

# UN Global Compact

Communication on Progress

Municipality Finance Plc

1.10.2021

# Contents

<b>1</b>	<b>CEO STATEMENT .....</b>	<b>3</b>
<b>2</b>	<b>DESCRIPTION OF ACTIONS AND MEASUREMENT OF OUTCOMES .....</b>	<b>4</b>
2.1	HUMAN RIGHTS .....	4
2.2	LABOUR .....	4
2.3	ENVIRONMENT .....	5
2.4	ANTI-CORRUPTION .....	8

Period covered by this Communication on Progress from October 2020 to September 2021

# 1 CEO statement

1.10.2021


To our stakeholders:

I am pleased to confirm that Municipality Finance Plc reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Esa Kallio  
President and CEO, Municipality Finance Plc



## 2 Description of actions and measurement of outcomes

### 2.1 Human rights

**Principle 1:** *Businesses should support and respect the protection of internationally proclaimed human rights; and*

**Principle 2:** *make sure that they are not complicit in human rights abuses.*

MuniFin respects the United Nations Universal Declaration of Human Rights.

MuniFin values ethical and transparent business relations with its customers, vendors, representatives, distributors and subcontractors. MuniFin requires its partners to adhere to applicable legislation and regulations and to commit to MuniFin's principles of corporate social responsibility. These principles are included in all partnership agreements made with key partners.

MuniFin offers all its employees safe, suitable and sanitary working facilities and modern working equipment. Ergonomics check-ups are carried out regularly.

In its investment operations, MuniFin has set exclusion and screening criteria for controversial business practices according to principles of the UN Global Compact which include screening for Violation of human rights, environmental protection rules and anti-corruption laws. In addition, MuniFin uses ESG scoring that is based on ESG, business model and controversies factors. MuniFin published its Sustainable Investment Framework in September 2021.

References:

- Municipality Finance Responsibility Policy 25 September 2020

### 2.2 Labour

**Principle 3:** *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

**Principle 4:** *the elimination of all forms of forced and compulsory labour;*

**Principle 5:** *the effective abolition of child labour; and*

**Principle 6:** *the elimination of discrimination in respect of employment and occupation.*

MuniFin complies with the Finnish collective agreement for the financial sector as a generally binding agreement. This collective agreement and Finnish legislation define the cornerstones of MuniFin's operations as an employer. MuniFin has forbidden the use of forced or child labour in all circumstances in its Responsibility policy, MuniFin does not use child labour and complies with

Finnish legislation on young employees to potential young employees (under age 18). In 2020-2021, Municipality Finance has not employed employees under the age of 18.

MuniFin follows the development of salaries and remuneration in the finance sector and the operating environment. An evaluation of each position and related classification has been carried out in order to establish sufficient comparability with market data and also for following that the salary levels are equal and based on the demands of position, not for instance gender. Market comparisons are conducted regularly, in these studies equal pay is also studied.

To ensure the protection from harassment, it is communicated that MuniFin does not accept any kind of harassment. MuniFin has defined procedures for dealing with harassment and inappropriate behavior of any kind. The procedure is communicated to all employees via MuniFin's intranet. MuniFin also has the possibility for anonymous announcement of misbehavior using MuniFin whistleblowing system at company website. The issues of experience of harassment are also studied as part of the employee experience study of MuniFin that is done on yearly basis. MuniFin also has a committee for occupational safety and health, which is responsible for analyzing, evaluating and mitigating the physical and psychological risk factors.

MuniFin does not inquire job applicants political or religious orientation during the recruitment process, or at any other stage of the employment relationship, or seek to influence an employee's opinions or freedom of speech.

MuniFin offers equal opportunities for development for employees for example by offering trainings based on the training budget that is defined annually. MuniFin's office space is barrier-free and enables the smooth passage of people with reduced mobility.

References:

- Municipality Finance Responsibility Policy 25 September 2020

## 2.3 Environment

**Principle 7:** *Businesses should support a precautionary approach to environmental challenges;*

**Principle 8:** *undertake initiatives to promote greater environmental responsibility; and*

**Principle 9:** *encourage the development and diffusion of environmentally friendly technologies.*

MuniFin is committed to understand, monitor and manage the social, environmental and economic impact of its own activities and finance offered to its customers in order to contribute to the Finnish society's wider goals of sustainable development. This commitment is integrated in the core values and mission of MuniFin, as well as demonstrated through all operations and policies.

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

## Green Finance and Green Bonds

The municipal sector and housing construction play a key role in Finland's climate goals. MuniFin has offered green finance for the environmentally friendly projects of its customers since the beginning of 2016. Green finance is offered to selected projects that promote the transition to low-carbon and climate resilient growth. These projects seek to mitigate or adapt to climate change.

### Measurement:

The goal is, that green and social finance account for 20% of the long-term customer finance portfolio by 2024. At the end of June 2021, the amount of green finance aimed at environmentally sustainable investments totalled EUR 2,120 million. Indicators for green finance and green bonds include:

- amount of green and social finance and distribution of projects by category
- number of green 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

### References:

- Green bonds - munifin.fi
- MuniFin Responsibility Report 2020
- Sustainable Bonds Impact Report 2020
- MuniFin half year report 2021

## Sustainable investing

MuniFin considers ESG in its investment activities. In September 2021 MuniFin published a Sustainable Investment Framework which summarizes concrete sustainability principles, processes and responsibilities for liquidity portfolio management.

### Measurement:

MuniFin aims to increasing amount of sustainable bonds and socially responsible investments (SRI) and the number of socially responsible investors. Indicators for sustainable investments include:

- total amount of socially responsible investments (SRI)
- ESG score of the investment portfolio compared to the benchmark

### References:

- MuniFin strengthens its investment practices and publishes Sustainable Investment Framework - munifin.fi
- MuniFin Sustainable Investment Framework
- MuniFin Responsibility Report 2020

## Environmental impact of MuniFin's own operations

MuniFin aims to continuously mitigate its own environmental load. As part of these efforts MuniFin is part of WWF Green Office Network. 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 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. We have also taken steps to calculate the carbon footprint of our own operations and our financed emissions.

**Measurement:**

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

**References:**

- MuniFin Responsibility Report 2020

**Our commitments and cooperation**

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 initiative of the Finnish Prime Minister's Office: 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. Our memberships can be found from our Responsibility Report 2020.

**Sources**

- MuniFin Responsibility Report 2020

**Environmental and climate-related risks**

In 2021 MuniFin has increased its focus on ESG risks.

While MuniFin's green finance focuses on the positive impacts our customers make through their investments, by integrating ESG risk perspectives more deeply in its business MuniFin takes precautionary approach to environmental challenges from its own perspective. This year MuniFin has developed a model to customers' ESG scoring as part of the credit analysis process. In addition, ESG risks are being considered as part of MuniFin's investment activities (see section Sustainable investing).

## 2.4 Anti-Corruption

**Principle 10:** *Businesses should work against corruption in all its forms, including extortion and bribery.*

MuniFin's Responsibility Policy (approved by the MuniFin Board of Directors) defines principles and provides examples of acceptable and unacceptable behaviors linked in particular to financial misreporting and misconduct, economic and financial crime (including fraud, money laundering and anti-trust practices, financial sanctions, bribery and corruption, market manipulation, mis-selling and other violations of consumer protection laws). The MuniFin management is committed to developing, adopting, exercising and promoting the high ethical and professional standards specified in the policy. In addition to the applicable regulation and the Responsibility policy, MuniFin management and employees are bound by any other internal guidelines and procedures in place at MuniFin at any given time.

### **Corruption, money laundering and terrorist financing.**

MuniFin's commitment to doing business with integrity means avoiding corruption in any form and complying with any anti-corruption laws and regulations. MuniFin actively assesses and improves its processes and operations so that none of its activities enable any form of corruption including improper favouritism, the abuse of entrusted power, legal incompetence due to bias and the neglect of official duties.

MuniFin does not condone any money laundering or terrorist financing detected in a customer's business and will investigate all suspected cases thereof. MuniFin has a specified know-your-customer (KYC) process to prevent money laundering and terrorist financing. In addition to this process, MuniFin aims at being genuinely familiar with the customer, the customer's representatives, and the customer's business. In accordance with the law, MuniFin monitors its customers' operations to detect suspicious transactions that may indicate money laundering. The KYC process requires MuniFin employees to internally report any suspicious transactions by a customer. All suspected cases of money laundering are reported to the relevant officials at a low threshold.

External stakeholders can also notify MuniFin about suspicions regarding their customers either by contacting MuniFin employees directly or using MuniFin's official whistleblowing channel anonymously.

### **Conflict of interests.**

All MuniFin business operations must serve the interests of MuniFin, its shareholders and its customers, and they may not be based on anyone's personal interest. MuniFin strives to avoid conflicts of interest in all situations, and where conflicts do arise, to act in such a way as to avoid compromising the interest of the customer or any party acting in a relationship with MuniFin. If a conflict of interest is unavoidable, the customer or other party related to the conflicted business transaction will be informed so that they can independently decide if they wish to abstain from the transaction.

MuniFin employees must avoid situations that are in conflict or can be perceived as being in conflict with the employee's personal interest or the interests of MuniFin's business operations.



MuniFin employees may not exploit their position, the information received as a result of their position or the funds belonging to MuniFin for their personal interest.

MuniFin staff has a duty to disclose in timely manner any matter that may result or has resulted, in a conflict of interest. MuniFin's independent Compliance function monitors possible clashes between personal or self-serving interests and professional duties or responsibilities of the staff on a yearly basis.

### **Gifts and hospitality.**

MuniFin and its employees may not offer or receive any direct or indirect gifts or other benefits that can be viewed as bribes, corruption or any attempt to influence business operations. MuniFin and its employees may not offer or receive any gifts or hospitality that has, or can reasonably be interpreted to have, the intention to influence decision-making pertaining to MuniFin. Any gifts offered or accepted and hospitality provided or received must be related to MuniFin's business operations so that they cannot be interpreted as an attempt to support any personal interests. Gifts and hospitality must always be moderate. This particularly concerns cooperation with public officials and supervisors, as their employment is based on the requirement of equal treatment and neutrality. Public officials have liability for acts in office which sets special limits for hospitality that can be considered acceptable.

MuniFin does not provide contributions to political parties, groups or candidates. MuniFin's name or property may not be used to promote the interest of political parties, groups or candidates.

### **Business partners and competition.**

MuniFin values ethical and transparent business relations with its customers, vendors, representatives, distributors and subcontractors. MuniFin requires its partners to adhere to applicable legislation and regulations and to commit to MuniFin's principles of corporate social responsibility. These principles are included in all partnership agreements made with key partners.

As both offeror and buyer, MuniFin conducts fair and ethical competition and adheres to applicable competition law. MuniFin employees must comply with competition law, regulations and MuniFin's own procurement guidelines.

MuniFin also respects the immaterial rights and information confidentiality of other parties.

#### References:

- Municipality Finance Responsibility Policy 25 September 2020