



**Responsibility at  
MuniFin  
2020**

**MuniFin**



# Responsibility is at the heart of all MuniFin operations



The projects that we finance maintain and develop the Finnish welfare society. The financing we provide helps keep the Finnish welfare society running and further evolving, all the way from equal housing solutions and public infrastructure to curbing climate change. Our operations affect the lives of almost all Finns, obliging us to take responsibility into account in all our operations.



We are committed to building a better and more sustainable future with our customers. Our core mandate is to ensure that affordable financing is available to our customers in all market conditions.



Our operating model is customer-centric: we aim to secure our profitability and operations in the long term. We do not seek to increase the financing needs of our customers to maximise the profit of our own operations. Instead, we strive to create positive long-term effects in Finnish society by actively collaborating with our customers to find financing solutions and investment methods that best suit their needs.

# How we create value

MuniFin's operations create value for our customers, our employees, and the society at large. Our value creation model illustrates the resources we use in this mission, the underlying choices that support our value creation, and the impacts of our operations.

## Resources

- Skilled and motivated employees
- Strong financial status
- Committed customers and stakeholders
- Global investor base
- Common funding system
- Strong credit rating
- Partnerships

## MuniFin

- Responsibility
- Transparency
- Customer centricity
- Efficiency
- Risk management
- Specialisation in own customer segment
- Investing in employee know-how and wellbeing
- We aim to secure our profitability and operations in the long term, but do not aim to maximise our profit

## Impacts

- Happy customers
- We ensure the availability of financing for our customers and create customer benefits through competitively priced long-term financing
- Solvency
- Growth of wellbeing in the society
- Equal opportunities for good life
- Ensuring the sustainability of municipalities' investments
- Healthy, motivated and skilled personnel



## Responsibility strategy

Responsibility is a key part of our strategy. Our responsibility strategy is based on a materiality analysis, which defines four key principles and their goals for corporate social responsibility. The importance of the key principles from the stakeholder perspective was verified through surveys and interviews with customers, investors and key players in society.

In 2020, we set ambitious goals for 2024 in the areas of sustainable finance and corporate governance, and updated our reporting indicators to enhance their clarity.

The MuniFin responsibility strategy and the related responsibility policy have been approved by our Board of Directors. We report the indicators of each key principle to stakeholders on an annual basis.

### Key principles for responsibility:

1. Responsible products and services
2. Forerunner in sustainability
3. Developing wellbeing at work
4. Strong corporate governance



# Key principles for responsibility and the UN Sustainable Development Goals

1. Responsible products and services	2. Forerunner in sustainability	3. Developing wellbeing at work	4. Strong corporate governance
<b>Goal 2024:</b> Customer satisfaction is at a very good level	<b>Goal 2024:</b> Green and social finance accounts for 20% of the long-term customer finance portfolio	<b>Goal 2024:</b> Personnel satisfaction is at a good level	<b>Goal 2024:</b> All ESG risks associated with customers are assessed with a uniform methodology
<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>4 QUALITY EDUCATION</div><div>5 GENDER EQUALITY</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>10 REDUCED INEQUALITIES</div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div></div>	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>4 QUALITY EDUCATION</div><div>6 CLEAN WATER AND SANITATION</div><div>7 AFFORDABLE AND CLEAN ENERGY</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>10 REDUCED INEQUALITIES</div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>14 LIFE BELOW WATER</div></div>	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>4 QUALITY EDUCATION</div><div>5 GENDER EQUALITY</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>10 REDUCED INEQUALITIES</div></div>	<div><div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div><div>17 PARTNERSHIPS FOR THE GOALS</div></div>

## Key principles for responsibility and the UN Sustainable Development Goals

We assess the focus areas and goals of responsibility in line with the framework of the United Nations Sustainable Development Goals (SDGs). Through our work, we strive to promote the achievement of as many of the SDGs as possible.

We have linked each key principle with the relevant UN Sustainable Development Goals that we can substantially influence. In addition, we have set one long-term company-level goal for each key principle.

# 1. Responsible products and services

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**MuniFin’s products and services create long-term benefits for the Finnish society and support the sustainability of public finances.**

The projects that we finance touch the lives of almost all Finns and are connected to maintaining sustainable public finances. The investments that we finance are aimed at maintaining and improving the Finnish welfare society in the long term. We are committed to understanding and managing the social, environmental and economic impact of our products and services in order to contribute to the Finnish society's wider goals for sustainable development.

Our loan and lease financing and other services are designed to meet our customers' current and emerging needs in financing and financial management. We also ensure that the financing alternatives we offer are sustainable, taking into account the overall situation, economic capacity and long-term profitability of the planned investments of each customer.

**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 that respond to customer needs and securing balance in customers’ finances

**Responsible business operations**

Goal: Ensuring financing for customers

**INDICATORS**

- Responsibility in lending
- Financing of *state-subsidised* housing production
- Breakdown of *state-subsidised* housing finance
- Breakdown of *state-subsidised* housing finance for special groups

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

- Dealer banks' opinion of MuniFin's funding activities
- Funding by investor type

### Responsible financing

Responsible financing includes a thorough assessment of the profitability of investments and comprehensive insight into the customer's situation. In addition, constantly evolving banking regulation requires financiers to acquire an even better understanding of their customers' situation and the risks of the financed project.

At MuniFin, we assess the customer's situation on the basis of customer information sources and analytics, but the final assessment is done together with the customer. Discussions on their financial situation and financing options provide valuable insights to both parties.

A key mean of boosting expertise suitable for customers' needs is to further bolster expertise in the overall management of financing and finances. We offer our customers a comprehensive range of digital services in 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 our customers.

### Enhancing expertise

Our aim is to be the main financing partner for our customers. We enhance our expertise in both our own organisation and surrounding society through a variety of partnerships.

Our most important partners are our customers. We seek to achieve a very good customer satisfaction level. In 2020 we reached this goal. The aim of our renewed organisation, which takes effect as of 2021, is to further develop our operations and improve our customer experience.



Jaana Kuuva  
Head of Financial Planning

Case Financial modelling – Kuopio

## Kuopio plays out different scenarios in a financial forecast application

The City of Kuopio is struggling with challenges familiar to many cities: its economy shows a structural deficit, and its costs are growing faster than its tax revenue. Being an active investor, Kuopio worked on its economic outlook and solutions to balancing its economy in scenario workshops with MuniFin's experts in spring 2020.

In the virtual Future Finances workshop, financial administration representatives from various service sectors, including social and healthcare services, facility services, education and culture, came together to work on different economic scenarios. The team filled in figures from the 2019 financial year in MuniFin's financial forecast application and made the first estimates about the influence of COVID-19.

Municipalities can use the financial forecast application to project their economy and create different scenarios based on what might happen in the future. The application takes advantage of public domain information that municipalities can use to create scenarios for assessing how investments, different financing options and other factors affect their economy in the long term.

Responsible products and services

Our operations are aimed at enhancing financial expertise related to public finances and specialising in municipal-sector and government-subsidised housing production investments. We work closely with, for example, ministries, governmental agencies, municipal and other networks, environmental agencies and non-profits. Cooperation is an important way of gaining and disseminating new insights and solutions for business and the challenges encountered by our customers and the Finnish society as a whole.

Each year, we offer our customers and stakeholders seminars and trainings on finance, financing and responsible investments. In 2020, we moved these and other events online due to the corona crisis, and they attracted thousands of participants from different stakeholder groups.

**Cooperation with universities and educational institutions**

We cooperate with universities and higher education institutions in order to generate more expertise in public finances, financing and social and welfare issues in Finland.

MuniFin is one of the donors to the urban economics professorship established at Aalto University. We have also collaborated with Aalto University, Hanken School of Economics, the University of Helsinki and the University of Tampere on various student projects in recent years.

Promoting the financial skills of the young is an important aspect of our corporate social responsibility. MuniFin therefore supports the Yrityskylä activities of the Economy and youth TAT and is Junior Achievement Finland's partner.

**Responsible funding**

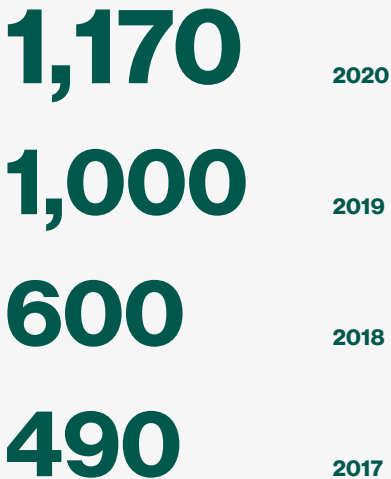
Although MuniFin only finances Finnish customers, we acquire funds globally. To us, responsibility also means that we must be able to ensure that financing is available to our customers under all market conditions.

We ensure the availability of financing by diversifying our funding effectively across different markets, currencies, maturities and investor groups. We also maintain a liquidity buffer to secure business continuity in the event of market disruptions.

In funding and liquidity management, we only work with preapproved counterparties. The counterparties must comply not only with banking regulation, but also with our own ethical requirements. For example, in our funding arrangements, we do not accept underlying instruments directly related to fossil fuel production, the military industry or the tobacco industry.

In 2020, we analysed the success of our funding activities in various areas with a study. Respondents included 23 contact persons from the dealer bank network. In the results, MuniFin was ranked the best Nordic municipal financier with a total score of 4.54 (on a scale of 0–5). The questions and the peer group were the same as in the 2019 survey. Figures related to funding are available on pages 17–19 of this Annual Report.

**Number of people using MuniFin's digital services**



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

Responsible products and services

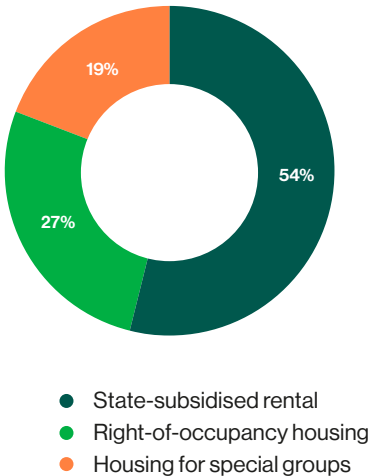
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Almost half of our lending portfolio comprises financing for state-subsidised housing production, which consists of reasonably priced rental and right-of-occupancy housing and housing for special groups. The criteria for selecting the occupants of 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 housing that we provide financing for are especially intended for applicants who are in urgent need of a home and have a low net worth and income level. In addition to affordable rental and right-of-occupancy housing, we also offer financing for the production of housing intended for special groups. This financing provides housing for students, young people, the elderly, people with disabilities and people in mental health or substance abuse rehabilitation.

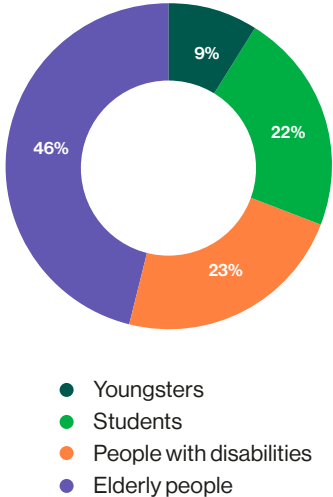
In 2020, the total amount of financing granted for new residential buildings eligible for an interest subsidy loan was approximately EUR 827 million. We also provided a total of about EUR 195 million in financing for new housing for people with special needs, enabling the construction of homes for hundreds of people.

Breakdown of state-subsidised housing finance 2020



Breakdown of state-subsidised housing.  
Tenders won in 2020, new buildings.

Breakdown of state-subsidised housing for special groups 2020



Breakdown of state-subsidised housing for special groups.  
Tenders won in 2020, new buildings.

# The Urhea Campus combines sports practice and student housing

The Mäkelänrinne Upper Secondary School in Vallila, Helsinki, is famous for having educated many promising young athletes over the years. Starting from early autumn 2021, its students will be able to live on campus, in the first student housing complex in Helsinki designed specifically for athletes. The building is commissioned by Hoas, the Foundation for Student Housing in the Helsinki Region, and it will be accompanied by an adjoining sports hall.

The Hoas apartment building will have 88 student apartments and accommodate 176 students in total. Only 40% of the apartments are studios, and the rest are shared apartments. To encourage communal living, the building will have more shared facilities than Hoas buildings usually do, all designed to make students' life as easy as possible. In addition to the school, sports hall and student housing, the campus will also have many other services that young athletes need.

The project was originally inspired by a desire to better support young athletes and boost their performance. When completed, the Urhea Campus will house the Urhea sports hall, the Hoas apartment building and the Mäkelänrinne Upper Secondary School and its expansion. MuniFin is one of the financiers for the student apartments.



## 2. Forerunner in sustainability

Through its operations, MuniFin promotes investments in ecologically, socially, economically and humanely sustainable development in the Finnish society. MuniFin's target is to especially accelerate the green transition.

In line with our strategy, we offer our customers financing products that support and promote sustainable development. Examples of sustainable projects include schools, day-care centres, the production of housing for special groups, affordable rental housing, cultural and sports facilities, hospitals, healthcare centres and environmental investments. Such investments play a vital role in the achievement of the UN Sustainable Development Goals.

### KEY PRINCIPLES AND GOALS

#### Green finance

Goal: Green and social finance account for 20% of the long-term customer finance portfolio by 2024

#### Green and social bonds and socially responsible investing (SRI)

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

#### Environmental impact of MuniFin's own operations

Goal: Constant mitigation of MuniFin's own environmental load

### INDICATORS

- Amount of green and social finance and distribution of projects by category
- Number of green and social finance projects
- Proportion of responsible finance in long-term customer finance portfolio
- Reduction of CO<sub>2</sub> emissions in green projects
- Energy savings in green projects

- Green bond issued
- Social bond issued
- Amount of green and social bonds and distribution
- Total amount of socially responsible investments (SRI)
- ESG score of the investment portfolio compared to the benchmark

MuniFin annually reports to the Green Office systems on e.g. 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 its personnel.

Forerunner is sustainability

**Green finance**

The municipal sector and housing construction play a key role in Finland's climate goals. With green finance, we can actively promote investments that combat climate change and are sustainable for the environment. Because green finance is more affordably priced, it also promotes the achievement of our customers' climate strategies and Finland's national climate goals.

MuniFin introduced green finance to the Finnish market in 2016. At the end of 2020, the number of projects with green finance totalled 147. The amount of total committed green finance was EUR 2.2 billion and outstanding amount was EUR 1.8 billion.

Projects eligible for green finance include projects in any of the Green Bonds Framework categories, which are renewable energy, sustainable public transportation, sustainable buildings, water and wastewater management, waste management, energy efficiency and environmental management. Green projects are approved by an independent evaluation team of environmental experts. Green projects receive a margin discount, the amount of which depends on the scope of the project's environmental impacts.

We report on the impacts of our green finance annually in the Sustainable Bonds Impact Report. In the report, the calculations of the green finance section are performed by an independent expert. We are also part of a Nordic collaboration which has drafted recommendations for green finance impact reporting. The recommendations and eligibility criteria for green projects have been updated and tightened as the market has evolved.

We keep a close eye on the progress of the European Union's action plan on financing sustainable growth, with particular attention on the EU Green Bond Standard and the EU Taxonomy. MuniFin responded to the European Commission's consultations on the EU Green Bond Standard and the EU Taxonomy in 2020. We consider both projects highly welcome, because there is need to harmonise the definitions of environmentally sustainable economic activities, and investment to such activities should be increased. We are currently analysing the impacts of the Green Bond Standard and Taxonomy on our own green finance framework.



Proportion of green and social finance in long-term customer finance portfolio

**8.6%**



Green financing portfolio 2020

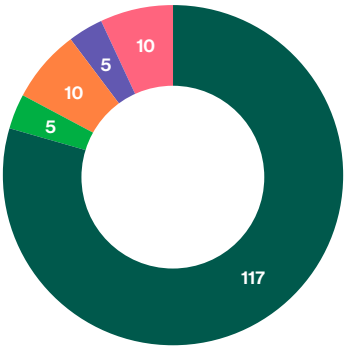
**1.8**

**EUR billion**

Forerunner is sustainability

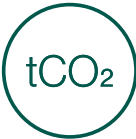
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Number of green finance projects by category



- Sustainable buildings
- Sustainable public transportation
- Water and wastewater management
- Renewable energy
- Energy efficiency

Annual CO<sub>2</sub> emissions avoided/reduced in green finance projects



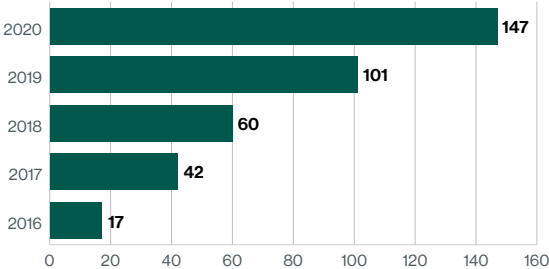
50,260

Annual energy savings in green finance projects (avoided/reduced)



23,558

Development of the amount of green finance projects



Forerunner is sustainability

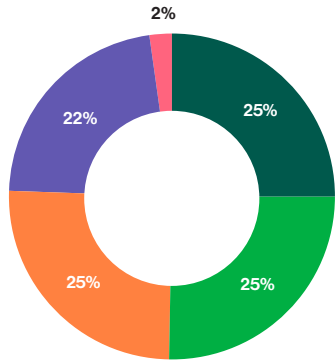
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Green bonds

Our green finance portfolio is financed entirely with green bonds, which are bonds allocated for financing environmental investments.

MuniFin issued its first green bond in 2016 as the first green bond in Finland. At the end of 2020, the total amount of green bonds was EUR 1.98 billion. Our green bonds are listed in the Sustainable Bond Market on Nasdaq Helsinki.

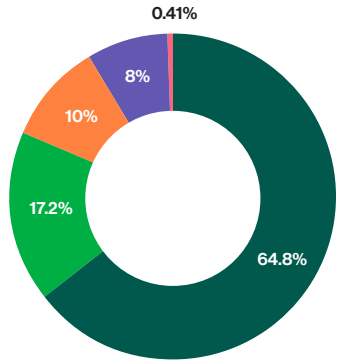
Total amount and distribution of green bonds



- EUR 500m 2030
- EUR 500m 2029
- EUR 500m 2027
- USD 500m 2021
- AUD 50m 2027

Foreign currencies in euros

Geographical distribution of green bond investors



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

Forerunner is sustainability

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**Social finance**

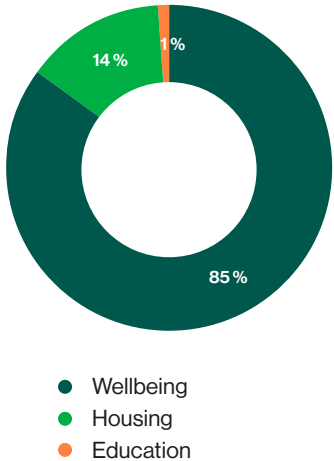
MuniFin offers social finance for projects that produce widespread social benefits and assess the impacts of the investments on their target groups from various perspectives. Social finance projects impact their users and communities in a positive way: they promote equality, communality, welfare, safety or regional vitality.

MuniFin launched social finance in the Finnish market in 2020. At the end of 2020, the number of projects with social finance totalled 27. The amount of total committed social finance was EUR 768 million. The outstanding amount of social finance was EUR 589 million at the end of 2020.

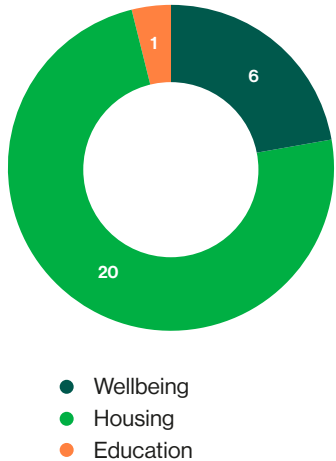
Projects eligible for social finance include projects in any of the Social Bonds Framework categories, which are social housing, welfare and education. Social projects are approved by an evaluation team of social experts that includes two external members and one MuniFin member. Social projects receive a margin discount.

We report on the impacts of our social finance annually in the Sustainable Bonds Impact Report.

Projects with social finance by category



Number of projects with social finance



Forerunner is sustainability

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**Social bonds**

Our social finance portfolio is financed entirely with social bonds, which are bonds allocated for financing social investments.

We issued the first social bond in the Nordic SSA category in September 2020. The bond had a EUR 500 million issue size and a maturity of 15 years. The product was met with overwhelming investor demand, and the bond was overbooked by nearly four times. The share of sustainable investors was significant. MuniFin issued a new tranche in the amount of EUR 100 million in November 2020.

Our social bond is listed in the Sustainable Bond Market on Nasdaq Helsinki.

**Responsible investing**

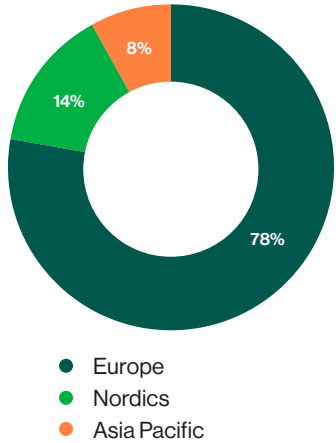
Responsible investing is the cornerstone of our investment activities. Investments are only made in issuers from OECD countries, allowing us to secure the economic stability of the investments and promote sustainable development. In addition, we account for Environmental, Social and

Governance (ESG) factors in the investment process. We compare the average ESG figures of all of our investments to a benchmark index using an asset class breakdown corresponding to our liquidity investments.

The ESG analysis of issuers is carried out by an external operator. At the end of 2020, our liquidity investments had an ESG average of 55.7, which exceeds the benchmark index of 53.3.

MuniFin also has a separate portfolio for socially responsible investments (SRI), whose target size is linked to the total number of green and social bonds we have issued. Socially responsible investments can be made in green and social bonds or other bonds that fulfil our criteria for such investments. In addition, we evaluate the issuer framework that specifies the objects of financing and obtain an opinion on the framework from a reliable third party. At the end of 2020, our SRI portfolio amounted to a total of EUR 355 million.

**Geographical distribution of social bond investors**



**Amount of social finance**

**0.6**  
EUR billion

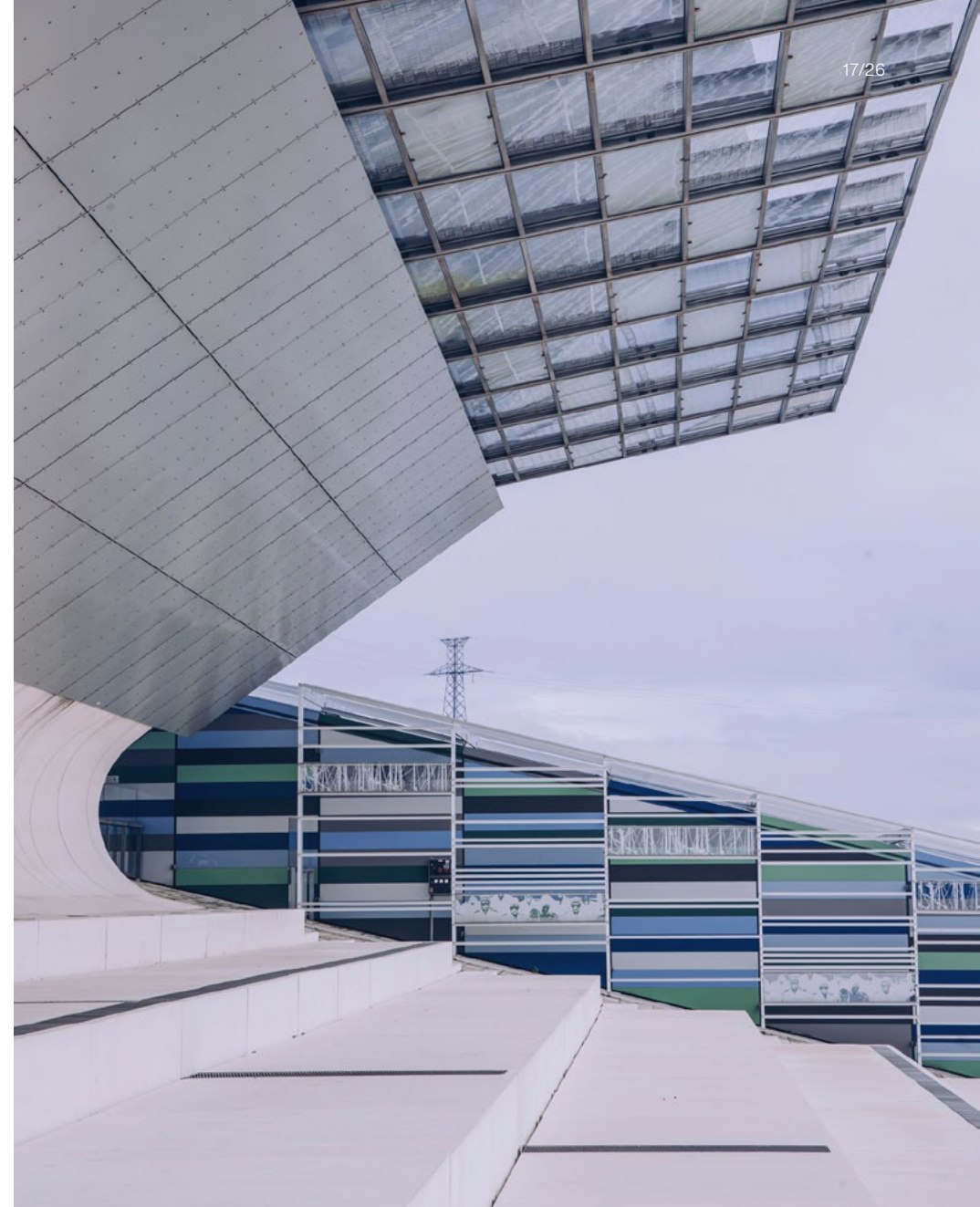
### Environmental impact of MuniFin's own operations

We take environmental responsibility into consideration in our own operations by committing to continuously reducing their negative environmental impacts. However, the majority of our positive environmental impact is indirect, created in our customers' own activities.

The MuniFin Group has received WWF Green Office certification. Green Offices are required 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.

We report on the environmental impact of our operations on an annual basis. In 2020, our focus was on replacing travel by online meetings and developing online events. Because the demand for online events skyrocketed due to COVID-19, we were not only able to meet our objectives, but also exceed them.

We compensate for the emissions generated by our employees' air travel and for the CO<sub>2</sub> emissions caused by large customer events that we organise.



## MuniFin's signature award to Momo's Bubbles

In April 2020, Junior Achievement (JA) Finland's annual Company of the Year Competition Uskalla yrittää awarded the best companies run by pupils and students from different educational levels. As the main partner, MuniFin awarded the best comprehensive school company with its signature award #Huomisentekijät (#TomorrowMakers). The winning team Momo's Bubbles hails from Oulu International School.

According to the competition's jury, Momo's Bubbles hit on a topical business idea by serving Taiwanese bubble tea. The jury also praised the company's personal brand and the team's approach to entrepreneurship. The prize accompanying the MuniFin #Huomisentekijät signature award was a sparring session with Jenny Pitkänen of the YouTube channel Jennysvoices, a JA alumni herself.

Preventing social exclusion and helping young people develop their skills are an important part of MuniFin's social responsibility. In addition to being Junior Achievement Finland's main partner, MuniFin also supports Economy and youth TAT's Yrityskylä learning concept.



John Joseph, Raha Torabihaghighi, Lucrezia Adora Ng and Raya Amokachi

# Developing wellbeing at work

**MuniFin provides a physically and mentally safe working environment that promotes the general wellbeing of employees and offers equal opportunities.**

The competence and job satisfaction of our employees are key factors for ensuring our success. Work tasks at MuniFin are versatile, and they require accountability and continuous professional development to perform. We therefore offer our employees plenty of opportunities to participate in training, support their ability to cope with their tasks and help them find a good work–life balance.

An essential goal for us is to improve occupational wellbeing and job satisfaction to ensure that our skilled employees feel that their work is meaningful. Our objective is to achieve good level of personnel satisfaction. Personnel satisfaction is measured through an anonymous survey conducted by an independent research company. Each year, we make a development plan based on the results.

## KEY PRINCIPLES AND GOALS

### Diversity and equal opportunities

Goal: Increasing diversity and equal opportunities

## INDICATORS

- Gender distribution of employees
- Gender distribution of managerial staff
- Gender distribution of Executive Management Team
- Gender distribution of Board of Directors
- Age distribution of employees

### Employee wellbeing

Goal: Promoting wellbeing at work and job satisfaction

- Employer's pension insurance (TyEL) category
- Training days per employee
- Gender pay gap (%)
- Employee turnover

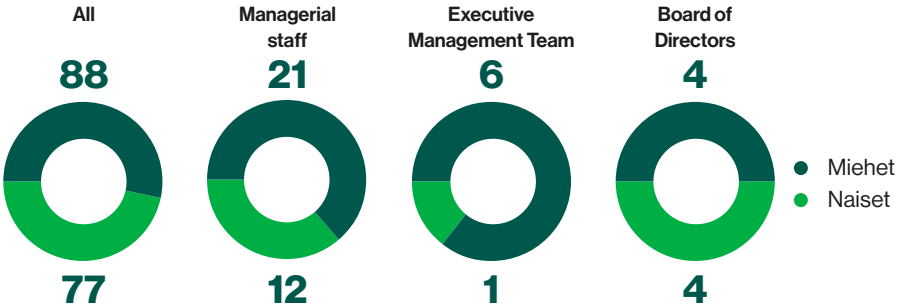
Developing wellbeing at work

Diversity and equal opportunities

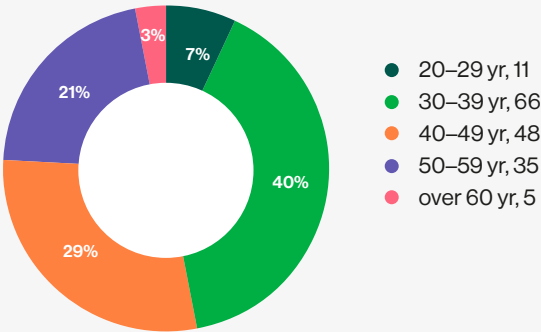
Diversity and offering equal opportunities to everyone at the workplace are important elements of our corporate culture. Diversity refers to unique, individual characteristics such as work experience, competence, gender or national origin. We want to attract, foster and retain diverse employees in our company, and want to promote an inclusive working environment that appreciates the positive value of individual differences.

MuniFin had a very even gender and age distribution in 2020. While managerial and executive positions were largely male-dominated, the majority of MuniFin's Board of Directors were female.

Gender distribution of employees 2020



Breakdown of employees by age group (%) and amount of people



Gender pay gap in similar positions

1,5%

Women have higher pay than men.

Employer's pension insurance (TyEL) category

1

The TyEL contribution category indicates the rate of disability pensions due to reduced working ability. The fewer people are granted disability pension, the better the employer's category (with 1 being the best on a scale of 1–11). Due to its smaller payroll, the TyEL categories do not apply to Inspira, which pays the average TyEL contribution instead of a category-based contribution.

Developing wellbeing at work

Employee wellbeing

We invest in employee wellbeing in many ways. We also strive to support the wellbeing of our employees and to prevent work-related stress and excessive workloads.

We provide extensive healthcare services, good training opportunities, commuting benefits and recreational benefit. We also organise joint leisure-time activities.

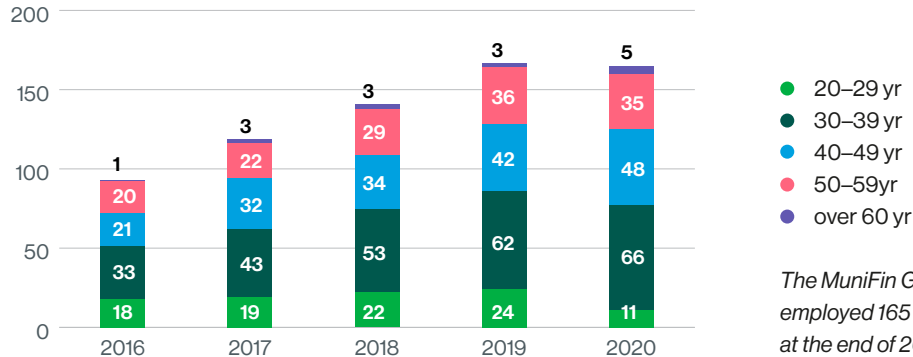
Our number of personnel has grown rapidly since the 2010s. Our employee turnover has remained modest.

Training days  
per employee

2.5

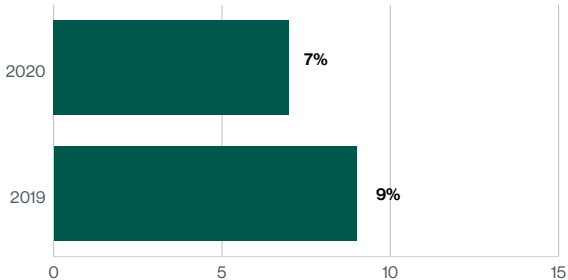


Age distribution and number of employees



The MuniFin Group  
employed 165 people  
at the end of 2020.

Employee turnover



Exit turnover of employees in permanent positions, %  
compared to previous year.

# Strong corporate governance

**MuniFin promotes a level of responsibility that goes over and above minimum legal requirements in its decision-making and structures.**

Our commitment to strong corporate governance is emphasised in our key values and strategy and implemented in all our operations. Our operations are guided by the Responsibility Policy, which is approved by our Board of Directors and available on our website. Strong corporate governance also includes a good understanding of the ESG risks involved in our financing portfolio and the voluntary application of various recommendations and guidelines.

Strong corporate governance also includes our HR policy. In the terms and conditions of employment, we comply with Finnish legislation and the collective agreement for the financial sector. 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 with 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
- National and international commitments

## Responsibility Policy

### Responsibility Policy

Our operations are guided by our Responsibility Policy. This policy aims to ensure responsibility in all operations and reduce the risks to which MuniFin and our employees are exposed, in particular operational and reputational risks, which can have a considerable adverse impact on our 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.

At the beginning of their employment, each new employee participates in an induction that covers all the MuniFin operations. The induction also covers our Responsibility Policy, and new employees must complete an online test to demonstrate that they have understood it. In addition, all employees must complete an annual online training on responsibility topics. At the end of 2020, 92% of our employees had completed the online training.

The MuniFin website has a whistleblowing channel that can be used to report any suspected misconduct, also anonymously.

### No violations of regulations

During all our years of operation, there have been no material regulatory violations that would have led to official sanctions.

Our compliance function oversees MuniFin's compliance with regulation based on an annual monitoring plan and provides internal guidance and support in compliance-related matters. Any significant contraventions of regulations are reported on

a monthly basis to the management and Board of Directors as part of our risk position reporting. This reporting practice is part of our risk appetite framework.

Commitments and memberships of associations and national interest organisations

We actively participate in discussion on achieving climate and sustainable development targets with different institutions and seek to forge partnerships to come up with solutions to these global issues. In 2020, we joined the United Nations Global Compact.

### Commitment 2050:

*MuniFin offers green and social finance to promote the emergence of a carbon neutral society and greater use of environmentally and socially sustainable investments all around Finland. We help our customers to make sustainable choices and accelerate the creation of responsible investments by offering more affordable financing for these projects, sharing information, conducting impact assessments and providing visibility.*

At the core of our expertise is knowing the operating environment, having market expertise, understanding the expectations of our customers and stakeholders, and anticipating regulatory changes. Our association memberships are mainly related to developing and securing competence and information sharing.

## Memberships of associations, networks and national interest organisations:

- **Climate Bonds Initiative**
- **European Association of Public Banks**
- **FIBS Pro – sustainable business network**
- **Finsif – Finland's Sustainable Investment Forum**
- **Hinku network – Towards Carbon Neutral Municipalities and Regions**
- **International Swaps and Derivatives Association ISDA**
- **International Capital Market Association ICMA**
- **Nordic Capital Markets Forum**
- **REETTA – economic and climate management project for municipalities**
- **Ilmava – climate work coaching for municipal leaders**

### Commitments:

- **UN Global Compact initiative**
- **Commitment 2050 initiative of the Finnish Prime Minister's Office**

## Social responsibility scorecard

KEY PRINCIPLE	GOALS	PERFORMANCE AND TRENDS
Responsible products and services	<b>GOAL 2024: Customer satisfaction is at a very good level</b> <ul style="list-style-type: none"> <li>Developing products and services that respond to customer needs</li> <li>Securing balance in customer finances</li> <li>Ensuring the availability of financing</li> <li>Identifying and considering climate risks</li> </ul>	<ul style="list-style-type: none"> <li>GOAL 2024: Customer satisfaction is at a very good level</li> <li>Training sessions and seminars (including Economy Now webinars, economic and market reviews, and training sessions on digital services)</li> <li>Cooperation and partnerships with educational institutions</li> <li>Number of users of digital MuniFin services</li> <li>Dealer banks' opinion of MuniFin</li> <li>Geographical distribution of funding</li> <li>Distribution of financing for housing</li> <li>Distribution of financing for housing for special groups</li> </ul>
Forerunner in sustainability	<b>GOAL 2024: Green and social accounts for 20% of the long-term customer finance portfolio</b> <ul style="list-style-type: none"> <li>Increasing MuniFin's impact through sustainable investments</li> <li>Increasing the proportion of responsible finance in annual new lending</li> <li>Increasing the amount of socially responsible investing (SRI)</li> <li>Constantly mitigating MuniFin's own environmental load</li> </ul>	<ul style="list-style-type: none"> <li>GOAL 2024: Green and social accounts for 20% of the long-term customer finance portfolio</li> <li>Amount of green and social finance and distribution of projects by category</li> <li>Number of green and social finance projects</li> <li>Reduction of CO<sub>2</sub> emissions in green projects</li> <li>Energy savings in green projects</li> <li>Green bond issued (Y/N)</li> <li>Social bond issued (Y/N)</li> <li>Total amount of socially responsible investments</li> <li>ESG score of the investment portfolio compared to the benchmark</li> </ul>
Developing wellbeing at work	<b>GOAL 2024: Personnel satisfaction is at a good level</b> <ul style="list-style-type: none"> <li>Increasing diversity and equal opportunities</li> <li>Promoting wellbeing at work and job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>GOAL 2024: Personnel satisfaction is at a good level (survey not conducted in 2020)</li> <li>Gender distribution of employees</li> <li>Gender distribution of managerial staff</li> <li>Gender distribution of the Executive Management Team</li> <li>Gender distribution of the Board of Directors</li> <li>Age distribution of employees</li> <li>Employer's pension insurance (TyEL) category</li> <li>Training days per employee</li> <li>Gender pay gap</li> <li>Employee turnover</li> </ul>
Strong corporate governance	<b>GOAL 2024: All ESG risks associated with customers are assessed with a uniform methodology</b> <ul style="list-style-type: none"> <li>Developing responsible practices and ensuring the employees' commitment to complying with the Responsibility Policy</li> </ul>	<ul style="list-style-type: none"> <li>GOAL 2024: All ESG risks associated with customers are assessed with a uniform methodology</li> <li>100% of employees have completed Responsibility Policy training</li> <li>Violations of regulations</li> <li>Memberships of associations and national interest organisations</li> <li>National and international commitments</li> </ul>

# Principles of responsibility reporting

## Reporting framework

The framework for responsibility reporting was prepared in collaboration with the consultancy company Deloitte. The EU Non-Financial Reporting Directive that came into force in 2016 applies to large public-interest entities with more than 500 employees on average during the accounting period. Since we have fewer than 500 employees, we are not obliged by the Accounting Act to disclose non-financial information in a separate report. However, due to the social significance of our operations, we publish a corporate social responsibility report annually, even though we are not legally obliged to do so. The report is prepared in accordance with the GRI standards, where applicable.

## Scope and key content of the report

The report's scope takes into consideration MuniFin's long-term impact on the Finnish society, because our corporate responsibility is indirectly emphasised through the financing we grant. Due to our commitment to promoting the long-term objectives in mitigating climate change in our own operations and those of our customers, attention is also paid to the environmental effects of our own operations and funding.

The reporting indicators are based on the key principles of responsibility approved by the MuniFin Board of Directors. We reserve the right to add, remove or change the existing indicators and objectives, but any changes must be in line with the key principles specified in our responsibility strategy.

In 2020, some changes have been made to the reported indicators with an eye on materiality. New indicators include ones that describe customer satisfaction, digital services user experience, dealer banks' opinion of MuniFin, gender distribution in the Executive Management Team, employee training and gender differences in pay.

The 2020 report no longer includes indicators that were deemed insignificant in describing the company's responsibility. These include funding by investor type, amount of sickness leave and the percentage of performance appraisals. Indicators describing our energy consumption and use of office paper were also removed because they have developed positively and their impact is minor. Indicators on responsibility in lending and the pilot projects launched with green finance were also left

out because no quantitative indicator could be found for reporting them. Our personnel survey, normally conducted in the final quarter of the year, was postponed to spring 2021 to analyse how well we have met the objectives for our recent reorganisation. For this reason, some personnel indicators are not available for 2020.

## Information retrieval

The data and figures used in reporting are sourced from our internal systems, our customer satisfaction survey, an external provider of ESG ratings, the WWF Climate Calculator, the calculations of the consultancy 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.

# MuniFin

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