

# Responsibility at MuniFin

RESPONSIBILITY REPORT 2018



## Contents

- 3** MuniFin in brief
- 4** Comment on responsibility by the President and CEO
- 5** Corporate responsibility highlights in 2018
- 6** MuniFin's strategy
  - 7** Business model
- 8** Responsibility at MuniFin
  - 8** Key principles of responsibility
  - 9** Background of the responsibility strategy
- 11** Responsible products and services
  - 11** Long-term value creation through responsible products and services
  - 15** Enhancing expertise
  - 18** Responsible business
- 20** Forerunner in sustainability
  - 22** Green finance
  - 25** Environmental impact of MuniFin's own operations
- 26** Developing wellbeing at work
  - 28** Diversity and equal opportunities
  - 31** Employee wellbeing
- 32** Strong corporate governance
  - 34** Business principles and responsibility policy
- 35** Social responsibility scorecard
- 36** Reporting principles
- 37** Environmental impact of green finance in 2016–2018



## MuniFin in brief

MuniFin was established for the purpose of focusing on developing the Finnish welfare society. MuniFin is the only financial institution in Finland specialised in financing the municipal sector and state-subsided housing production.

Our customers are Finnish municipalities, municipal federations, municipally owned corporations, and non-profit housing organisations.

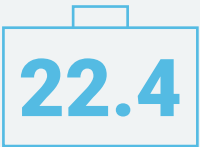
MuniFin offers financing solutions to a wide variety of environmentally and socially responsible projects such as public transport, sustainable buildings, hospitals and healthcare centres, daycare centres and schools, and the production of affordable social housing and housing for special groups. Additionally, MuniFin promotes the achievement of Finland's climate targets by offering green finance for investments that have positive effects on the environment.

MuniFin's customer base is local, but its operating environment is global. MuniFin is the most active Finnish bond issuer in international capital markets, and the first ever Finnish issuer of green bonds.

### Shareholder base



### Size of loan portfolio B€



### Level of dedication of employees



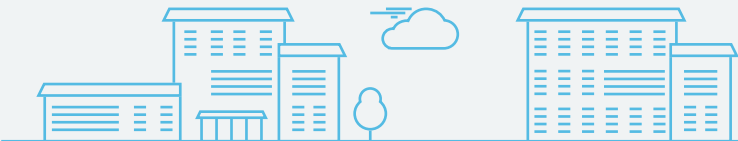
### Cumulative amount of green projects



### Amount of granted green finance by 31 Dec 2018 B€



### Financing for state-subsidised housing production B€ (balance sheet)



Loans granted for new residential buildings for special groups: EUR 140 million in 2018, enabling homes for more than 1,400 people.

100% of MuniFin employees have completed training on the company's Responsibility Policy







## Comment on responsibility by the President and CEO

MuniFin has worked to develop Finnish society for 30 years now. As a financier of the municipal sector and state-subsidised housing production, the work that we do is visible in the lives of every Finn – we help keep society running smoothly and contribute to the wellbeing of people and the environment.

The financial sector is strictly regulated due to the risks involved in the business. We want to go above and beyond the regulations in all our operations. Our guideline is to always act in the interests of the customer.

As a financier, it is important to us to help our customers anticipate upcoming changes in their operating environment and to assess the impacts of different kinds of investments and financing alternatives on their own finances.

There are currently many changes and uncertainties in the operating environment of Finnish municipalities. For this reason, we've made a concerted effort to help our customers succeed in this challenging situation. We want to contribute to forward-looking solutions, especially by developing our services that aim to keep finances under control and prepare for future scenarios. As with all our other operations, we are developing these services closely in line with our customers' wishes.

A sustainable future is in the hands of our customers. MuniFin's customer base plays a central role in the development of

our society – and their solutions may have a global impact. With green finance we've been able to, for instance, guide our customers to focus on mitigating climate change when planning their investments.

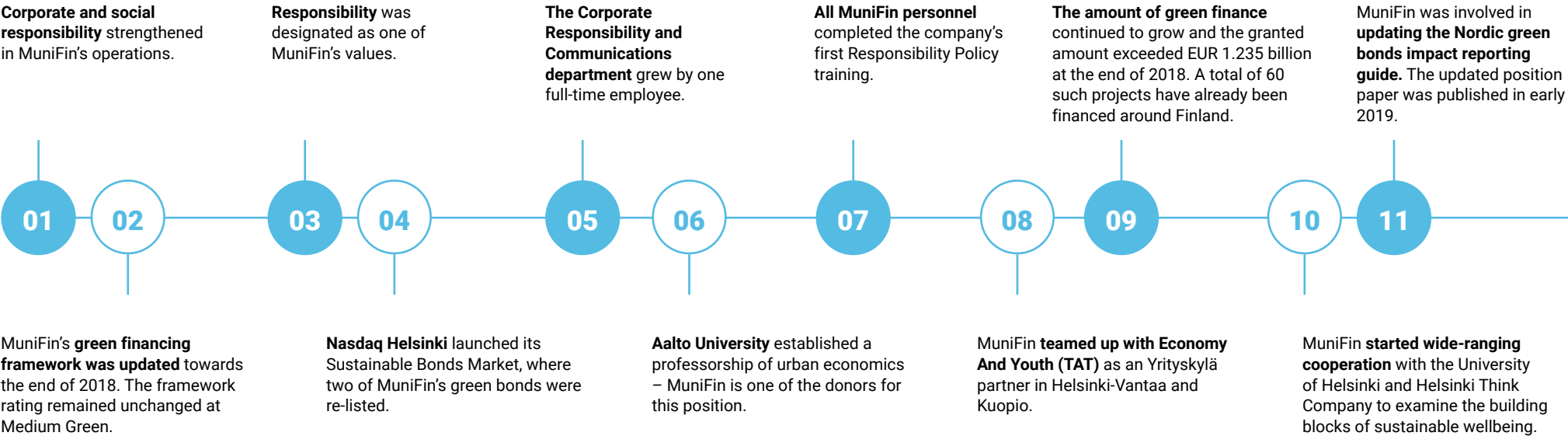
Going forward, we want to help our customers identify the impacts of their investments on an even broader scale and seek to use them to promote sustainable development.

MuniFin has always invested strongly in the wellbeing of its personnel. This is even more important now that our agile organisation has seen relatively very rapid growth over the past few years.

MuniFin employees represent a very varied mix of experts of different ages from a diverse range of educational backgrounds. Being able to take responsibility for one's own work and to influence the development of our society are important motivational factors for our employees. We want to ensure that MuniFin employees will continue to have opportunities to develop their own expertise and work on the building blocks of the society's future success.

**Esa Kallio**  
President and CEO  
MuniFin

## Corporate responsibility highlights in 2018



# MuniFin's strategy

The core principle of MuniFin's strategy is to build a better future in cooperation with its customers. The company's vision is to be the best possible financial expert for its customers in an ever-changing world.

In 2018, MuniFin updated its strategy for 2019–2022 and reformulated its values. In this update, responsibility was designated as one of the company's values.

MuniFin's funding operations are global, while financing is granted in the domestic market. The company's operations are thus affected by both global and local megatrends. These include, for example, climate change, digitalisation, urbanisation, ageing and changes in the population structure. In addition, the operating environment of MuniFin is impacted by factors such as the sustainability crisis, the circular economy and stronger localness.



Business model

MuniFin is committed to building a better future together with its customers in a responsible way. This includes ensuring the availability of financing to its customers in different market conditions, which is why MuniFin has a liquidity buffer in place in order to secure business continuity in the event of any market disruptions.

Due to its business model, shareholders, and customer base, MuniFin only provides financing in the domestic market.

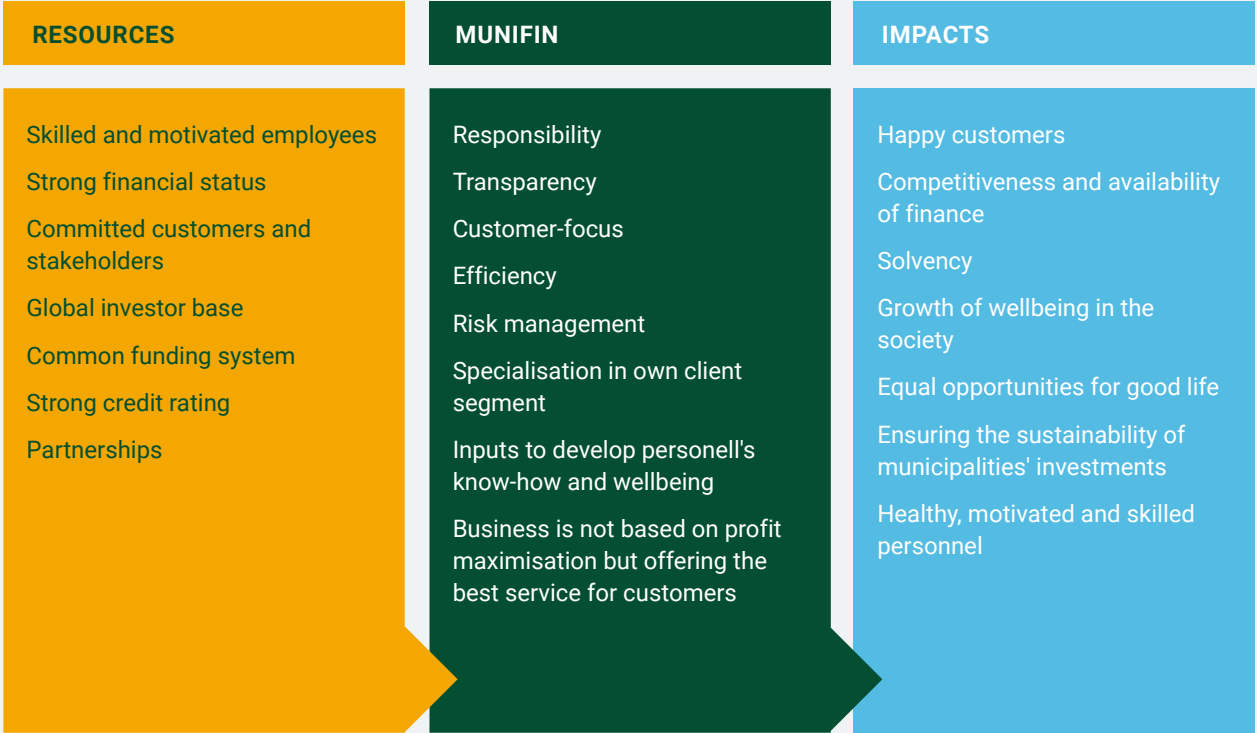
MuniFin offers services and solutions that meet its customers' existing and future financing and financial management needs. Its main products are loan and lease financing.

The company is committed to operating in a customer-oriented manner rather than aiming to increase its customers' need for financing to boost its own business volume. On the contrary, MuniFin strives to create positive long-term effects by actively working with its customers to find a solution that best fits each customer, and then helps them in the implementation of the solutions.

MuniFin is an efficient, flexible, and committed partner for the municipal sector and government-subsidised housing production. The company is the largest financier in its customer segments.

MuniFin's business model is based on the zero risk level of municipalities and the Finnish public sector's solid credit rating. The company acquires funding through bond issues within international capital markets. The company's funding is guaranteed by the Municipal Guarantee Board.

MuniFin's value creation model



# Responsibility at MuniFin

The financing provided by MuniFin helps keep the Finnish welfare society running, all the way from housing solutions to public infrastructure. The company's operations affect the lives of each and every Finn. Responsibility thus plays a particularly major role in MuniFin's operations and organisation. The focus areas and goals of responsibility are assessed in line with the UN's Sustainable Development Goals. The company's operations affect almost all of the Sustainable Development Goals in one way or another.

## Key principles of responsibility

As part of its responsibility strategy, MuniFin has defined four key principles for the corporate social responsibility of its operations.

The key principles are divided into four groups. The most significant and illustrative UN Sustainable Development Goal (SDG) has been set for each key principles, along with other sustainable development goals of key relevance to the key principles. Through its work, the company promotes the achievement of nearly all of the Sustainable Development Goals set by the United Nations.

In addition, one longer-term goal has been set for each key principle. These goals are company-level objectives that aptly describe each key principle of responsibility and related target level. The four key principles, sustainable development goals and longer-term goals are:

### Responsible products and services



Goal 2022: Customer satisfaction "very good"

### Forerunner in sustainability



Goal 2022: Green finance accounts for 10% of the financing portfolio

### Developing wellbeing at work



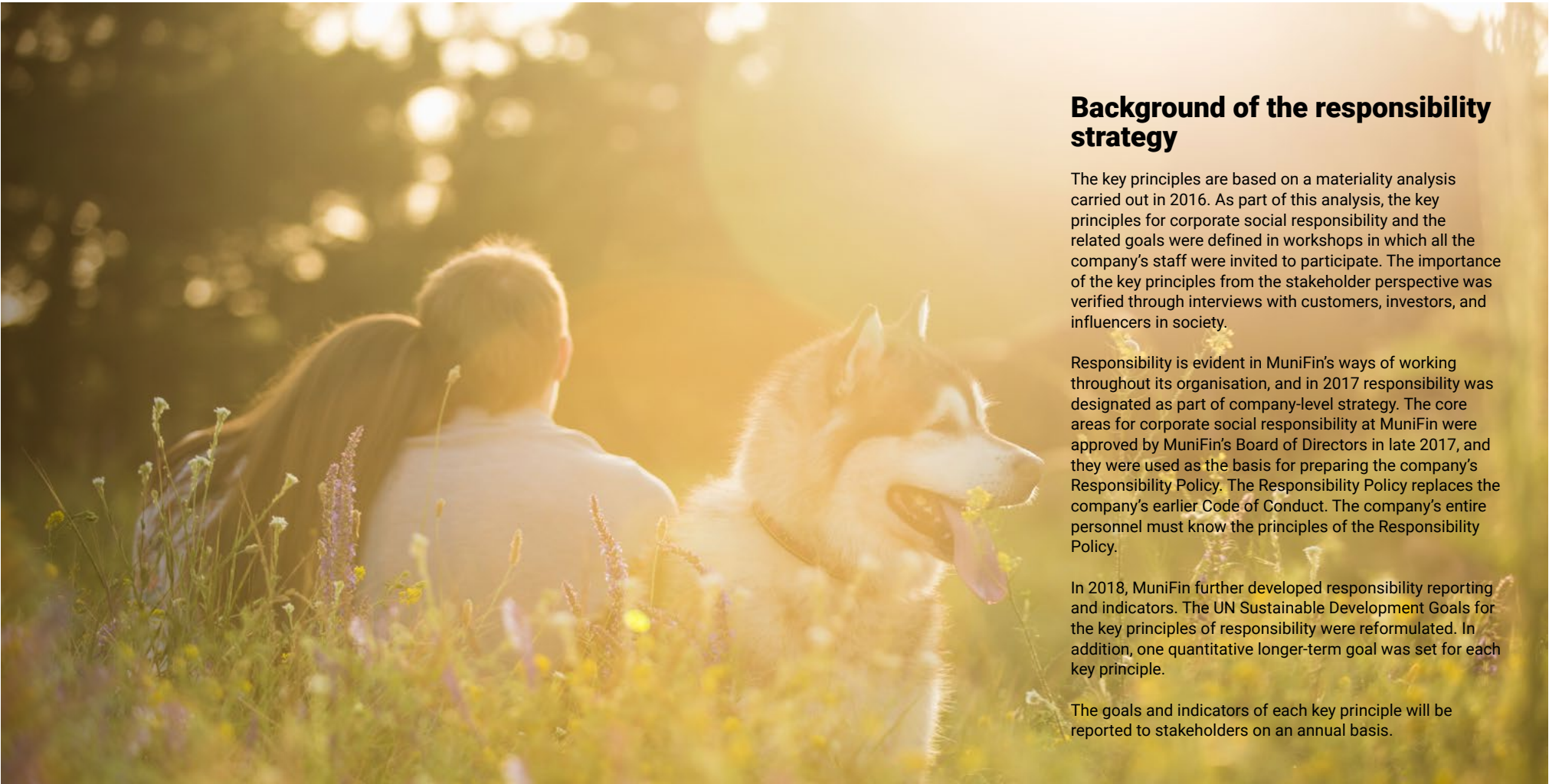
Goal 2022: Personnel satisfaction "very good"

### Strong corporate governance



Goal: 100% of employees complete the Responsibility Policy annually





## Background of the responsibility strategy

The key principles are based on a materiality analysis carried out in 2016. As part of this analysis, the key principles for corporate social responsibility and the related goals were defined in workshops in which all the company's staff were invited to participate. The importance of the key principles from the stakeholder perspective was verified through interviews with customers, investors, and influencers in society.

Responsibility is evident in MuniFin's ways of working throughout its organisation, and in 2017 responsibility was designated as part of company-level strategy. The core areas for corporate social responsibility at MuniFin were approved by MuniFin's Board of Directors in late 2017, and they were used as the basis for preparing the company's Responsibility Policy. The Responsibility Policy replaces the company's earlier Code of Conduct. The company's entire personnel must know the principles of the Responsibility Policy.

In 2018, MuniFin further developed responsibility reporting and indicators. The UN Sustainable Development Goals for the key principles of responsibility were reformulated. In addition, one quantitative longer-term goal was set for each key principle.

The goals and indicators of each key principle will be reported to stakeholders on an annual basis.



*Klash challenge competition was launched in order to search for new solutions for developing municipal vitality and welfare.*

## Klash seeks solutions for problems in the municipal sector

MuniFin is one of the municipal actors that launched the Klash challenge competition in 2018 to search for new solutions for developing municipal vitality and welfare.

Municipalities could submit problems to be solved by Klash. A panel of experts selected the challenges proposed by Janakkala, Joensuu and Vantaa for the next phase. The challenges concern the development of the mobility and participation of local residents as well as means of preventing dropping out from secondary education.

The selected challenges have a broad impact on the Finnish municipal sector, but tangible and replicable solutions can be developed to crack them.

The project financiers and partners are the Finnish Municipal Foundation, Association of Finnish Local and Regional Authorities, Keva, MuniFin, KL-Kuntahankinnat, KL-Kustannus and FCG Finnish Consulting Group.



## Responsible products and services

”

*Finnish welfare society is maintained and improved by projects that MuniFin finances. MuniFin's aim is to be the best possible financial expert for its customers in an ever-changing world. Through a variety of partnerships, expertise is being enhanced in MuniFin's own organisation and surrounding society.*

The targets financed by MuniFin have a wide-ranging impact on Finnish society. Financing is mainly granted for the long term.

Social responsibility is emphasised in MuniFin's operations because the projects financed by MuniFin aim to maintain and improve the Finnish welfare society in the long run. Examples of socially responsible projects include schools, daycare centres, the production of housing for special groups, affordable rental housing, cultural premises, hospitals and healthcare centres. In addition to social responsibility, responsibility at MuniFin also emphasises an environmental perspective. MuniFin offers green finance for environmentally friendly investments.

MuniFin's responsible lending is based on taking the overall financial situation of the customer into account when granting financing.

MuniFin's aim is to be the best possible financial expert for its customers in an ever-changing world. MuniFin seeks to enhance expertise in both its own organisation and surrounding society through a variety of partnerships.

The company's most important partners are its customers. As a long-term goal, the company seeks to achieve a level of "very good" in its \*customer satisfaction survey by 2022. This goal and performance in its achievement are monitored annually.

*\*Customer satisfaction is measured using an index compiled from several customer survey questions.*

## Responsible products and services:

### KEY PRINCIPLES AND GOALS

#### Financing long-term wellbeing and MuniFin's role in the society

*Goal: Increasing the positive social impact of MuniFin*

#### Enhancing expertise

*Goal: Launching new products and services with respect to customer needs and securing balance in customer's finances*

#### Responsible business

*Goal: Ensuring financing for customers*

### INDICATORS

- MuniFin's share in municipal loans, %
- Share of long-term loans from total lending portfolio, %
- Breakdown of social housing loans
- Total amount of loans for government-subsidised social housing
- Breakdown of financing for social housing for special groups

- Training and seminars
- Cooperation and partnerships with educational institutions in 2018
- Number of individual Apollo users

- Responsibility in lending
- Number of customers
- Breakdown of investor types

### GOAL 2022

\*Customer satisfaction  
"very good"



## Financing long-term wellbeing and MuniFin's role in the society

MuniFin offers financing to municipalities, municipally owned organisations, municipal federations, and state-subsidised housing production. The financing can therefore be considered to be fully directed at building the Finnish welfare society. In 2018, MuniFin financed a variety of municipal vitality projects and investments, libraries, schools, swimming halls, cultural and sports facilities, and municipal infrastructure, such as roads, streets, parks, lighting, and waste and water management. In addition to traditional loans, MuniFin provides leasing services. In 2018, leasing services was granted for daycare centres, schools, pharmaceutical and medical devices, and ambulances, for instance.

The majority of the financing granted to municipalities is balance sheet lending that can be used on a wide range of investment targets. On the other hand, financing for green projects and housing production is carefully earmarked. In 2018, MuniFin developed means of collecting more detailed information on the intended uses and targets of financing. Development work seeks to ensure that the company can communicate about its social impact in even more detail. This work will continue in 2019.

Almost half of MuniFin's lending portfolio comprises financing for state-subsidised housing production. For this report, more detailed analysis was conducted on affordable housing production and financing for housing for special groups.



Financing for state-subsidised housing production

State-subsidised housing production – that is, financing affordably priced apartments and housing for people with special needs – is part of MuniFin’s social responsibility.

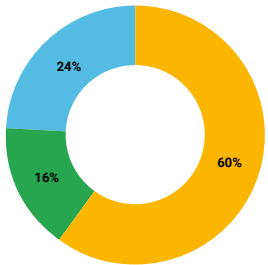
The criteria for selecting the occupants of affordable state-subsidised rental and right-of-occupancy housing are the applicant’s need for a home, income level, and personal net worth. The rental and right-of-occupancy apartments financed by MuniFin are therefore especially intended for applicants who are in urgent need of a home and have a low net worth and income level. In 2018, the total amount of financing granted for new residential buildings eligible for an interest subsidy loan was almost EUR 900 million.

In addition to state-subsidised rental and right-of-occupancy housing, MuniFin offers financing for the

production of housing intended for special groups. This financing provides housing for students, young people, people with disabilities, elderly people and those in mental health and substance abuse rehabilitation. In 2018, MuniFin provided a total of about EUR 140 million in financing for new housing for special groups, enabling the construction of homes for more than 1,400 people.

Care and service homes for special groups also create jobs. In other words, MuniFin’s financing for state-subsidised housing has indirect, long-term impacts on employment. In addition, state-subsidised housing production reduces social inequality and increases wellbeing. For example, financing of housing for special groups is used to build solutions that are tailored for their needs. The projects emphasise community and enable many people to live good lives.

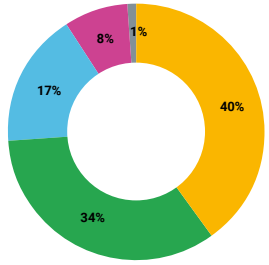
Breakdown of social housing 2018



- state-subsidised rental
- social housing, special groups
- right-of-occupancy housing

Breakdown of financing for state-subsidised social housing (won in 2018) by location, based on total amount (tenders won). Category: buildings (not basic renovation).

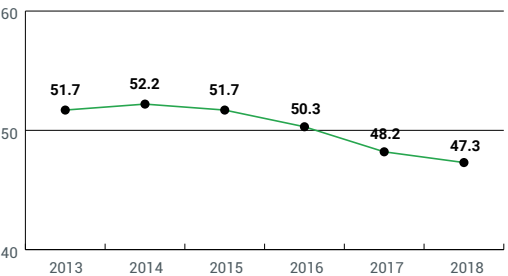
Breakdown of social housing for special groups 2018



- students
- elderly people
- young people
- people with disabilities
- people in mental health and substance abuse rehabilitation

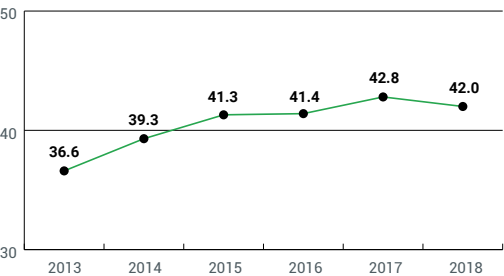
Breakdown of loans for housing for special groups in 2018 based on total amount (tenders won). Category: buildings (not basic renovation).

MuniFin’s share of municipal loan stock, %



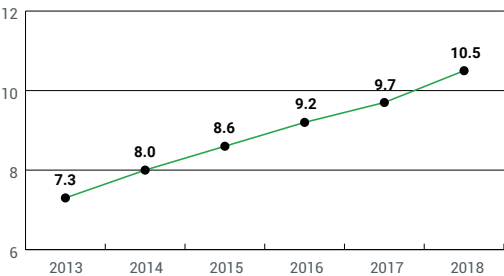
Municipal loan stock source: Ministry of Finance

Share of long-term loans from total lending portfolio, %



Long-term loans with a maturity of over 10 years

Total amount of loans for state-subsidised social housing production, billion €



The reported indicators are based on figures from the balance sheet, unless stated otherwise.

Enhancing expertise

MuniFin's operations are aimed at enhancing financial expertise relating to public finances, as well as specialising in municipal sector and state-subsidised housing production investments within the business sectors of its customers. The company works closely with, for example, the Housing Finance and Development Centre of Finland ARA, the Association of Finnish Local and Regional Authorities, Keva, Local Government Employers KT, and the private sector employer organisation Avainta ry. In 2018, together with its partners representing the family of municipalities, MuniFin started the Klash challenge competition, which seeks new, replicable solutions for developing municipal vitality and wellbeing. The challenge competition will run until late 2019. The winning solution(s) will be awarded a million euro prize.

By offering green finance, MuniFin aims to promote the development of sustainable solutions that benefit the environment. To this end, the company cooperates with, for example, the Ministry of the Environment and the Finnish Environment Institute SYKE, as well as the Finnish Sustainable Communities FISU – which works towards carbon neutral, waste-free and globally sustainable consumption – and the HINKU Forum, which seeks to mitigate climate change.

In 2018, MuniFin has deepened its cooperation with universities and other higher education institutions, in addition to which its subsidiary Inspira has been involved in organising or has

participated in dozens of training sessions and seminars around Finland. For MuniFin, cooperation is a significant way of gaining new insights and solutions for business and the challenges encountered by MuniFin customers.

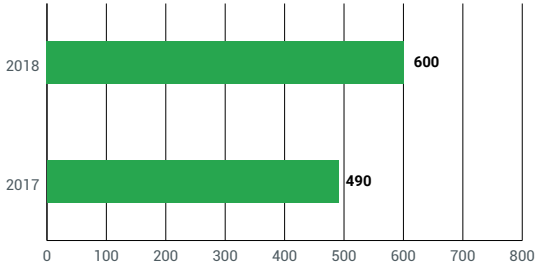
A key means of boosting expertise suitable for customers' needs is to further bolster expertise in the total management of financing and finances. Apollo is a service developed by MuniFin for finance and financing management. The service features a wide range of modelling, reporting and forecasting functions that are based on market data, the data on customers' existing financing agreements, and the simulation of various financing options.

In 2018, Apollo's services expanded to include, for instance, the management of investments and guarantee liabilities. A financial forecasting service for municipalities also went into pilot use as part of Apollo. MuniFin personnel and customers can use this service to enhance quality in modelling municipal finances. The service combines the utilisation of open data sources and modelling to enable forming scenarios of the investments and financial situation of municipalities. With this service, MuniFin can offer an even more comprehensive and analytical picture of the financial situation and future of customers. The number of Apollo users continued to grow during 2018.

A question about how well MuniFin has succeeded in meeting the expectations of customers has been removed from the

customer experience survey. This indicator of expertise has been replaced with a similar but broader indicator of the customer experience. MuniFin's customer satisfaction is already at a good level. Satisfied customers are a success factor for MuniFin. The target level set for customer satisfaction is ambitious. To reach the 2022 goal, MuniFin must improve its already good result.

Number of people using Apollo





#### Cooperation and partnerships with educational institutions in 2018

MuniFin cooperates with universities and higher education institutions in order to generate more expertise in public finances, financing as well as social and wellbeing issues in Finland.

MuniFin is one of the donors to the professorship for urban economics established at Aalto University in 2018. The total donation is EUR 60,000, distributed over five years.

In 2018, MuniFin started up cooperation with the University of Helsinki with a view to finding solutions to current societal changes and challenges. Towards the end of 2018, MuniFin, the University of Helsinki and Helsinki Think Company jointly organised a weekend-long Mini Challenge focusing on assessing the social impact of investments. The second part of this collaborative effort is a cross-disciplinary Master Class in 2019. Students completing this study module will develop solutions for four challenges faced by the welfare society.

In 2018, MuniFin also started working with Economy and Youth (TAT) by supporting Yrityskylä activities. Yrityskylä is a learning environment in which school children learn about working life, the economy and society. Developed in Finland, it has won an award as the best learning innovation in the world. In the 2018–2019 academic year, MuniFin is participating in the Yrityskylä learning environments in Helsinki–Vantaa and Eastern Finland. Supporting education and financial expertise is an important aspect of the company's social responsibility. In addition, MuniFin employees have been able to volunteer as counsellors at Yrityskylä.



*In 2018, MuniFin has deepened its cooperation with universities and other higher education institutions. For MuniFin, cooperation is a significant way of gaining new insights and solutions for business and the challenges encountered by MuniFin's customers.*





*I've been fortunate to have people to talk with and ask questions.*

*Santeri Simonen*

## Youth activist shadows the CEO's day at MuniFin

Nineteen-year-old Santeri Simonen participated for the third time in the Job Shadow campaign organised by Junior Achievement Finland when he acquainted himself with the working day of MuniFin CEO Esa Kallio in October 2018.

Simonen has earned his spurs in many positions of trust and has made extensive use of the opportunities provided by Junior Achievement Finland. He considers the mentors and contacts provided by the association as important.

– I've been fortunate to have people to talk with and ask questions. It's best when both parties gain something from each other.

Young people would have things to teach to older people about fast-paced, future-oriented activities.

MuniFin surprised Simonen with its modern approach.

– I didn't know how forward-looking MuniFin is: it's in many ways at the forefront of the financial sector. MuniFin is important to all of Finland. I believe that Esa is a well-liked leader and employees feel it is easy to approach him. Esa has seen all kinds of things and risen to the challenge. He's on top of what's going on in the world and, of course, in his own field and related issues, as one must be in his position.

Training sessions and seminars

MuniFin and its subsidiary Inspira have substantial expertise in Finnish municipal finances and investments. Each year, MuniFin and Inspira organise seminars and events targeted at municipal managers, experts in municipal construction and the environment, and university students. In addition, employees represent the companies at various events as speakers or trainers. The most important event in which MuniFin participated as an exhibitor and organiser in 2018 was the Finance and Financing Forum of the Association of Finnish Local and Regional

Responsible business

Responsibility is emphasised in MuniFin’s business operations, particularly because the company’s financing is targeted at benefiting Finnish society, but the company acquires funding globally. Responsibility in financing means that MuniFin can ensure the availability of financing to its customers even in different market conditions, while also bearing responsibility for the management of risks related to its own operations and customer finance.

MuniFin ensures the availability of financing by diversifying its funding acquisition effectively across different markets, currencies, maturities, and investor groups as well as by maintaining a liquidity buffer in order to secure business continuity in the event of any market disruptions. In funding acquisition and liquidity management, the company only works with preapproved counterparties. The counterparties must comply not only with banking regulation, but also with MuniFin’s own ethical requirements. For example, in its funding

arrangements, MuniFin does not accept underlying instruments directly related to fossil fuel production, the military industry or the tobacco industry.

In 2018, MuniFin continued to develop its loan granting process and business tools. Responsible financing includes a comprehensive view of the customer’s financial situation, thorough assessment of the profitability of investments and insight into the customer’s situation in a changing world.

MuniFin assesses the customer’s situation on the basis of customer information sources and analytics, but the final assessment is done together with the customer. Discussions and mappings relating to financing and the financial situation provide valuable insights to both parties.

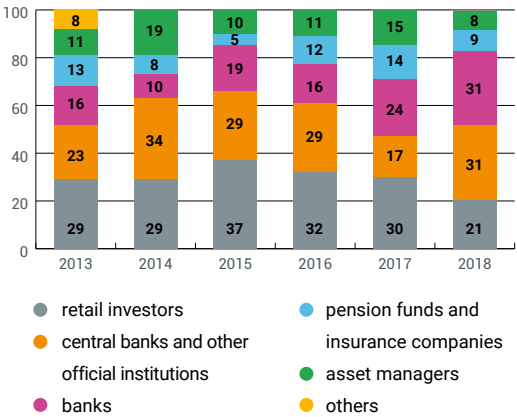
*Responsibility is emphasised in MuniFin’s business operations, particularly because the company’s financing is targeted at benefiting Finnish society, but the company acquires funding globally.*

Number of customers



1,571

Breakdown by investor type





*For many years, MuniFin employees have voluntarily acquired hundreds of Christmas gifts for the children of families of limited means.*

## MuniFin supports Hope in helping children

Hope ry is an association that supports families of limited means and children taken into custody by gifting goods and providing opportunities for activities. In 2017, Hope helped more than 6,500 families and close to 17,000 children.

For many years, MuniFin employees have voluntarily acquired hundreds of Christmas gifts for the children of families of limited means and channelled this aid through Hope.

As a company, MuniFin has traditionally donated the funds reserved for commemorating Christmas to charity. In 2018, the company made its Christmas donation to Hope.

Hope – Yhdessä & Yhteisesti ry was founded in 2009 by ordinary mothers who want to help children and families with children. This politically and religiously unaffiliated organisation is active all around Finland, relying on volunteers and 20 local branches.



## Forerunner in sustainability

”

*The Sustainable Development Goals adopted in 2015 guide Finland and other countries to promote sustainable development. The municipal sector and housing production play a key role in the achievement of Finland's climate targets. MuniFin aims to operate in a way that lowers the threshold of its customers to make environmentally sustainable investments. The company's financing has a major influence on achieving forerunner status in sustainable development, carrying out resource-wise and sustainable investments in Finland, and in reaching local and national climate objectives.*



In 2016, MuniFin issued Finland's first green bond, in other words a bond earmarked for environmental investments. Green bonds are used to fund green finance projects launched by MuniFin around Finland. The projects promote the achievement of Finland's climate targets and sustainability in the long run. Nasdaq Helsinki opened its new Sustainable Bond Market in 2018. MuniFin became the first issuer in this market with two green bonds.

Over a three-year period, the company has granted financing for a total of 60 environmentally friendly projects with EUR 1.235 billion, of which EUR 1.143 billion has been withdrawn. MuniFin's objective is that by 2022 green finance will account for 10% of the total financing portfolio.

MuniFin actively participates in discussions on achieving climate and sustainable development targets with different institutions and seeks to forge partnerships to come up with solutions to these global issues.

Environmental responsibility is also linked to reducing the negative impacts of the company's own operations. MuniFin has a WWF Green Office certificate under which the company is committed to continuously improving the environmental responsibility of its operations. For instance, the company makes outlays on recycling and raising the environmental awareness of personnel. MuniFin also compensates for the emissions of events it organises.

# Forerunner in sustainability:

KEY PRINCIPLES AND GOALS	INDICATORS
<p><b>Green finance</b></p> <p><i>Goal: Share of green finance from total lending 10% by 2022</i></p>	<ul style="list-style-type: none"><li>• Green portfolio, total</li><li>• Green portfolio, average maturity</li><li>• Eligible green projects (qty)</li><li>• Share of green finance from total lending and leasing portfolio</li><li>• Green projects, CO2 emissions avoided</li><li>• Improvement of energy efficiency of buildings</li><li>• Pilot project trends (qty) or new green solutions</li></ul>
<p><b>Green bonds and socially responsible investments (SRI)</b></p> <p><i>Goal: Increasing the amount of socially responsible investors and investments (SRI)</i></p>	<ul style="list-style-type: none"><li>• New green bond issued</li><li>• Green bonds, total and breakdown</li><li>• Green bonds, institutional investors (qty)</li><li>• Green bonds, geographical location</li><li>• Socially responsible investments (SRI), total</li><li>• ESG score of investment portfolio vs. benchmark</li></ul>
<p><b>Environmental impact of MuniFin's own operations</b></p> <p><i>Goal: Constant mitigation of the impact of MuniFin's own operations on the environment</i></p>	<ul style="list-style-type: none"><li>• Energy consumption at MuniFin</li><li>• Use of office paper at MuniFin</li></ul>

**GOAL 2022**

Green finance accounts for 10% of the financing portfolio



Green finance

MuniFin started offering green finance to its customers in early 2016. Municipalities play a key role in the achievement of Finland’s climate targets, and MuniFin offers its customers green finance and leasing earmarked for environmental investments at a lower margin than other finance.

The projects eligible for green finance can be included in any of the Green Bonds Framework’s categories, which are renewable energy, sustainable public transport, sustainable buildings, water and wastewater management, energy efficiency, and waste management, as well as environmental management and nature conservation. The eligibility of projects is decided by an independent evaluation team of experts.

MuniFin also participates in Nordic cooperation in which recommendations have been drafted for green finance impact reporting. The recommendations were updated in 2018 and a new version was published at the beginning of 2019.

At the end of 2018, the amount of green finance withdrawn to projects totalled EUR 1.143 billion. The average maturity of the green portfolio at the end of 2018 was 25 years. MuniFin’s long-term objective is to increase the share of the total financing portfolio accounted for by green finance to 10 per cent by 2022.

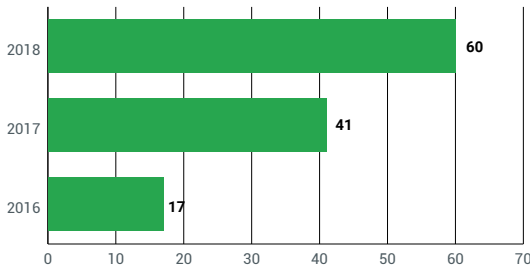
Share of green finance from total lending and leasing portfolio per 31.12.2018

5%

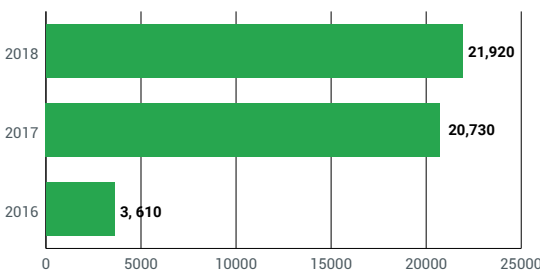
Green portfolio, total withdrawn financing per 31.12.2018

1.143 billion euros

Eligible green projects (qty)

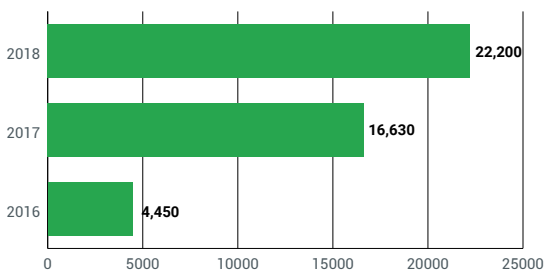


Green projects, CO<sub>2</sub> emissions avoided (tonnes)



Cumulative, calculated by withdrawn amount per 31 Dec 2018

Improvement of energy efficiency of buildings (MWh)



Cumulative, calculated by withdrawn amount per 31 Dec 2018

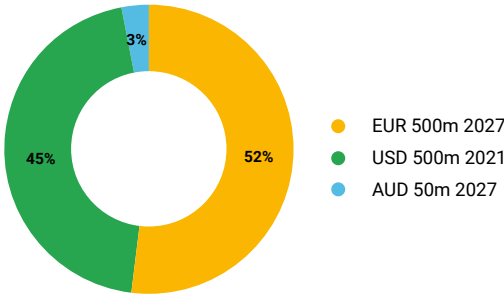


Green bonds

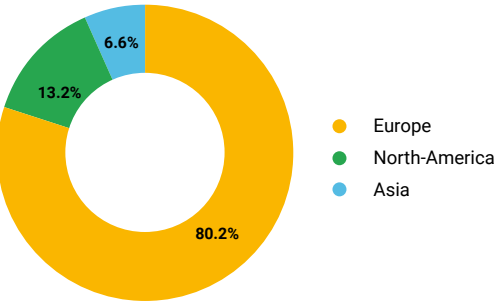
MuniFin’s green portfolio is fully financed with green bonds. At the end of 2018, the total amount of green bonds was EUR 978.1 million and their weighted average maturity was six years.

A total of 149 institutional investors worldwide participated in the issuance of green bonds by MuniFin. MuniFin issued its first green bond in 2016. It was also the first green bond in Finland. In 2017, MuniFin issued one green bond and organised a green bond tailored for Japanese institutional investors. No green bonds were issued in 2018. As a company, MuniFin wants to contribute to building a green and sustainable future for Finland, and therefore hopes to issue more green bonds during 2019.

Green bonds, breakdown %



Green bonds, geographical location %



Green bonds cumulative breakdown 2016-2018



### Responsible investing

Responsible investing is an intrinsic value at MuniFin. Investments are only made in issuers from OECD countries. This enables maintaining both economic and sustainable stability of the investments. In addition, the investment process accounts for Environmental, Social and Governance (ESG) factors. The average ESG figures of all investments are compared to a benchmark index using an asset class breakdown corresponding to the company's liquidity investments.

The ESG analysis of issuers is carried out by an external operator. At the end of 2018, MuniFin's liquidity investments had an ESG average of 50.9, which is over the benchmark index (50.8).

MuniFin also has a separate SRI (socially responsible investments) portfolio, whose target size is linked to the total number of green bonds issued by the company. SRI investments can be made in green, social or other bonds that fulfil MuniFin's criteria for such investments.

In addition, the company evaluates the issuer framework that specifies the objects of financing and obtains an opinion on the framework from a reliable third party. The responsible investment portfolio amounted to a total of EUR 110 million at the end of 2018.





Environmental impact of MuniFin's own operations

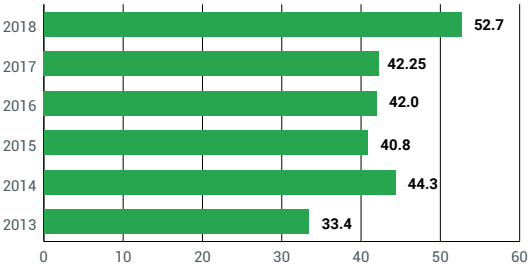
MuniFin is aware of its corporate responsibility with respect to environmental issues and thus seeks to prioritise environmentally friendly and resource-wise choices in its own operations and to raise the environmental awareness of its employees.

MuniFin has a Green Office certificate audited by WWF. Green Offices are expected to take environmental issues into broad consideration in their business premises, decision-making and operations. Green Offices also commit to the continuous development of the results of their operations.

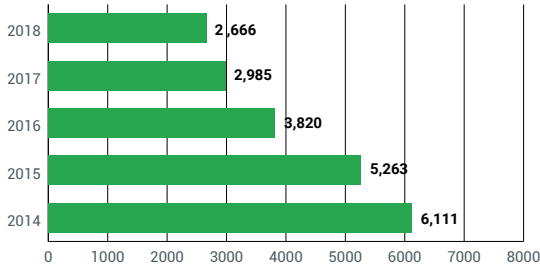
MuniFin annually reports to the Green Office Climate Calculator on, for instance, its energy and paper consumption as well as the amount of waste produced, which MuniFin seeks to reduce. The company also performs an annual impact assessment of green finance, in which it measures and reports on the environmental impacts of green projects made possible by MuniFin. MuniFin also compensates for the emissions of events it organises.

The company's Corporate Responsibility Team continuously assesses new means of engaging in more environmentally sustainable and responsible business.

Energy consumption at MuniFin (tCO<sub>2</sub>)



Use of office paper at MuniFin (sheets/worker)



## Developing wellbeing at work

”

*Employee's wellbeing and job satisfaction are important key factors for business. To these matters the company pays particular attention to. MuniFin's staff feel that they are doing a meaningful and socially important work.*



MuniFin’s staff feel that their work is meaningful and socially important. The company pays particular attention to the wellbeing of its employees, their job satisfaction, and offering equal opportunities to everyone at the workplace.

MuniFin invests in its employees and their wellbeing by, for instance, providing training opportunities and recreational benefits as well as organising joint leisure-time activities.

Developing occupational wellbeing and job satisfaction is an essential goal for the company to ensure that its skilled employees feel that their work is meaningful. The company seeks a job satisfaction rating of “very good” by 2022.

*\*The information relating to staff presented in the corporate social responsibility report only concerns the parent company and not Municipality Finance Group as a whole. Job satisfaction is measured using an index compiled from several personnel survey questions.*

## Wellbeing at work:

KEY PRINCIPLES AND GOALS	INDICATORS
<b>Diversity and equal opportunities</b> <i>Goal: Increasing diversity and equal opportunities</i>	<ul style="list-style-type: none"><li>• Breakdown of employees by gender</li><li>• Breakdown of managerial staff by gender</li><li>• Breakdown of Board of Directors by gender</li><li>• Breakdown of employees by age group</li><li>• Equal treatment of employees</li></ul>
<b>Employee wellbeing</b> <i>Goal: Promoting wellbeing at work and job satisfaction</i>	<ul style="list-style-type: none"><li>• Level of dedication</li><li>• Supporting professional development</li><li>• Employee turnover</li><li>• Amount of sick leave</li><li>• Performance appraisals implemented</li></ul>

GOAL 2022

\*Job satisfaction

“very good”





*MuniFin has signed the diversity commitment of the FIBS corporate responsibility network, under which it commits to providing equal opportunities, identifying and utilising individual expertise and needs, managing employees and customer relationships fairly, and communicating about goals and achievements.*

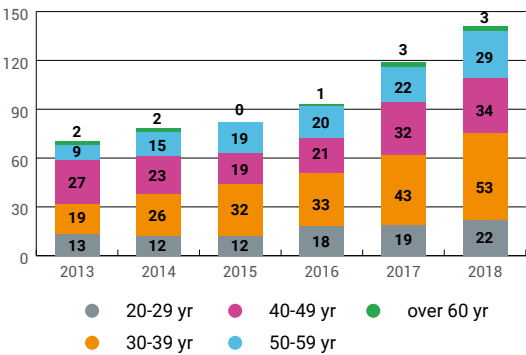
Diversity and equal opportunities

Diversity and offering equal opportunities to everyone at the workplace are important elements of MuniFin’s corporate culture. The gender distribution of employees and managerial staff at MuniFin is very equal. In addition, the gender distribution of Board members has been equal for a long time.

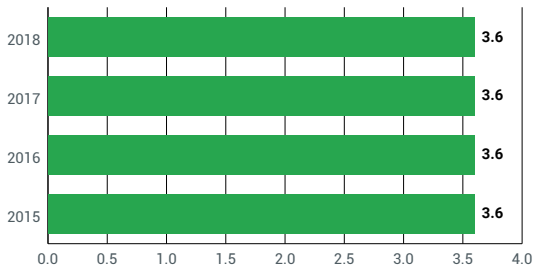
The age distribution of personnel is also very varied. This indicates that MuniFin treats its employees equally, which is also evident in the company’s personnel surveys. It is important for the company that employees experience it as an equal employer.

MuniFin has signed the diversity commitment of the FIBS corporate responsibility network, under which it commits to providing equal opportunities, identifying and utilising individual expertise and needs, managing employees and customer relationships fairly, and communicating about goals and achievements.

Breakdown of employees by age group



Equal treatment of employees 0-4



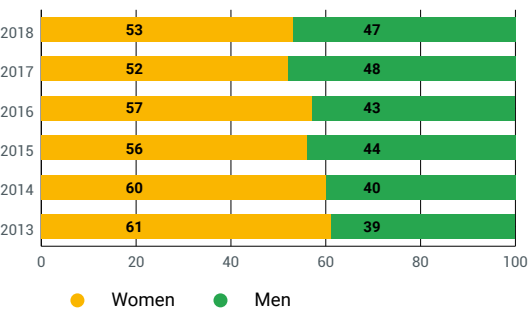
Average score for five questions measuring equal treatment on a scale of 1 to 4 (poor–good).

RESPONSIBILITY REPORT 2018

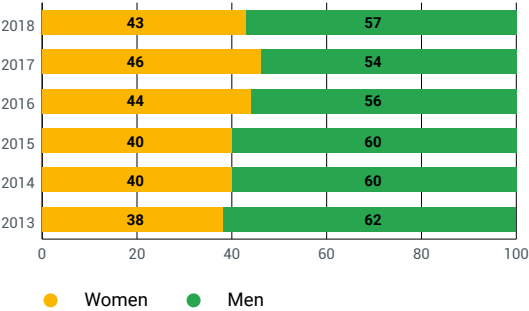
Developing wellbeing at work



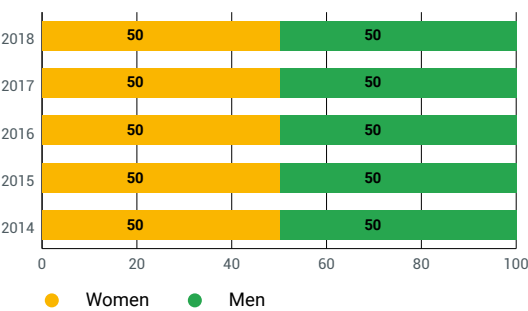
Breakdown of employees by gender



Breakdown of managerial staff by gender



Breakdown of Board of Directors by gender

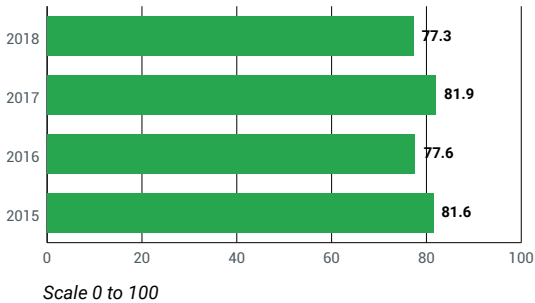


Employee wellbeing

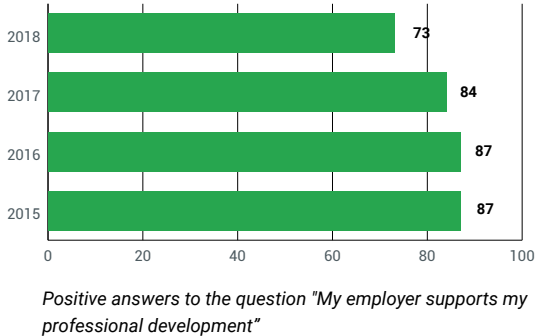
The competence and job satisfaction of employees are key factors for ensuring MuniFin's success. Work tasks are versatile, and accountability and continuous professional (self-) development are required to perform them. The company therefore offers plenty of opportunities to participate in training, and also supports the employees' ability to cope with their tasks and encourages them to find an appropriate balance between work and free time. MuniFin makes outlays on job satisfaction. One example is leisure-time activities for employees, in which MuniFin organises free sports, cultural and other leisure-time activities each year.

As the number of employees has grown, so has turnover. This is partly explained by the fact that the turnover figure also includes fixed-term employment contracts that have come to an end, and in line with established practice turnover in 2018 is compared with the personnel count for 2017.

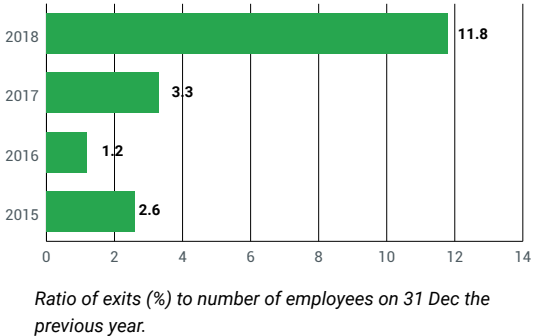
Level of dedication %



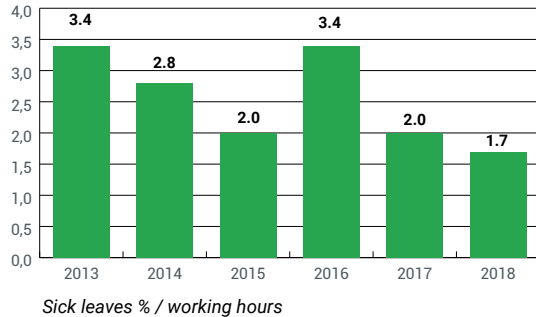
Supporting professional development %



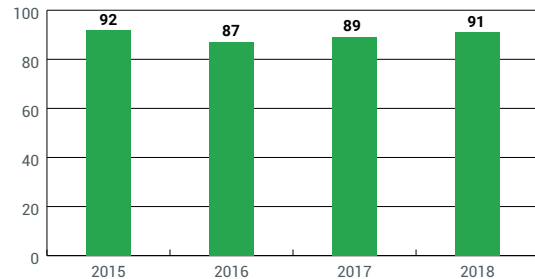
Employee turnover %



Amount of sick leave %



Performance appraisals implemented %







*In the 2018–2019 academic year, MuniFin is participating in the learning environments in Helsinki–Vantaa and Kuopio where children work in a miniature city as well as take roles as consumers and citizens.*

## Yrityskylä teaches the financial experts of the future

In 2018, MuniFin teamed up with Economy and Youth (TAT) as an Yrityskylä partner.

Yrityskylä is a learning environment in which school children learn about working life, the economy and society. Developed in Finland, it has won an award as the best learning innovation in the world. Yrityskylä reaches 75 per cent of Finnish sixth-graders every year.

In the 2018–2019 academic year, MuniFin is participating in the Yrityskylä learning environments in Helsinki–Vantaa and Kuopio. At Yrityskylä, sixth-graders participate in a miniature city where each

student has a profession and earns a salary for the work they do. In addition, the students take on roles as consumers and citizens as part of Finnish society.

MuniFin wants to support Yrityskylä activities to provide the future residents of municipalities and decision-makers with expertise in the economy and finance as well as an understanding of means of citizen participation.

MuniFin volunteers serve as counsellors at Yrityskylä each semester.

## Strong corporate governance

”

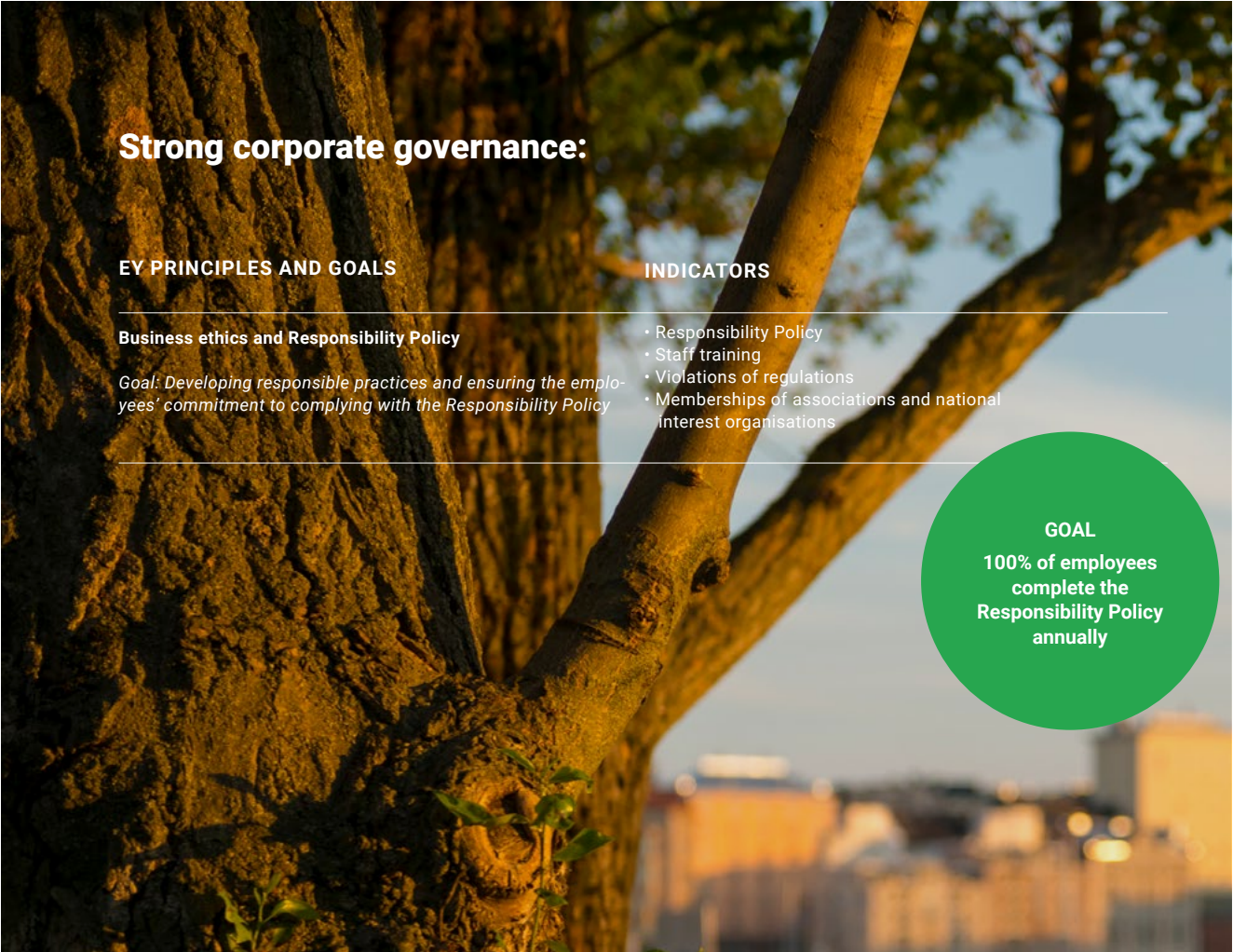
*Along with social and environmental responsibility, corporate responsibility covers governance matters. The company's operations and employees are guided by the Responsibility Policy.*



The work of MuniFin's employees is guided by ensuring that all operations are conducted in a responsible way. The company's operations are guided by a Responsibility Policy, and staff are trained to know the principles of responsible behaviour. The Responsibility Policy includes general guidelines for work with a special focus on high-risk issues such as anti-corruption and information security.

The company aims to ensure each year that all its employees have completed training on the Responsibility Policy.

Strong corporate governance also includes the company's HR policy. In the terms and conditions of employment, MuniFin complies with Finnish legislation and, where applicable, the collective agreement for the financial sector (TES). The key Finnish legislation governing the employment relationship are the Occupational Safety and Health Act, Collective Agreements Act, Working Hours Act, Annual Holidays Act, Act on Equality between Women and Men, Non-discrimination Act, Act on Co-operation within Undertakings, Occupational Health Care Act, Employment Accidents Insurance Act, Act on the Protection of Privacy in Working Life, Employees Pensions Act and Young Workers' Act.



## Strong corporate governance:

KEY PRINCIPLES AND GOALS	INDICATORS
<b>Business ethics and Responsibility Policy</b> <i>Goal: Developing responsible practices and ensuring the employees' commitment to complying with the Responsibility Policy</i>	<ul style="list-style-type: none"><li>• Responsibility Policy</li><li>• Staff training</li><li>• Violations of regulations</li><li>• Memberships of associations and national interest organisations</li></ul>

**GOAL**  
100% of employees complete the Responsibility Policy annually



# Business principles and responsibility policy

## Responsibility Policy

As of 2018, the operations of MuniFin are guided by a Responsibility Policy (previously the Code of Conduct). The goal is to ensure that everyone at MuniFin has been provided with orientation on the company's Responsibility Policy and demonstrates that they have understood it by completing an online test.

Through this group-wide policy, MuniFin aims to reduce the risks to which MuniFin and its employees are exposed, in particular operational and reputational risks, which can have a considerable adverse impact on the company's operations and profitability. Such risks include fines, litigation costs, restrictions imposed by competent authorities, other financial and criminal penalties, and the loss of brand value and customer confidence. MuniFin's website includes a whistle-blowing channel that can be used to report any suspicions of misconduct, including anonymously, if necessary.

MuniFin is committed to understanding and managing the social and environmental impact of its operations, as well as those relating to the services and products that it offers, in order to contribute to the achievement of the Finnish welfare society's long-term goals. This commitment is emphasised in MuniFin's values and strategy, and implemented in all its operations.

## Corporate governance training for staff

In 2018, MuniFin organised training events for all personnel on the management of operational risks, the General Data

*Commitment 2050: MuniFin promotes the emergence of a carbon neutral society and greater use of environmentally sustainable investments all around Finland. MuniFin steers its customers to make environmentally friendly choices by offering more affordable financing for these options. We accelerate the creation of sustainable projects by sharing information, assessing the environmental impacts of projects and providing visibility.*

Protection Regulation (GDPR), information security and the Responsibility Policy. At the beginning of their employment, each new employee participates in multi-day induction covering all the operations of the company. Information on the training sessions is saved in MuniFin's HR system for monitoring purposes.

## Violations of regulations

The compliance function oversees the company's compliance with regulation based on an annual control plan. Any significant contraventions of regulations are reported on a monthly basis to the management and Board of Directors as part of the reporting on the company's risk position. The reporting practice in its current form has been part of MuniFin's risk appetite framework since 2016.

There have been no material regulatory violations at MuniFin during all its years in operation that would have led to official sanctions.



## Commitments and memberships of associations and national interest organisations





At the core of MuniFin's competence is knowing the operating environment, understanding the expectations of customers and stakeholders, understanding that regulations change, and having knowledge of the markets. MuniFin's memberships of associations are mainly related to developing and securing competence and information sharing.

MuniFin is committed to accelerating the wider use of sustainable and environmentally friendly investments through the Commitment 2050 social responsibility pledge.

Memberships of associations and national interest organisations:

- International Swaps and Derivatives Association ISDA
- International Capital Market Association ICMA
- Corporate responsibility network FIBS
- Vastuullisen sijoittamisen yhdistys Finsif
- Nordic Capital Markets Forum

## Social responsibility scorecard

KEY PRINCIPLES	SDG	GOALS	PERFORMANCE AND DIRECTION OF CHANGE 2018	
Responsible products and services		<b>GOAL 2022: Customer satisfaction “very good”</b>	<ul style="list-style-type: none"><li>• GOAL 2022: Customer satisfaction</li><li>• MuniFin’s share in municipal loans</li><li>• Total amount of loans for government-subsidised social housing</li><li>• Breakdown of financing for social housing for special groups</li><li>• Cooperation and partnerships with educational institutions in 2018</li><li>• Number of individual Apollo users</li></ul>	<div><div>→</div><div>↓</div><div>↑</div><div>↑</div><div>↑</div></div>
		<ul style="list-style-type: none"><li>• Increasing the positive social impact of MuniFin</li><li>• Launching new products and services with respect to customer needs and securing balance in customer’s finances</li><li>• Ensuring financing for customers</li></ul>		
Forerunner in sustainability		<b>GOAL 2022: Green finance accounts for 10% of the financing portfolio.</b>	<ul style="list-style-type: none"><li>• GOAL 2022: Green finance accounts for 10% of the financing portfolio</li><li>• Green portfolio</li><li>• Eligible green projects</li><li>• Green projects, CO2 emissions avoided</li><li>• Improvement of energy efficiency of buildings</li><li>• New green bond issued</li><li>• Socially responsible investments (SRI), total</li><li>• ESG score of investment portfolio vs. benchmark</li><li>• Energy consumption at MuniFin</li><li>• Use of office paper at MuniFin</li></ul>	<div><div>↑</div><div>↑</div><div>↑</div><div>→</div><div>↑</div><div>●</div><div>↑</div><div>↑</div><div>↑</div></div>
		<ul style="list-style-type: none"><li>• Increasing the amount of socially responsible investors and investments (SRI)</li><li>• Constant mitigation of the impact of MuniFin’s own operations on the environment</li></ul>		
Developing wellbeing at work		<b>GOAL 2022: Personnel satisfaction “very good”</b>	<ul style="list-style-type: none"><li>• GOAL 2022: Personnel satisfaction</li><li>• Breakdown of employees by gender</li><li>• Breakdown of managerial staff by gender</li><li>• Breakdown of Board of Directors by gender</li><li>• Equal treatment of employees</li><li>• Level of dedication</li><li>• Supporting professional development</li><li>• Employee turnover</li><li>• Amount of sick leave</li></ul>	<div><div>→</div><div>→</div><div>→</div><div>→</div><div>↓</div><div>↓</div><div>↑</div><div>↓</div></div>
		<ul style="list-style-type: none"><li>• Increasing diversity and equal opportunities</li><li>• Promoting wellbeing at work and job satisfaction</li></ul>		
Strong corporate governance		<b>GOAL: 100% of employees complete the Responsibility Policy annually</b>	<ul style="list-style-type: none"><li>• GOAL: 100% of employees complete the Responsibility Policy annually</li><li>• Staff training</li><li>• No regulatory breaches with administrative sanctions</li><li>• Memberships of associations and national interest organisations</li></ul>	<div><div>●</div><div>●</div><div>●</div><div>→</div></div>
		<ul style="list-style-type: none"><li>• Developing responsible practices and ensuring the employees’ commitment to complying with the Responsibility Policy</li></ul>		
		<div><div>●</div>Positive performance/ Performance in line with the goal</div>	<div><div>●</div>Neutral performance/ Minor change</div>	<div><div>●</div>Negative performance/ Goal not achieved</div>

# Reporting principles

## Reporting period

A corporate social responsibility report is published annually at the same time as the annual report of MuniFin. MuniFin's first ever Corporate Social Responsibility Report was published in March 2018.

## Reporting framework

The framework for MuniFin's corporate social responsibility reporting was prepared by the consultancy company Deloitte, together with MuniFin, in autumn 2017. The framework was utilised in the design and implementation of the corporate social responsibility report.

The disclosure requirements of the EU directive on non-financial reporting became effective in 2014. The corresponding amendments to the Accounting Act of Finland were adopted and the act entered into force on 29 December 2016. The disclosure requirement applies to large public-interest entities with more than 500 employees on average during the accounting period. Since MuniFin has fewer than 500 employees, according to the Accounting Act, it is not obliged to disclose non-financial information in a separate report. However, due to the social significance of MuniFin's operations, MuniFin has decided to start publishing a corporate social responsibility report annually, even though it is not legally obliged to do so. The report will be prepared in accordance with the GRI standards, where applicable.

## Scope and key content of the report

The key principles for corporate social responsibility, based on which the indicators presented in this report have been selected,

were approved by the Board of Directors of MuniFin in autumn 2017.

The report and indicators were developed further in 2018. Objectives and one main goal have been defined for each key principle of corporate social responsibility, and they will be monitored annually. MuniFin reserves the right to add, remove, or change the existing indicators and objectives. However, if any changes are made, they must be in line with the company's strategy and key principles for corporate social responsibility. Compared with last year's reporting, the following indicators have been removed: number of active hedge counterparties (CSA) and two indicators on knowledge of the sector and financial sector expertise that were derived from the customer experience survey. The latter has been replaced in this report with a more comprehensive indicator of customer experience that supports the company's strategy. The decision to remove the number of active hedge counterparties (CSA) from this report was made because this information is reported in MuniFin's Annual Report and is not considered to be an essential element of responsibility reporting. In addition, in the case of certain indicators the source data or reporting method have changed, due to which historical data is not available for the indicator or the presentation of the indicator has been changed.

Special attention was paid to MuniFin's long-term impact on Finnish society when deciding the scope of the report, because MuniFin's corporate responsibility is indirectly emphasised through the financing it grants. Due to MuniFin's commitment to promoting the long-term objectives in mitigating climate change in relation to its own operations and those of its customers, attention was also paid to the environmental effects of MuniFin's own operations and financing.

## Information retrieval

The data and figures used in reporting are sourced from MuniFin's internal systems, the customer experience survey conducted by MuniFin, an external provider of personnel surveys, an external provider of ESG ratings, the WWF Climate Calculator, the calculations of the consulting company Deloitte and the public databases of the Ministry of Finance and the Association of Finnish Local and Regional Authorities.

## Stakeholders

The key stakeholders of the report include, among others, MuniFin's shareholders, MuniFin's customers, the investor base for funding, representatives of the media, the authorities, and employees of Municipality Finance Group.

## Verification

The report has not been verified.

## Contact details

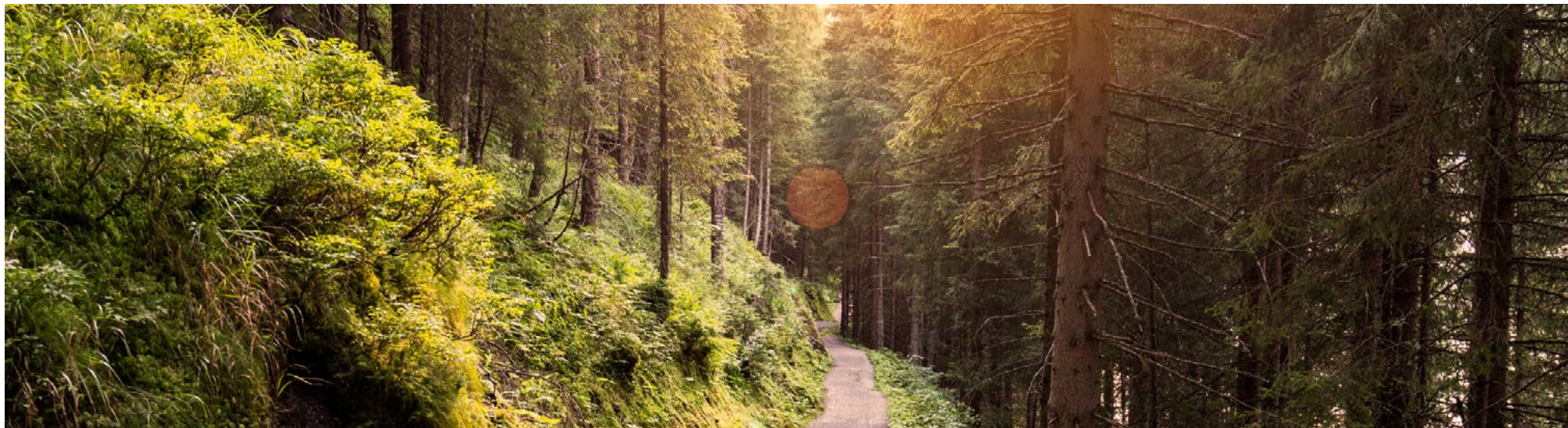
Corporate Responsibility team at MuniFin:

**Soili Helminen**, Manager, Communications,  
tel. +358 400 204 853

**Antti Kontio**, Head of Funding and Corporate Responsibility,  
tel. +358 50 3700 285

**Eeva Toivonen**, ESG Analyst, tel. +358 50 4643 073





## Environmental impact of green finance in 2016–2018

MuniFin has provided green finance since 2016. A total of 60 projects around Finland have achieved an annual reduction of about 21,910 tonnes of carbon dioxide. In addition, thanks to these projects, about 22,200 MWh of energy is saved and an estimated 15,240 MWh of renewable energy is generated annually.

The original calculations were made by Ramboll (2016) and Deloitte (2017-2018). To improve the comparability of the impact figures, in 2019 Deloitte recalculated the impacts of financing in 2016-2017.

Green finance supports the climate targets of Finnish municipalities, cities and the state, carbon neutrality and innovative new projects that emphasise the welfare of the environment.

Besides quantitative environmental benefits, the projects for which MuniFin has granted green finance also have other positive effects. The key characteristic of all MuniFin's green projects is the social and economic impact that they have both locally and regionally, as well as the way in which they support the well-being of individuals. Through the eligible

projects, MuniFin has the opportunity to engage in activities such as supporting regional vitality and attractiveness, enabling projects aiming to improve people's well-being, and promoting the introduction of new, even more environmentally friendly technologies.

More detailed information on MuniFin's green finance and green projects is provided in the green bonds impact report that MuniFin publishes annually.

**Municipality Finance Plc**  
Jaakonkatu 3 A, P.O. Box 744  
00101 Helsinki, Finland  
Tel. +358 9 6803 5666  
[www.munifin.fi](http://www.munifin.fi)  
[firstname.lastname@munifin.fi](mailto:firstname.lastname@munifin.fi)