

Responsibility at MuniFin 2019

MuniFin



Responsibility is in the core of MuniFin's operations

The projects MuniFin finances maintain and develop the Finnish welfare society.

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 almost all Finns – and thus responsibility plays a particularly major role in MuniFin's operations and organisation.

MuniFin is committed to building a better future together with its customers in a responsible way. The company's mission is to ensure the availability of financing to its customers in all market conditions. A key aspect of responsibility is to also ensure that the financing alternatives offered to customers are sustainable, taking into account the overall situation and economic capacity of each customer.

Due to its business model, shareholders, and customer base, MuniFin only provides financing in the domestic market. MuniFin is an efficient, flexible, and committed partner for the municipal sector and state-subsidised housing production.

The company is the largest financier in its customer segments in Finland.

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

The company is committed to a customer-focused operating model: it does not seek to increase the financing needs of customers to grow the volume of its own operations. On the contrary, MuniFin strives to create positive long-term effects in society by actively working with its customers to find financing solutions and investment methods that best fit each customer.

MuniFin's business model is based on the zero risk level of municipalities in bank capital adequacy regulations 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

Resources	MuniFin	Impacts
Skilled and motivated employees	Responsibility	Happy customers
Strong financial status	Transparency	Competitiveness and availability of finance
Committed customers and stakeholders	Customer-focus	Solvency
Global investor base	Efficiency	Growth of wellbeing in the society
Common funding system	Risk management	Equal opportunities for good life
Strong credit rating	Specialisation in own client segment	Ensuring the sustainability of municipalities' investments
Partnerships	Inputs to develop personnel's know-how and wellbeing	Healthy, motivated and skilled personnel
	Business is not based on profit maximisation but offering the best service for customers	



Key principles for corporate social responsibility at MuniFin

MuniFin assesses the focus areas and goals of responsibility in line with the framework of the UN's Sustainable Development Goals. Through its work, the company in one way or another promotes the achievement of nearly all of the Sustainable Development Goals set by the UN.

As part of its responsibility strategy, MuniFin has defined four key principles for the corporate social responsibility of its operations. The most significant UN Sustainable Development Goal (SDG) has been set for each key principle, along with other sustainable development goals that the company can substantially influence. In addition, one longer-term company-level goal has been set for each key principle.

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 surveys and interviews with customers, investors, and influencers in society.

In 2017, responsibility was designated as part of company-level strategy, and in 2018, responsibility was defined as one of MuniFin's three values. The core areas of responsibility and the Responsibility Policy based on them have been approved by the company's Board of Directors. The indicators of each key principle are reported to stakeholders on an annual basis.

Key principles for responsibility and the UN Sustainable Development Goals



Key principle 1: Responsible products and services

The targets financed by MuniFin have a wide-ranging impact on Finnish society. 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 and sports premises, hospitals and healthcare centres.

In addition to social responsibility, responsibility at MuniFin also emphasises an environmental perspective. MuniFin offers green finance for environmental investments.

Responsibility in lending also means taking the overall financial situation of the customer and the long-term profitability of the planned investments into account when granting financing.

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 operations

Goal: Ensuring financing for customers

INDICATORS

- Breakdown of non-profit housing
- Financing for state-subsidised housing production
- Breakdown of housing for special groups

- Training sessions and seminars
- Cooperation with universities and education institutions
- Number of people using MuniFin's digital services

- Responsibility in lending
- Funding by investor type

GOAL 2022
Customer satisfaction
"very good"

Finance for maintaining the Finnish welfare society in the long run and MuniFin's role in society

MuniFin offers loan and lease financing to municipalities, municipally owned corporations, municipal federations, and state-subsidised housing production. The financing can therefore be considered to be fully directed at building the Finnish welfare society.

MuniFin's services finance a variety of municipal vitality projects, hospitals, healthcare centres, libraries, schools, swimming halls, cultural and sports facilities, and municipal infrastructure, such as roads, streets, parks, illumination, and waste and water management.

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.

Financing for state-subsidised housing production

Almost half of MuniFin's lending portfolio comprises financing for state-subsidised housing production, which consists of reasonably priced rental and right-of-occupancy housing and housing for special groups.

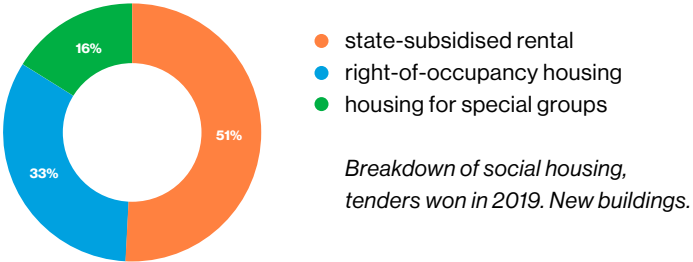
The criteria for selecting the occupants of affordably-priced state-subsidised rental and right-of-occupancy housing are the applicant's need for a home, income level, and personal net worth. The rental and right-of-occupancy apartments financed by MuniFin are therefore especially intended for applicants who are in urgent need of a home and have a low net worth and income level. In 2019, the total amount of financing granted for new residential buildings eligible for an interest subsidy loan was approximately EUR 986 million.

In addition to affordable 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, the disabled, the elderly and those in mental health and substance abuse rehabilitation. In 2019, MuniFin provided a total of about EUR 162 million in financing for new housing for people with special needs, enabling the construction of homes for hundreds of people.

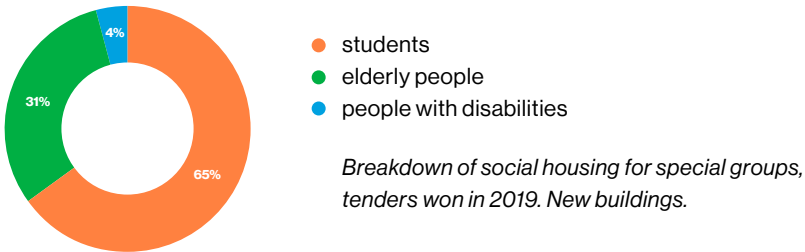
Care and service homes for special groups also create jobs. In other words, MuniFin's financing for state-subsidised housing not only creates jobs in construction, but also has indirect, long-term effects on employment. In addition, state-subsidised housing production reduces social inequality and increases wellbeing. For example, financing of housing for people with special needs is used to build solutions that are tailored for their needs. The projects emphasise community and enable many people to live good lives.



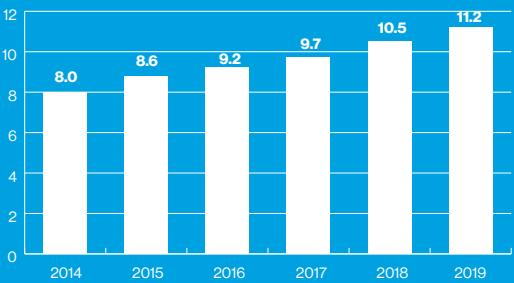
Breakdown of non-profit housing 2019



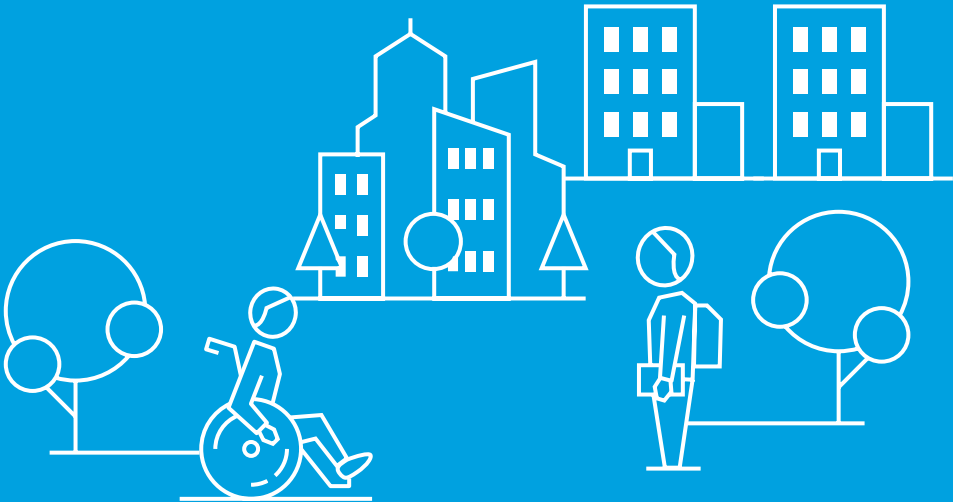
Breakdown of housing for special groups 2019



Financing for state-subsidised housing production



EUR billion, based on the figures from the balance sheet.



Enhancing expertise

MuniFin's aim is to be the best possible financing expert in its customer segments in an ever-changing world. The company enhances expertise in both its own organisation and surrounding society through a variety of partnerships.

Customers are the most important partners. The company seeks to achieve a rating of "very good" in its customer satisfaction survey by 2022. Customer satisfaction is measured using an index compiled from several indicators and performance in its achievement is monitored annually.

MuniFin's operations are aimed at enhancing financial expertise relating to public finances, as well as specialising in municipal sector and government-subsidised housing production investments within the business sectors of its customers. The company works closely with, for example governmental agencies, ministries, and municipal networks. Cooperation is a significant way of gaining and disseminating new insights and solutions for business and the challenges encountered by MuniFin customers.

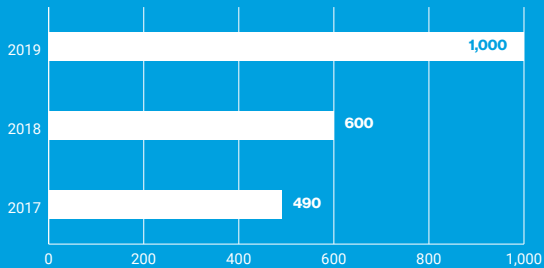
In 2018, together with its partners representing the Finnish municipal sector, MuniFin started the Klash challenge competition, which seeks new, replicable solutions for societal challenges. The challenge competition ended at the beginning of 2020. The dissemination of the winning solutions in the Finnish municipal sector is being assessed with their developers.

With green finance, MuniFin proactively promotes the development of environmentally sustainable solutions that mitigate climate change. To this end, the company is – together with more than 70 municipalities aiming at carbon neutrality – a member of the Hinku Network, coordinated by the Finnish Environment Institute. MuniFin also cooperates with several other networks and environmental agencies and non-profits.

A key means of boosting expertise suitable for customers' needs is to further bolster expertise in the total management of financing and finances. MuniFin offers its customers a comprehensive range of digital services for finance and financing management. These include a wide range of modelling, reporting and forecasting functions, which facilitate balancing municipal finances and provide a comprehensive and analytical overview of the financial situation and future of customers.

MuniFin's digital services facilitate balancing municipal finances and provide a comprehensive and analytical overview of the financial situation and future of customers.

Number of people using MuniFin's digital services



Cooperation with universities and education institutions

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

MuniFin is one of the donors to the professorship for urban economics established at Aalto University in 2018.

In 2019, MuniFin started up cooperation with the University of Helsinki with a view to finding solutions to current societal changes and challenges. Students completing the cross-disciplinary Master Class study module developed solutions for four challenges faced by the welfare society.

Supporting the financial skills of young people is an important aspect of MuniFin's social responsibility. MuniFin supports the Yrityskylä activities of Young Business Generations (TAT). Yrityskylä is a learning environment in which school children learn practical skills about working life, the economy and society. Developed in Finland, it has won an award as the best learning innovation in the world. In addition to providing financial support, MuniFin employees have been able to volunteer as counsellors at Yrityskylä.

In 2019, MuniFin also became Junior Achievement Finland's main partner. With the support of MuniFin, Junior Achievement Finland developed a module on identifying your own strengths for an online learning environment designed for ninth-graders. As part of this cooperation, MuniFin also has its own signature award category in Junior Achievement Finland's national entrepreneurship competition. MuniFin's President and CEO Esa Kallio has also been able to spar different aspects of his work with young talents participating the organisation's entrepreneurship programme in the JA Finland's Job Shadow campaign.



Supporting the financial skills of young people is an important aspect of MuniFin's social responsibility.

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, representatives of the company's personnel appear as speakers or trainers at events organised by other parties. The most important events in which MuniFin participated as an exhibitor and organiser in 2019 were the Finance and Financing Forum of the Association of Finnish Local and Regional Authorities and the Kuntamarkkinat municipal fair.

Responsible business

MuniFin's financing develops Finnish society, but the company acquires funding globally. To MuniFin, sustainability also means that it must be able to ensure the availability of financing for its customers under all market conditions.

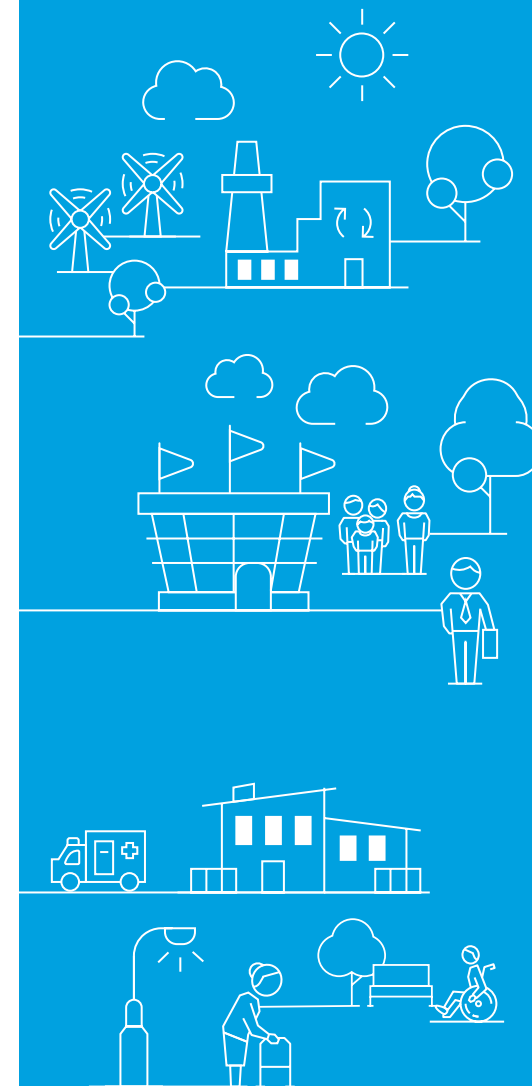
MuniFin ensures the availability of financing by diversifying its funding effectively across different markets, currencies, maturities, and investor groups as well as by maintaining a liquidity buffer in order to secure business continuity in the event of any market disruptions. In funding and liquidity 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 2019, MuniFin continued to develop its loan granting process and business systems. Responsible financing includes a thorough assessment of the profitability of investments and comprehensive insight into the customer's situation in a changing world. In addition, constantly evolving bank regulation requires financiers to have an even better view of the customers' situation and the risks of the financed projects.

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.

Figures related to funding are available on page 21 of Annual Report.



Master Class was a celebration of cooperation

Arranged jointly by MuniFin and the University of Helsinki, the Master Class course combines an interdisciplinary, pragmatic, problem-solving, and authentic approach to tackling challenges in society. Representing a range of fields and major subjects, the teams of students who participated in the course developed their own concrete solutions to the real challenges faced by the diverse Finnish municipalities, varying in size and population development. In the teams' solutions, themes such as communality, interaction, inclusion, leveraging data, sustainable development, and digital services emerged.

According to students, it was precisely the interdisciplinary nature of the course that led to a wide variety of approaches to problem-solving and gave them confidence about the scope of their expertise. The course culminated in the Final Pitch event held in March, where the student teams presented their solutions to a judging panel.

The eventual winner was the Thinking about Wellbeing team, which developed a model for measuring the impact investments make on our wellbeing. The team focused on preventing social exclusion among young people. The winning team's solution was based on a concrete visual model and drew upon a diverse range of theories about the welfare impact of investments.



Key principle 2: Forerunner in sustainability

The UN's Sustainable Development Goals (SDG) guide Finland and other countries to promote sustainable development.

In the promotion of sustainable development, MuniFin has focused particularly on achieving climate goals. The municipal sector and housing construction play a key role in Finland's climate goals. With green finance, MuniFin can significantly accelerate the uptake of large-scale, environmentally sustainable investments.

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. In 2019, the company became a partner of the Climate Bonds Initiative network.

The company also takes environmental responsibility into consideration in its own operations by committing to continuously reducing the negative environmental impacts of its operations.

Through green finance MuniFin guides its customers towards more resource-conscious and sustainable investments and helps them realise their own climate strategies and reach national climate objectives. The green finance granting process has increased the company's own expertise in evaluating climate-related risks which makes it easier to implement climate-related risk analysis in the overall granting policy in the coming years. MuniFin is actively developing its ability to better understand and evaluate the climate-related risks in its portfolio. This investigation is to take physical, technological and regulatory risks into account.

KEY PRINCIPLES AND GOALS

Green finance

Goal: Share of green finance from total lending 10% by 2022

Green bonds and socially responsible investments (SRI)

Goal: Increasing the amount of socially responsible investors and investments (SRI)

Environmental impact of MuniFin's own operations

Goal: Constant mitigation of the impact of MuniFin's own operations on the environment

INDICATORS

- Green portfolio
- Amount of green projects
- Share of green finance from total lending and leasing portfolio
- CO₂ emissions avoided in green projects
- Energy savings in green projects
- Pilot projects and green innovations

- New green bond issued
- Green bonds, total and breakdown
- Green bonds investors, geographical location
- Socially responsible investments (SRI), total
- ESG score of investment portfolio vs. benchmark

- Energy consumption at MuniFin
- Use of office paper at MuniFin

GOAL 2022
Green finance
accounts for 10% of
the financing
portfolio

Forerunner in sustainability

Green finance

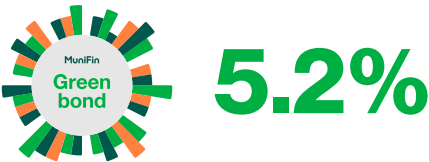
MuniFin launched green finance back in 2016. Over a four-year period, the company has financed a total of about a hundred environmentally friendly projects with EUR 1.474 billion, of which EUR 1.236 billion has been disbursed. MuniFin's objective is that by 2022 green finance will account for 10% of the total financing portfolio.

The projects eligible for green finance can be included in any of the Green Framework's categories, which are renewable energy, sustainable public transportation, sustainable buildings, water and wastewater management, energy efficiency, and waste management, as well as environmental management. The eligibility of projects is decided by an independent evaluation team of environmental experts. A margin discount can be granted to green projects. The amount of the discount depends on the scope of the environmental impacts of the project.

The impacts of green finance are reported on annually in a separate report. The calculations are performed by an independent expert. MuniFin also participates in Nordic cooperation in which recommendations have been drafted for green finance impact reporting. Recommendations have been updated and tightened as the market has evolved.

MuniFin Green Bonds Impact Report is published annually on the same date as MuniFin Annual Report.

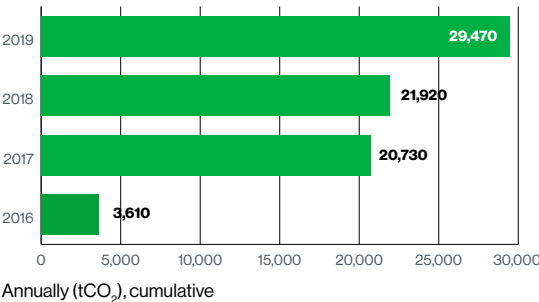
Share of green finance from total lending and leasing portfolio



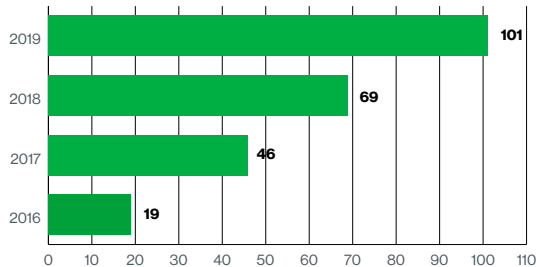
Green portfolio total disbursed financing



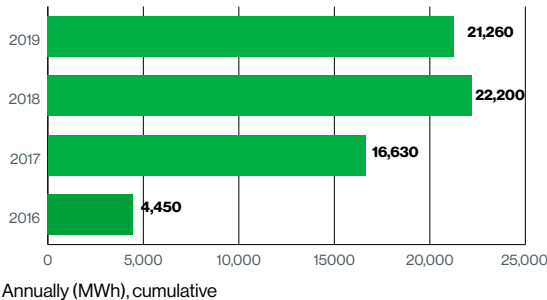
CO₂ emissions avoided in green projects



Cumulative amount of green projects



Energy savings in green projects

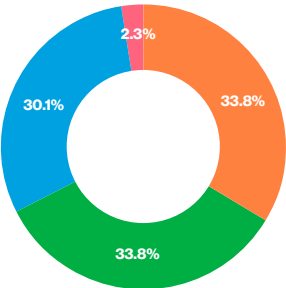


Figures based on disbursed amounts, 31 December 2019

Green bonds

MuniFin’s green finance portfolio is financed entirely with green bonds, that is, bonds allocated for financing environmental investments. MuniFin issued its first green bond in 2016. It was also the first green bond in Finland. At the end of 2019, the total amount of green bonds was EUR 1.478 billion. MuniFin’s green bonds are listed in the Sustainable Bond Market on Nasdaq Helsinki.

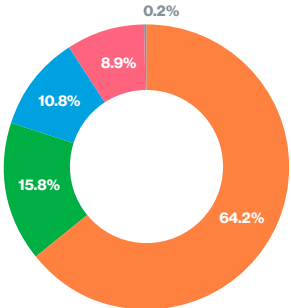
Total amount of green bonds



- EUR 500m 2027
- EUR 500m 2029
- USD 500m 2021
- AUD 50m 2027

Currencies in euros.

Green bonds investors geographical location



- Europe
- Nordics
- Americas
- Asia Pacific
- Africa and The Middle East

Green bonds cumulative breakdown 2016–2019



MuniFin issued its first green bond in 2016. It was also the first green bond in Finland. At the end of 2019, the total amount of green bonds was EUR 1.478 billion.

A separate Green Bonds Impact Report highlighting the green projects and their impacts is published each year.

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 2019, MuniFin's liquidity investments had an ESG average of 53.0, which is over the benchmark index (50.6).

MuniFin also has a separate SRI portfolio (socially responsible investments), 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 150 million at the end of 2019.



**Responsible investing is an intrinsic value at MuniFin.
The investment process accounts for Environmental,
Social and Governance (ESG) factors.**

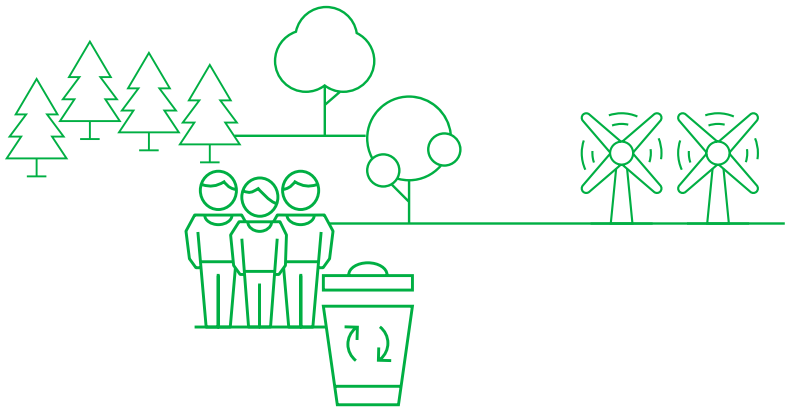
Forerunner in sustainability

Environmental impact of MuniFin's own operations

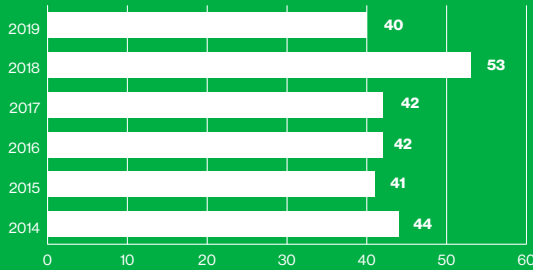
MuniFin is aware of its corporate responsibility with respect to environmental issues and thus seeks to prioritise environmentally friendly and resource-wise choices in its own operations and to raise the environmental awareness of its employees.

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 continuously improving the environmental responsibility of their operations.

MuniFin annually reports to the Green Office systems on, for instance, its energy and paper consumption as well as the amount of waste produced, which MuniFin seeks to reduce. The company also makes outlays on raising the environmental awareness of personnel. MuniFin compensates for the air transport emissions of its employees and carbon dioxide emissions from large customer events that it organises.

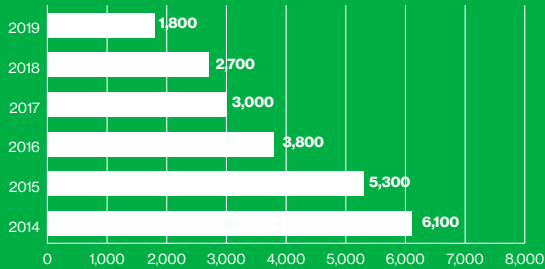


Energy consumption at MuniFin



tCO_{2e} source: the WWF Climate Calculator

Use of office paper at MuniFin



sheets/worker, source: the WWF Climate Calculator

Developing wellbeing at work

Key principle 3: Developing wellbeing at work

Personnel wellbeing and job satisfaction comprise an important success factor and MuniFin invests extensively in them. 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 provides extensive healthcare services, good training opportunities, commuting benefits and recreational benefits as well as organises 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 personnel satisfaction rating of "very good" by 2022. Personnel satisfaction is measured based on an anonymous survey conducted by an independent research company. Each year a development plan is made based on the results.

The realisation of equality is measured annually at MuniFin in an anonymous employee survey. The evaluation is based on four questions that cover equal treatment in relation to age, origin, gender and sexual orientation.

KEY PRINCIPLES AND GOALS

Diversity and equal opportunities

Goal: Increasing diversity and equal opportunities

Employee wellbeing

Goal: Promoting wellbeing at work and job satisfaction

INDICATORS

- Breakdown of employees by gender
- Breakdown of managerial staff by gender
- Breakdown of Board of Directors by gender
- Breakdown of employees by age group
- Equal treatment of employees

- Level of dedication
- Supporting professional development
- Employee turnover
- Amount of sick leave
- Performance appraisal

GOAL 2022

*Job satisfaction
"very good"

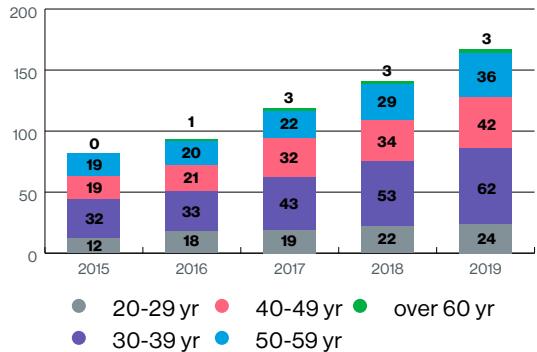
Developing wellbeing at work

Diversity and equal opportunities

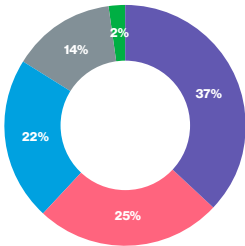
Diversity and offering equal opportunities to everyone at the workplace are important elements of MuniFin's corporate culture. The gender distribution of employees, managerial staff and the Board of Directors at MuniFin is very equal. On the Executive Management Team, men have a clear majority.

The age distribution of personnel is also very even. 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.

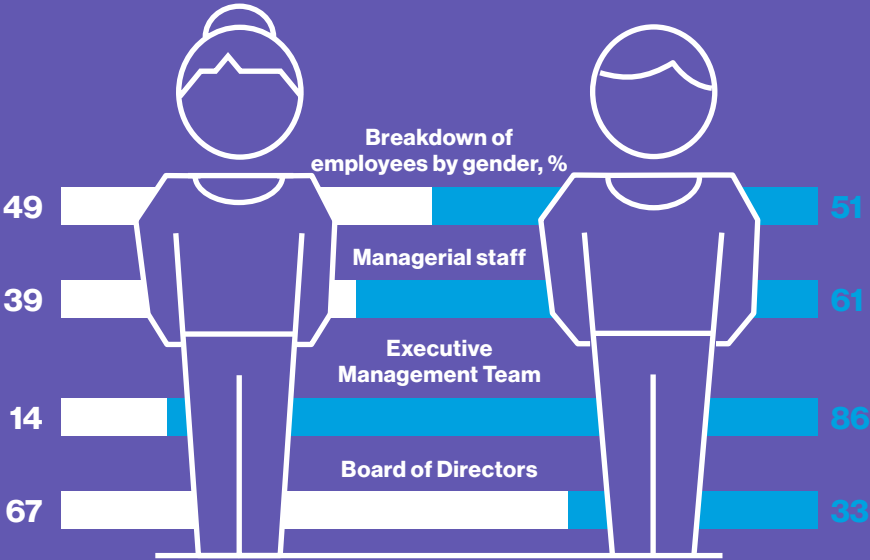
Breakdown of employees by age group and amount of people



Breakdown of employees by age group in 2019



2019



Equal treatment of employees 0-4

3.7

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

Developing wellbeing at work

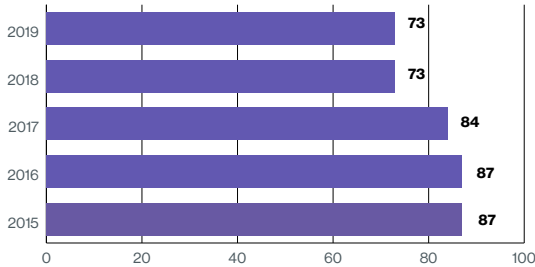
Employee wellbeing

The competence and job satisfaction of employees are key factors for ensuring MuniFin's success. Work tasks are versatile, and accountability and continuous professional development are required to perform them. The company therefore offers plenty of opportunities to participate in training, and supports the employees' ability to cope with their tasks and to find an appropriate work-life balance.

MuniFin invests in employee wellbeing in many ways. The company aims at supporting the wellbeing of employees and preventing work-related stress and excessive workload. To this end, the company offers for example leisure-time activities for employees, in which MuniFin organises free sports, cultural and other leisure-time activities each year. Additionally, the company offers comprehensive benefits for its personnel.

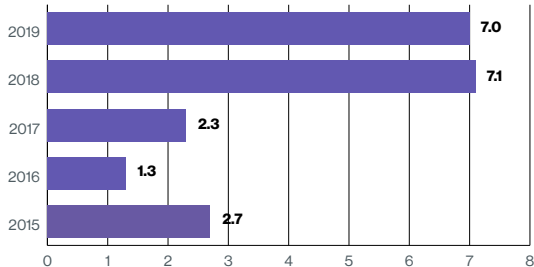
The company's number of personnel grew rapidly in the 2010s. As the number of employees has grown, so has turnover.

Supporting professional development



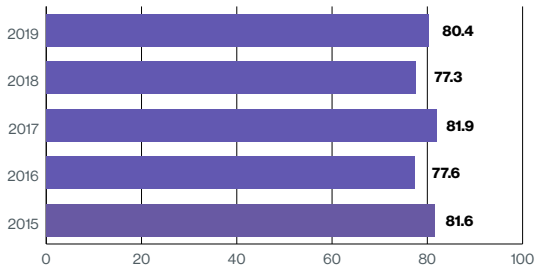
Positive answers to the question "My employer supports my professional development", %

Employee turnover



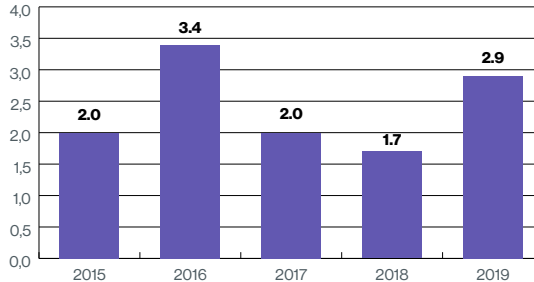
Turnover of employees with permanent contract in relation with number of employees on 31 December the previous year, %

Level of dedication



Scale 0 to 100

Amount of sick leave



Sick leaves, % / working hours

MuniFin and Junior Achievement Finland work together to prevent social exclusion among young people

MuniFin's commitment to socially important cooperation was further advanced in celebration of the company's 30th anniversary through its new key partnership with Junior Achievement Finland. Junior Achievement Finland (JA Finland) is a non-profit organisation that supports entrepreneurship education aimed at helping children and young people identify and make the most of their abilities through learning by doing. The NGO is part of the global Junior Achievement network.

MuniFin's support has enabled the development of the JA Company Program portal, an online learning environment that helps young people identify their strengths and interests. The portal content is specifically geared toward ninth graders coming to the end of their comprehensive education. In addition to the educational material, the cooperation also involves MuniFin granting a signature award in JA Finland's Uskalla Yrittää final to be held in Spring 2020.

JA Finland programs were used by 35% of Finnish schools and educational institutions in 2018–2019. The young people benefiting from these programmes come from all across Finland – from Hanko to Ivalo. The programs are carried out as a part of the schools' own curriculum and help them develop an entrepreneurial attitude, working life competencies, and financial literature.

The cooperation with JA Finland provides MuniFin with a new vehicle for promoting its cause across the country and draws upon a range of networks and experts. Helping young people develop their financial expertise is an important aspect of the socially responsible work MuniFin carries out.



Strong corporate governance

Key principle 4: Strong corporate governance

The commitment in strong corporate government is emphasised in MuniFin's key values and strategy, and implemented in all its operations.

In addition to social and environmental responsibility, corporate responsibility includes responsible governance. The operations of the Municipality Finance Group and its personnel are guided by its 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 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.

KEY PRINCIPLES AND GOALS

Business ethics and Responsibility Policy

Goal: Developing responsible practices and ensuring the employees' commitment to complying with the Responsibility Policy

INDICATORS

- Responsibility Policy
- Staff training
- Violations of regulations
- Memberships of associations and national interest organisations

GOAL

100% of employees complete the Responsibility Policy annually

Strong corporate governance

Responsibility Policy

The operations of the Municipality Finance Group are guided by its Responsibility Policy. This policy aims to ensure responsibility in all operations and 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.

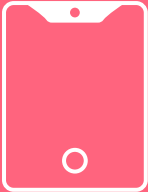
The Responsibility Policy includes general guidelines for work with a special focus on high-risk issues such as anti-corruption and information security.

MuniFin's website includes a whistle-blowing channel that can be used to report any suspicions of misconduct, including anonymously, if necessary.

Corporate governance training for staff

Every new MuniFin employee is provided with orientation on the company's Responsibility Policy and demonstrates that they have understood it by completing an online test. In addition, all employees must complete an annual online test on responsibility topics.

At the beginning of their employment, each new employee participates in multi-day induction covering all the operations of the company, including compliance and the Responsibility Policy.



All employees must complete an annual online test on responsibility topics.

Strong corporate governance

No violations of regulations

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

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.

Commitments and memberships of associations and national interest organisations

At the core of MuniFin's competence is knowing the operating environment, having market expertise, understanding the expectations of customers and stakeholders, and understanding that regulations change. 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. The Commitment 2050 – or Sitoumus 2050 – is an initiative of the Finnish Prime Minister's Office, aiming to fulfill the national sustainable development goals.

Memberships of associations, networks and national interest organisations:

- Carbon Neutral Municipalities network (Hinku)
- Climate Bonds Initiative
- European Association of Public Banks
- FIBS Pro sustainable business network
- Finsif – Finland's Sustainable Investment Forum
- International Swaps and Derivatives Association ISDA
- International Capital Market Association ICMA
- Nordic Capital Markets Forum

MuniFin



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.



Social responsibility scorecard

Municipality Finance Plc • Annual Report 2019

KEY PRINCIPLES		SDG	GOALS	PERFORMANCE AND DIRECTION OF CHANGE
Responsible products and services			GOAL 2022: Customer satisfaction “very good” <ul style="list-style-type: none">Increasing the positive social impact of MuniFinLaunching new products and services with respect to customer needs and securing balance in customer's financesEnsuring financing for customers	<ul style="list-style-type: none">GOAL 2022: Customer satisfactionBreakdown of non-profit housingFinancing for state-subsidised housing productionBreakdown of social housing for special groupsCooperation with universities and education institutionsNumber of people using MuniFin's digital services <div><div></div><div></div><div></div><div></div><div></div><div></div></div>
			GOAL 2022: Green finance accounts for 10% of the financing portfolio <ul style="list-style-type: none">Increasing the amount of socially responsible investors and investments (SRI)Constant mitigation of the impact of MuniFin's own operations on the environment	<ul style="list-style-type: none">GOAL 2022: Share of green finance from total lending and leasing portfolioGreen portfolioAmount of green projectsGreen projects CO₂ emissions avoidedGreen projects energy savingsNew green bond issuedSocially responsible investments (SRI) totalESG score of investment portfolio vs. benchmarkEnergy consumption at MuniFinUse of office paper at MuniFin <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Forerunner in sustainability			GOAL 2022: Personnel satisfaction “very good” <ul style="list-style-type: none">Increasing diversity and equal opportunitiesPromoting wellbeing at work and job satisfaction	<ul style="list-style-type: none">GOAL 2022: Personnel satisfactionBreakdown of employees by genderBreakdown of managerial staff by genderBreakdown of Board of Directors by genderEqual treatment of employeesLevel of dedicationSupporting professional developmentEmployee turnoverAmount of sick leave <div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Developing wellbeing at work			GOAL: 100% of employees complete the Responsibility Policy annually <ul style="list-style-type: none">Developing responsible practices and ensuring the employees' commitment to complying with the Responsibility Policy	<ul style="list-style-type: none">GOAL: 100% of employees complete the Responsibility Policy annuallyStaff trainingNo violations of regulationsMemberships of associations and national interest organisations <div><div></div><div></div><div></div><div></div></div>
Strong corporate governance				
			<div><div></div></div>	<div><div></div><div></div><div></div></div>

Principles of responsibility reporting

Reporting framework

The framework for responsibility reporting was prepared by the consultancy company Deloitte, together with MuniFin, in autumn 2017. The EU directive on disclosure requirements in non-financial reporting that came into force in 2016 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 its 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

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.

Reporting indicators are based on the key principles of responsibility approved by MuniFin's Board of Directors. 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 key principles specified in the company's responsibility strategy.

Minor changes have been made to the reported indicators with an eye on materiality. The 2019 report no longer includes indicators on the number of customer organisations and institutional investors in green bonds, as this information was not deemed to be significant in describing the company's responsibility. 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.

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. The data has not been verified by an external party.

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