

# UN Global Compact

Communication on Progress

Municipality Finance Plc

1.10.2022

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Period covered by this Communication on Progress from October 2021 to September 2022

# 1 CEO statement

1.10.2022

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

## 2 About MuniFin

The Municipality Finance Group (“MuniFin”) is one of Finland’s largest credit institutions. The company is owned by Finnish municipalities, the public sector pension fund Keva and the Republic of Finland. MuniFin Group also includes the subsidiary company, Financial Advisory Services Inspira Ltd. The Group’s balance sheet is over EUR 47 billion.

MuniFin’s customers are Finnish municipalities, municipal federations, municipally controlled entities and non-profit housing organisations. Lending is used for environmentally and socially responsible investment targets such as public transportation, hospitals and healthcare centers, schools and day care centers, and homes for people with special needs.

MuniFin’s customers are domestic, but the company operates in a completely global business environment. The company is an active Finnish bond issuer in international capital markets and the first Finnish green and social bond issuer. The funding is exclusively guaranteed by the Municipal Guarantee Board.

MuniFin operates to serve as a trusted, honest and ethical institution in the course of all of its activities and relationships, including customer and employment relationships, partnerships and all other stakeholder relations. This mandate is reflected in our mission, values, strategy, and daily operations.

**Mission: Building better and more sustainable future**

**Vision: Main financing partner for our customers**

**Values: Customer centricity, Responsibility & Transparency**

Strong corporate governance is one of MuniFin’s key principles of responsibility and it lays the groundwork for a culture of doing the right thing, which provides employees with a framework in which to operate in all situations. MuniFin defines the principles of responsible governance as follows:

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

Our expectations and measures towards responsible, equal, and ethical behavior are communicated to employees through careful orientation and training, Cultural book, Culture, equality and parity document and regularly updated Sustainability Policy, Risk and Governance Framework as well as Corporate Governance Statement which are approved by the board of Directors. In addition, MuniFin has several internal controls, operational guidelines and audits to ensure that all activities are carried out carefully, respectfully to the law and regulations, considering relevant ESG risks. MuniFin’s business is guided by good banking as well as credit institution practices and we work constantly together with our stakeholders and supervisors to answer better to the increasing demands of our ever-changing environment.

In the field of corporate responsibility and sustainability MuniFin operates within its key principles for responsibility and UN Sustainable Development Goals. We have linked each key principle with the relevant UN Sustainable Development Goals that we can substantially influence (see Annual report 2021, p.12). In addition, we have set one long-term (2024) company-level goal for each key principle. These goals and key principles are included in the sections of this report together with the principles of the United Nations (UN) Global Compact where applicable but also elaborated in the section 4. Measurement of outcomes.

## 3 Description of actions

### 3.1 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's key responsibility principle:** *Developing wellbeing at work & strong corporate governance*

**Goal 2024:** *Personnel satisfaction is at a good level*

MuniFin respects the United Nations Universal Declaration of Human Rights. With the UN Global Compact initiative MuniFin agrees to adapt, support and execute basic values and principles related to human rights, labour rights, as well as environmental and anti-corruption practices.

MuniFin provides a physically and mentally safe environment that promotes the general wellbeing of employees and offers equal opportunities. MuniFin is committed to ensure developing wellbeing at work. All MuniFin employees are located in Finland and offered safe, suitable and sanitary working facilities with modern working equipment as well as flexible possibility to work remotely. All employees have admission to comprehensive high-quality occupational health services. Employees are instructed to be generally vigilant, heed safety practices and report all incidents and safety issues. MuniFin monitors and reports its personnel wellbeing and satisfaction yearly.

To ensure the protection from harassment, it is communicated that MuniFin does not accept any kind of harassment or discrimination. 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. During the reporting period there was no announcements of misbehavior.

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. The committee is represented by both the staff and the employer.

To prevent of being part of any unethical business MuniFin works only with internally approved counterparties. Accepted counterparties must not only meet ethical standards in their operations, but they must also satisfy requirements related to the legislation and regulations of the banking sector, such as requirements concerning the prevention of money laundering, terrorism financing, customer identification and due diligence. These principles are included in all partnership agreements made with key partners.

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. MuniFin has

chosen to invest only in issuers domiciled in OECD countries, and this rule also applies to the issuer's ultimate parent. This principle defines the base standards for social, economic, and environmental issues of all portfolio investments, and significantly reduces sustainability risks in the portfolio. In addition, MuniFin uses ESG scoring that is based on ESG, business model and controversies factors. More detailed information about investment policies can be found in MuniFin's Sustainable Investment Framework published in September 2021.

## 3.2 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's key responsibility principles:** *Developing wellbeing at work & strong corporate governance*

**Goal 2024:** *Personnel satisfaction is at a good level*

MuniFin is committed to observing the International Labour Organization (ILO) Conventions. The company respects its employees' freedom of association whether it is professional or political. MuniFin employees are not required to inform MuniFin about their possible memberships, unless these cause a conflict of interest or otherwise risk their work duties.

All MuniFin's employees are located in Finland and work under national labor legislation. The Finnish labour market is characterized by a high level of organization on both the employee and the employer side, and an important role played by collective bargaining in labour regulation. The basis of the regulation lies, however, in comprehensive and detailed labour legislation which is complemented by collective agreements. Thus, national labor legislation does not include for example a separate minimum wage law since the issues are negotiated in the collective agreements of different sectors. It is common for statutory rules to allow derogation by means of collective agreements, usually concluded between national federations of employers and employees. (ILO, 2022; TEM, 2022.)

MuniFin complies with the Finnish collective labour 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 Sustainability policy. MuniFin does not use child labour and complies with Finnish legislation on young employees to potential young employees (under age 18). In 2021-2022, 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 to establish sufficient comparability with market data and for following that the salary levels are equal and based on the demands of position, not for instance gender. The classification is

available to all employees. Market comparisons and equal pay analysis are conducted regularly, and the results are reported in MuniFin Annual reports.

The principles of equality and parity have been described in MuniFin's Culture, equality and parity document (in Finnish) and Sustainability Policy 2021. 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.

### 3.3 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's key responsibility principles:** *Responsible products and services & Forerunner in sustainability*

Sustainability is a key part of MuniFin's mission, values and strategy, and is best made concrete through the business and the financing provided. 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. Majority of MuniFin's positive and negative environmental impacts are indirect and created in our customers' own activities.

Promoting the United Nations Sustainable Development Goals (SDGs) has played an important role in the planning of MuniFin's key principles of responsibility and green as well social finance offering. Fully owned by the Finnish public sector, MuniFin aims to address the national challenges of sustainable development highlighted in Finland's Voluntary National Review on the Implementation of the 2030 Agenda. Further, MuniFin promote the strategic themes of the Finnish Government Programme that builds on sustainable development. One of the strategic themes is to build a carbon neutral Finland that protects biodiversity. This includes the objective of Finland achieving carbon neutrality by 2035 and carbon negativity soon after.

In 2021, we calculated the emissions of both our own operations and the projects we have financed, to better understand our carbon footprint and our further emission reduction options. The first calculations were performed for the year 2020 which will work as a baseline for our upcoming calculations and target setting. We will continue to monitor our emissions in the future and work to assess where we have the most significant influence, hence clarifying the best ways to reduce emissions.

### 3.3.1 MuniFin's own operations

MuniFin aims to continuously mitigate the environmental load of its operations. 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 improve the environmental responsibility of their operations and report their progress annually with the climate calculator. Green Office certification requires an audit every 3 years. Our last audit was successfully completed 28.9.2021

During the reporting period MuniFin has moved to use 100% renewable wind power (Oomi). We have also compensated for the emissions generated by our employees' air travel and for the CO<sub>2</sub> emissions caused by large customer events we organize.

### 3.3.2 Sustainable products and services – Green Finance and Green Bonds

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

**Goal 2024:** *Customer satisfaction is at a very good level*

MuniFin's customers have a crucial role in the Finnish society, and all projects financed by MuniFin are aimed at maintaining and improving the Finnish welfare society in the long run. This highlights the importance of social and environmental impacts of MuniFin as well. Through its operations, MuniFin promotes investments in ecologically, socially, and humanely sustainable development in Finnish society.

Green finance is offered to selected projects that promote the transition to low-carbon and climate resilient growth while protecting biodiversity. These projects seek to mitigate or adapt to climate change. In September 2022 MuniFin published its updated Green Bond Framework which defines the criteria for granting green finance. This framework aligns with the four core components of the Green Bond Principles (June 2021) published by the International Capital Markets Association (ICMA) and seeks to comply with best market practice. Furthermore, to guide MuniFin's customers and direct green investment planning and execution towards common practices, the EU Taxonomy as well as the requirements of the proposed European Green Bond Standard (EU GBS) have been considered as guiding tools in defining eligibility criteria and overall framework structure. The eligibility criteria consider the EU Taxonomy Regulation and the EU Taxonomy Climate Delegated Act with the intention to apply them on a best-efforts basis, where there are feasible practical applications and support by local regulation.

The updated Green Bond Framework is developed to better address environmental challenges as well as to enhance transparency for investors and stakeholders. It provides more clarity and transparency on the criteria MuniFin uses to evaluate the eligibility of projects. The framework got Medium Green shading in Second Party Opinion (SPO) conducted by CICERO and it is available in MuniFin's website.

One of MuniFin's strategic goals for 2024 is that green and social finance account for 20% of the long-term customer finance portfolio. Long-term customer financing (long-term loans and leased assets) excluding fair value changes totalled EUR 29,807 million (EUR 29,064 million) at the end of June 2022. Of all long-term customer financing, the amount of green finance aimed at environmentally sustainable investments totalled EUR 2,700 million (EUR 2,328 million) and the



amount of social finance aimed at investments promoting equality and communality EUR 1,296 million (EUR 1,161 million) at the end of June 2022. Green and social finance have been extremely well received by customers, and the total amount of this financing increased by 14.6% (24.3%) from the end of 2021.

MuniFin reports the positive impacts of its green financing (see Green impact report 2021) annually in green impact report. 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 CO2 emissions in green project
- energy savings in green projects

### 3.3.3 Sustainable investing

**Goal:** *the ESG score of the investment portfolio is above to the benchmark*

MuniFin has integrated the constant development of sustainability into its investment processes as well. MuniFin's Sustainable Investment Framework, published in 2021, summarises the sustainability principles, processes and responsibilities of the Group's investment operations.

In addition to low credit risk and high liquidity, the Group actively monitors the sustainability of its liquidity investments through ESG score (Environmental, Social and Governance). The goal is that the ESG score of the investment portfolio is above to the benchmark. MuniFin aims to increase the 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

At the end of June 2022, the Group's liquidity investments had an average ESG score of 59.0 (59.3) on a scale of 1–100, above the benchmark index of 56.5 (55.9). The Group also holds direct socially responsible investments (SRIs). These amounted to EUR 444 million (EUR 456 million), which is 13.4% (12.1%) of all investment in securities. The Group's ratio of sustainable investments is higher than the market benchmark of 6.9% (5.0%). The ratio of socially responsible investments to the Group's own green and social funding was 12.9% (15.6%).

### 3.3.4 Climate and environment related risks

**Goal 2024:** *All ESG risks associated with customers are assessed with a comparable methodology*

The relevant risk types associated with MuniFin Group's operations include credit and counterparty risk, market risk and liquidity risk. All business operations also involve strategic risks and operational risks, including compliance risk. ESG risks can materialise through any of the traditional financial risk categories.

During the reporting period MuniFin has continued its work to better recognize, measure and manage ESG risks which arise from liquidity portfolio and long-term lending portfolio. The focus

of ESG risk management has been in climate-related and environmental risks since it is also one of the supervisory priority areas of European Central Bank. MuniFin has continued to build its capabilities to meet the increasing supervisory expectations and regulatory requirements. While the focus area has been in physical risks and transition risks of climate change, has MuniFin also continued to develop capabilities to recognize social and governance related risks of its clients. The most current development streams relate to the EU taxonomy and capital requirements regulation:

In line with the requirements laid down in the Capital Requirements Regulation (CRR), the Pillar 3 ESG package published by EBA set out comparable quantitative disclosures on climate-change related transition and physical risks, including information on exposures towards carbon related assets and assets subject to chronic and acute climate change events. They also include quantitative disclosures on institutions' mitigating actions supporting their counterparties in the transition to a carbon neutral economy and in the adaptation to climate change. In addition, they include KPIs on institutions' assets financing activities that are environmentally sustainable according to the EU taxonomy (GAR and BTAR), such as those consistent with the European Green Deal and the Paris agreement goals. (EBA, 2022).

Currently MuniFin assesses its customer's ESG risks as part of the financial assessment of the municipality customers. The assessment emphasises the effects of climate and environmental impact that can be realised to the customer through direct physical risks or as transitional risks in the work against climate change. The ESG-factors have a direct effect on the internal risk classification, possibility of bankruptcy and the pricing to the municipality customers. MuniFin's business model does not include high risk sectors in terms of ESG-factors as customers. MuniFin follows its customers' ESG-risks on a regular basis and with municipalities it is quarterly. The assessment may use information from third parties or outsourced services.

In 2021, we created our climate risk roadmap, which contains our action plan for the preparation of environmental and climate risks over the next few years. Following the roadmap, we identified and assessed ESG risks that are most relevant to us, creating a foundation for future development which we have continued during 2022.

MuniFin has reported the current landscape of ESG risks in the Half year report 2022. There have been no material changes in ESG risks during the reporting period. According to the Group's estimate, it is currently not exposed to any substantial social or governance risks. Also, the Group's current estimate is that environmental and climate risks are unlikely to manifest substantially in the short term. In the medium and long term, climate risks may nevertheless have an adverse economic effect on the Group's customers. However, any changes in the customers' financial situation are not expected to affect the Group's credit risk position.

In the first half of 2022 MuniFin Group took part in the ECB's climate stress test. The results of the stress test were published in July 2022.

### 3.3.5 Stakeholder engagement and commitments

The bedrock of MuniFin's strategy is to build a better and sustainable future together with its customers. The company places great importance on long-term customer relations, active collaboration and reliable partnerships. The key stakeholders of MuniFin include MuniFin's shareholders, MuniFin's customers, the investor base for funding, representatives of the media, the authorities, and employees of Municipality Finance Group.

MuniFin 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. The open dialog with our main stakeholders is necessary for us to achieve our goals related to our four key responsibility principles. These key principles which are integral part of MuniFin's strategy, are based on materiality analysis executed 2016 and have been constructed together with our stakeholders.

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. MuniFin has memberships in several associations, networks and national interest organisations (see Annual report 2021, p. 27). Our association memberships are mainly related to developing and securing competence and information sharing.

MuniFin has taken part to 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. MuniFin's customers have an important role in achieving the national environmental goals set by the Ministry of Environment. MuniFin is committed to carrying its weight as an issuer, promoting these goals and increasing awareness about low-carbon investments among its customers when granting finance. 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.

## 3.4 Anti-Corruption

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

**MuniFin's key responsibility principles:** *Strong corporate governance*

MuniFin's Sustainability Policy 2021 (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 Sustainability policy, MuniFin management and employees are bound by any other internal guidelines and procedures in place at MuniFin at any given time.

### 3.4.1 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 favoritism, the abuse of entrusted power, legal incompetence due to bias and the neglect of official duties.

In its funding operations MuniFin only works with counterparties that have been internally approved in advance. Counterparties are accepted in accordance with MuniFin's internal processes. Accepted counterparties must not only meet ethical standards in their operations, but they must also satisfy requirements related to the legislation and regulations of the banking sector, such as requirements concerning the prevention of money laundering, terrorism financing, customer identification and due diligence.

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.

MuniFin educates its employees on the company anti-money laundering and counter terrorist financing measures and KYC practices and to identify and prevent corruption of any kind. In 2022, MuniFin has arranged a training for its employees on corruption prevention. MuniFin prohibits any facilitation payments to third parties such as government officials to enhance the business.

External stakeholders can notify MuniFin about suspicions regarding their customers either by contacting MuniFin employees directly or using MuniFin's official whistleblowing channel anonymously. There have been no cases during the reporting period.

### 3.4.2 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.

### 3.4.3 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.

### 3.4.4 Business partners and competition

MuniFin values responsible and transparent business relations with its customers, vendors, representatives, distributors and subcontractors. MuniFin requires its partners to adhere to applicable legislation and regulations as well to responsible business principles in their activities at an acceptable level. MuniFin communicates its principles for responsible partnerships and agreements in its procurement guidelines and Sustainability policy.

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.

## 4 Measurement of outcomes

MuniFin operates within its key principles for responsibility and UN Sustainable Development Goals. The core principles are based on materiality analysis executed 2016-2017 and have been constructed together with our stakeholders (see Responsibility report 2018, p. 9). We have linked each key principle with the relevant UN Sustainable Development Goals that we can substantially influence (see Annual report 2021, p. 12). In addition, we have set one long-term company-level goal for each key principle.

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

MuniFin monitors, measure and reports its Sustainability performance annually. Please see MuniFin's Annual Report 2021 (p. 28), especially the Sustainability scorecard (appendix 1) which includes the annual and strategic goals referred in previous sections, as well as additional performance and trend indicators. Please also see our WWF Green Office climate calculator results from our website. It includes MuniFin's operational environmental impacts. Please note that the climate calculator has become more accurate during the years and our own reporting has become more exact as well. This is the reason for increased emissions.

MuniFin also monitors its development with external ESG risk rating (Sustainalytics), which offers a broad overview of MuniFin's ESG risk and sustainability practices. The ESG risk rating score in 2021 was 11,8 (low) and improved to 9,4 (negligible) during the reporting period.

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# 6 APPENDICES

## Appendix 1: Sustainability Scorecard 2021

### Sustainability scorecard

We report the indicators for our key principles of sustainability and our performance in a sustainability scorecard. Our 2021 report is the first in which we publish specific performance figures and the limit values used in the assessment.

KEY PRINCIPLE	Performance and trends	2021	Limit values
Sustainable products and services	<b>GOAL 2024:</b> Customer satisfaction is at a very good level	6.24	Green: > 5.5 Orange: 4–5.4 Red: < 4
	Training sessions, seminars and events for customers	24	Green: > 15 per year Orange: 11–15 per year Red: ≤ 11 per year
	Cooperation and partnerships with educational institutions	3	Green: > 4 cooperation agreements Orange: 1–3 cooperation agreements Red: No cooperation agreements
	Number of users of digital MuniFin services	+233	Green: Number of users has increased Red: Number of users has decreased
	Survey of North European issuers	1	Green: First or second place in our category Orange: Third or fourth place in our category Red: Fifth or lower place in our category
	Proportion of state-subsidised housing finance for special groups in new lending	9.2%	Green: More than 15% Orange: 10–15% Red: Less than 10%
Forerunner in sustainability	<b>GOAL 2024:</b> Green and social finance account for 20% of the long-term customer finance portfolio	12%	Green: The proportion is growing in line with the growth path Orange: The proportion is growing, but at a rate 1–2 percentage points below the growth path Red: The proportion is growing, but at a rate more than 2 percentage points below the growth path
	Amount of green and social finance (EUR)	+ EUR 11 bln	Green: Amount on balance sheet has grown > EUR 1 billion Orange: Amount on balance sheet has grown EUR 500 million – 1 billion Red: Amount on balance sheet has grown < EUR 500 million
	Number of green and social finance projects	+81	Green: More than 60 new projects approved in the past year Orange: 30–60 projects approved in the past year Red: Fewer than 30 new projects approved in the past year
	Green bond issued	Yes	Green: Yes Red: No
	Social bond issued	Yes	Green: Yes Red: No
	Total amount of socially responsible investments	15.6%	Green: > 10% of issued responsible funding Orange: 8–10% of issued responsible funding Red: ≤ 8% of issued responsible funding
ESG score of the investment portfolio compared to the benchmark	Above	Green: Above the benchmark index Red: Below the benchmark index	
Developing wellbeing at work	<b>GOAL 2024:</b> Personnel satisfaction is at a good level	A	Green: AA Good, AA+ Good+, AAA Excellent Orange: A Satisfactory, A+ Satisfactory + Red: C Poor, B Passable
	Gender distribution of employees	55/45	Green: 40–60% (of either gender) Orange: 61–79% or 21–39% (of either gender) Red: 80% or higher / 20% or lower (of either gender)
	Gender distribution of managerial staff	71/29	Green: 40–60% (of either gender) Orange: 61–79% or 21–39% (of either gender) Red: 80% or higher / 20% or lower (of either gender)
	Gender distribution of the Board of Directors	75/25	Green: 40–60% (of either gender) Orange: 61–79% or 21–39% (of either gender) Red: 80% or higher / 20% or lower (of either gender)
	Gender distribution of the Executive Management Team	56/44	Green: 40–60% (of either gender) Orange: 61–79% or 21–39% (of either gender) Red: 80% or higher / 20% or lower (of either gender)
	Age distribution of employees	All represented	Green: All age groups are represented Orange: One age group is not represented Red: Two age groups are not represented
	Employer's pension insurance (TyEL) category	1	Green: 1–3 Orange: 4–6 Red: 7 or higher
	Training days per employee	2.5	Green: > 4 Orange: 2–3.9 Red: < 2
	Gender pay gap	2%	Green: By pay grade, average difference max 3% Orange: By pay grade, average difference 3–5% Red: By pay grade, average difference more than 5%
	Employee turnover	13%	Green: ≤ 10% Orange: 10–13% Red: > 13%
Strong corporate governance	<b>GOAL 2024:</b> All ESG risks associated with customers are assessed with a comparable methodology		Green: ESG risks associated with all customers have been assessed using comparable methods Orange: ESG risks associated with the most significant (top 20) customers have been assessed using comparable methods Red: ESG risks have not been assessed
	100% of employees have completed Sustainability Policy training	100%	Green: 95% Orange: 90–95% Red: < 90%
	Violations of regulations	No violations	Green: No violations Orange: Formal public statement by a supervisor requiring actions due to regulatory violation but no sanction measures are posed Red: Material sanction from supervisors or regulators (administrative fine, public warning or penalty payment)
	Memberships of associations and national interest organisations	12	Green: > 4 Orange: 1–3 Red: 0
	National and international commitments	2	Green: Number of commitments has remained the same or increased Orange: Number of commitments has decreased Red: No commitments
	ESG rating	11.8	Green: Improvement in line with the target path Orange: Improvement from the previous year, but falling behind the target path Red: Decrease from the previous year