist

*Not pictured:*  
Ulf Andersson  
Björn Eriksson



# 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 specially selected areas. Folksam General is the parent company of the wholly owned subsidiaries Tre Kronor Försäkring AB (Tre Kronor) and SalusAnsvar AB (SalusAnsvar), as well as of part-owned companies such as the Finnish insurance company Folksam Skadeförsäkring AB (Folksam Skadeförsäkring), in which it has a 75 per cent holding. SalusAnsvar in turn owns 51 per cent of the shares in Saco Folksam Försäkrings AB (Saco Folksam).

## Occurred in 2017:

- During the first half of 2017, launched the connected service 'Drive Safely', in which a safe driving style is rewarded with up to a 20 per cent discount on the car insurance premium.
- In March, acquired its first office property in Gothenburg, Stampen 6:17. This transaction was worth SEK 330 million.
- In April, entered into an agreement with the Swedish Football Association to sell its interest in the jointly owned company Cooperante AB, which owns 11.1 per cent of Arenabolaget i Solna.
- In December 2017, entered into an agreement regarding the sale of its participating interest of 10.08 per cent in the Danish non-life insurance company, Alka Forsikring. The sale was conducted together with company's other owners and the price amounted to SEK 8.2 billion.

- During the year, continued the work of phasing out the company Förenade Liv and incorporating its operations into the rest of the Group.
- Activities alongside the rest of the Folksam Group:
  - Folksam Life and Folksam General reduced the concentration in their asset portfolios by selling 25.6 million ordinary shares in Swedbank AB in March 2017. After the sale, the Folksam Group retained 7.0 per cent ownership.
  - During 2017, Folksam Life and Folksam General achieved almost SEK 15 billion in investments in green bonds. The largest single transaction was conducted with the World Bank, when the Folksam Group acquired green bonds at a value of USD 350 million.
  - The Folksam groups continued to increase their exposure to infrastructure and invested SEK 100 million in Infranode during the first half-year.
  - The Folksam groups acquired 28 residential properties in Helsingborg. The purchase sum totalled SEK 1,948 million, divided up as follows: KPA Pensionsförsäkring SEK 1,074 million, Folksam Life (other life insurance) SEK 643 million, Folksam General SEK 230 million.

Folksam General (Parent Company)	2017	2016	2015
Premiums earned, SEK million	11,671	11,298	10,592
Profit/loss before appropriations and income tax	913	1,746	557
Total expenses, %	97.9	101	97
of which claims expenses, %	82.7	84	78
of which operating expenses, %	15.2	17	19
Funding ratio at period-end, %	168	157	149
Total return, %	3.4	6.6	2.4

# Board of Directors Förenade Liv

## From left

Git Claesson Pipping  
Sture Nordh, Chair  
Elisabeth Sasse

## Board members up until October 2017:

Sture Nordh, Chair, Git Claesson Pipping,  
Elisabeth Sasse, Peter Lennartsson,  
Eva-Lotta Nilsson, Lars-Erik Klason,  
Niklas Hjert, Torbjörn Eckerdal.  
Employee representatives: Christina  
Björklund and Ann-Charlotte Tollqvist.



# Förenade Liv

Förenade Liv is a non-profit limited liability company that is operated on mutual principles. According to the recommendation of Förenade Liv's board, the 2016 General Meeting has decided, in accordance with the board of the parent company, to initiate the incorporation of Förenade Liv's operations and the winding up of the company.

## Occurred in 2017:

During 2017, a considerable amount of work has been carried out to make it possible for Förenade Liv to be incorporated into Folksam General and Folksam Life:

- The make-up of the board has been changed and adapted according to the company's new circumstances.
- Payment of bonuses to policyholders.
- Planning and implementation of transfer to new insurance providers in respect of associations.
- Adaptation and harmonisation of the operations prior to the transition to Folksam General and Folksam Life.

Förenade Liv	2017	2016	2015
Premiums earned, SEK million	1,086	1,110	997
Profit before tax, SEK million	-24	246	-91
Solvency factor (SCR) at	2.0	1.8	2.0

# Board of Directors Folksam Life

## Back row, from left

Lars-Inge Larsson  
Mikael Täll, employee representative  
Britt Hansson  
Tobias Baudin  
Anders L. Johansson, employee representative

Lars Ericson, Chair  
Eva-Lis Sirén, Vice Chair  
Johan Lindholm  
Göran Arrius  
Eva Nordström

## Front row, from left

Susanna Järnek, employee representative  
Elisabeth Brandt Ygeman  
Mikael Åbom  
Jonas Nordling  
Cecilia Hermansson



# Folksam Life

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

Folksam Life is the parent company of wholly-owned subsidiaries such as Folksam Fondförsäkringsaktiebolag (publ) (Folksam Fondförsäkring), as well as part-owned companies such as the companies under the KPA Pension brand, which is 60 per cent owned, and Folksam LO Fondförsäkringsaktiebolag (publ) under the Folksam LO Pension (Folksam LO Fondförsäkring) brand, which is 51 per cent owned.

## Occurred in 2017:

- At the AGM in April, decision taken to pay out a surplus within collectively agreed defined-benefit occupational pensions amounting to more than SEK 1.66 billion to almost 5,000 employer customers.
- Raised the bonus rate for traditional life insurance in the occupational pension business, initially from 4 to 5 per cent in February and thereafter from 5 to 6 per cent in April.

- The Folksam Group decided to review the operations within the subsidiary company Folksam Fondförsäkring and in particular to evaluate whether it can be incorporated into Folksam Life's operation.
- Activities alongside the rest of the Folksam Group:
  - Folksam Life and Folksam General reduced the concentration in their asset portfolios by selling 25.6 million ordinary shares in Swedbank AB in March 2017. After the sale, the Folksam Group retained 7.0 per cent ownership.
  - During 2017, Folksam Life and Folksam General achieved almost SEK 15 billion in investments in green bonds. The largest single transaction was conducted with the World Bank, when the Folksam Group acquired green bonds at a value of USD 350 million.
  - The Folksam groups continued to increase their exposure to infrastructure and invested SEK 100 million in Infranode during the first half-year.
  - The Folksam groups acquired 28 residential properties in Helsingborg. The purchase sum totalled SEK 1,948 million, divided up as follows: KPA Pensionsförsäkring SEK 1,074 million, Folksam Life (other life insurance) SEK 643 million, Folksam General SEK 230 million.

Folksam Life (Parent Company)	2017	2016	2015
Premium income, SEK million	10,324	9,839	13,479
Solvency ratio, %	165	165	162
Managed assets, SEK million	179,413	176,267	164,489
Collective funding, occupational pension activities, %	120	121	119
Collective funding, other life insurance activities	118	120	117
Total return, %	4.2	8.4	3.7

# Board of Directors KPA AB

## Front row, from left

Susanna Järnek, employee representative  
Elisabeth Sasse  
Vesna Jovic  
Anders Knape

## Back row, from left

Lena Dahl  
Lena Micko, Vice Chair  
Jens Henriksson, Chair  
Per Ardehed  
Ann-Charlotte Tollqvist, employee representative  
Karin Lindblom, employee representative  
Lenita Granlund  
Eva Fagerberg



# KPA Pension

KPA Pension is a brand and joint name for KPA AB, KPA Pensionsförsäkring, KPA Livförsäkring and KPA Pensionservice. KPA Pension is the pension company for the local government sector and manages occupational pensions for employees in municipalities, county councils, as well as municipal 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. Folksam owns 60 per cent of KPA Pension and the Swedish Association of Local Authorities and Regions (SALAR) owns 40 per cent.

## Occurred in 2017:

- In December, KPA Pensionsförsäkring sold 23 retail properties to ICA Fastigheter and Secore Fastigheter at an underlying property value of SEK 525 million. The properties are situated in various locations, from Simrishamn in the south to Örnsköldsvik in the north.
- In November, KPA Pension purchased bonds from Sundsvall Municipality in a so-called private placement, an issue specifically directed at KPA Pension and Folksam.

- In June, acquired the office building Duvan 6 in central Stockholm.
- KPA Pension attracted considerable attention with its advertising films, which are intended to put the focus on how equality issues are directly linked to pensions. In particular, the film "Dad is stressed", which deals with whose responsibility it actually is to pack the children's gym bags, had an impact.
- KPA Pension was awarded the highest rating in Max Matthiessen's annual survey on how Sweden's largest pension companies work with sustainable investments.
- KPA Pension and the rest of the Folksam Group continued to buy green bonds issued by Swedish municipalities. In November, the Folksam Group became the largest investor, at SEK 160 million, in an issue released by Östersund Municipality totalling SEK 800 million. These investments will be used in part for the charging infrastructure for electric buses and cars.

KPA Pensionsförsäkring AB	2017	2016	2015
Premium income, SEK million	13,378	12,138	11,726
Solvency ratio, %	168	164	164
Managed assets, SEK million	163,060	148,379	132,283
Total return, %	4.6	6.6	3.3
Rate of return, %	4.8	6.7	3.7

# Board of Directors Folksam LO Pension

## Back row, from left

Eva Fredriksson  
Jörgen Nyberg  
Anders Olson  
Ann-Marie Stenberg Carlsson  
Karin George af Klercker  
Kjell Ahlberg, Vice Chair  
Karolina Håkansson  
Michael Lundin

## Front row, from left

Inger Hjärtström  
Sven Olander  
Elisabeth Sasse, Chair



# Folksam LO Pension

Folksam LO Pension focuses on collectively agreed occupational pensions. The operation principally covers administration and management of pension allocations made under the pensions agreements between the parties of the labour market. Operations are conducted under the Folksam LO Pension brand in the company Folksam LO Fondförsäkring AB, which is 51 per cent owned by Folksam Life and 49 per cent by LO and their associations.

## Occurred in 2017:

- Mia Liblik took up the position as new CEO on 1 January 2017. Before that, she was the CEO of KPA Pension.
- At the start of 2017, Folksam LO Fondförsäkring reduced its customers' fund management charge for entry level solutions in the SAF-LO area. The entry level solutions are ready-made fund packages adapted to the age of the pension savers. The reduction in the charge is a result of the parties in the SAF-LO area having decided to amend the conditions in the existing agreement dating from 2014.

- In the municipal sector, too, the parties announced amended conditions during the year, which will apply from 1 January 2018. In June, Folksam LO Pension announced that the company will continue to participate in the municipal sector and has decided to reduce its charges in this area too, as from the start of 2018. The funds that are offered in the entry level solution in the municipal sector will also be harmonised with the offer in the SAF-LO area.
- During the year, Folksam LO Fondförsäkring has screened its sustainability work in order to further improve and clarify the company's position as regards sustainability issues. This screening has resulted in a new investment policy, which will be implemented during 2018.

Folksam LO Pension	2017	2016	2015
Premium volume, SEK million	7,072	5,751	5,197
Profit/loss before appropriations and income tax, SEK million	341	297	328
Solvency factor, %	5.4	4.6	3.8
Total return, %	10.1	9.3	7.9

# Folksam Group management



**Jens Henriksson**  
President and CEO  
Born 1967  
Employed since 2013  
In current position since 2013



**Ylva Wessén**  
Deputy CEO and Director of Group staff  
Born 1970  
Employed since 2007  
In current position since 2016



**Johan Rudén**  
Head of IT and CIO  
Born 1965  
Employed since 2017  
In current position since 2017



**Elisabeth Sasse**  
Head of Partner and Collectively Agreed Business BA  
Born 1966  
Employed since 2011  
In current position since 2014



**Daniel Barr**  
Head of Product  
Born 1962  
Employed since 2014  
In current position since 2017



**Harriet Pontán**  
Head of People and Environment  
Born 1953  
Employed since 2005  
In current position since 2005



**Michael Kjeller**  
Manager, Asset management  
Born 1964  
Employed since 1988  
In current position since 2007



**AnnKristine Wuopio-Mogestedt**  
CCO and Director of Claims and Pension Service  
Born 1961  
Employed since 1988  
In current position since 2006



**Per Ardehed**  
Chief Marketing and Sales Officer  
Born 1967  
Employed since 1992  
In current position since 2016



**Britta Burreau**  
Managing Director of KPA Pension  
Born 1964  
Employed since 2016  
In current position since 2016



**Jesper Andersson**  
Chief Financial Officer, CFO  
Born 1977  
Employed since 2000  
In current position since 2017



**Anna-Karin Laurell**  
Head of Private BA  
Born 1963  
Employed since 2017  
In current position since 2017

# The 2017 reports

For the 2017 financial year, the Folksam Group has published an Annual Review, formal annual reports for each company, as well as a Sustainability Report according to GRI. Folksam has published sustainability reports every year since 2002. More in-depth information can also be found at [folksam.se](http://folksam.se)

## Contact:

Juha Hartomaa,  
[juha.hartomaa@folksam.se](mailto:juha.hartomaa@folksam.se), +46 (0)708-31 65 26

## Address

Postal address SE-106 60 Stockholm, Sweden  
Visitor address Bohusgatan 14  
Telephone +46 (0)771-960 960

## Project Manager

Juha Hartomaa

## Art Director

Eva Bergfeldt

## Graphic design, infographics

Roger Sandström

## Contents

Juha Hartomaa  
Kerstin Danasten

## Production Manager

Anna Strandberg

## Photographers

Carina Gran      pages 1, 2, 6, 10, 14, 18, 26, 34, 60, 64 and 79  
Petter Karlberg    pages 7, 8, 25, 33, 53, 54 and 66–77  
Tobias Nilsson    page 7





# 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.