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# **Responsibility at MuniFin**

**Responsibility report 2017**

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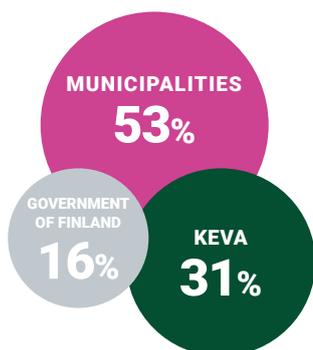
# MuniFin in brief

Municipality Finance has been established for the purpose of focusing on developing the Finnish welfare society. MuniFin is the only financial institution in Finland specialised in financing the municipal sector and non-profit social housing.

MuniFin's lending is offered exclusively to Finnish municipalities, their majority-owned companies, and non-profit social housing companies. MuniFin offers financing solutions to a wide variety of environmentally and socially responsible projects such as public transportation, sustainable buildings, hospitals and healthcare centres, daycare centres and schools, and social housing. Additionally, MuniFin promotes the achievement of Finland's climate targets by offering green finance for investments that have clear and measurable positive effects on the environment.

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

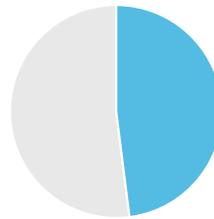
## Shareholders



## Dedication of employees

**81.9%**

Survey by Corporate Spirit, maximum is 100%.



MuniFin's share of municipal debt in 2016

**48%**

New long-term funding in 2017

**9.6**

EUR billion

Lending portfolio

**21.2**

EUR billion

## Happy customers

**6.3**



How positive is your image of MuniFin compared to other actors in the same field?



**826**

Customer organisations

**1,022**

EUR million



Development of green finance portfolio 03/2016–12/2017

# Foreword



Responsibility is reflected in MuniFin's operations throughout the organisation. The financing MuniFin offers is used to build the Finnish welfare society in the long-run. In one way or another, we influence the daily lives of everyone living in Finland. In our new strategy, one of the core elements of the company's mission is being responsible in everything we do. Among other duties, this includes ensuring a balanced financial position of our customer base.

Environmental responsibility plays an increasingly large role in MuniFin's operations. Being a WWF-certified Green Office is a key part of this, but MuniFin's most significant impact on the environment is achieved indirectly through green finance.

Green finance steers municipalities towards environmentally sustainable investments. Since the launch of our green finance product in 2016, the size

of the green portfolio has grown to over EUR 1.0 billion. There has also been strong demand for our green bonds. Our recent EUR denominated green bond was almost six times oversubscribed. This shows that investors trust our green lending is clear and transparent.

MuniFin's approach to corporate governance is strongly backed by the regulations that govern the financial sector, but our aim is to go beyond the norm. Our new Responsibility Policy guides everything we do. We are committed to understanding and managing the social and environmental impact of our operations, as well as the contribution that the services and products that we offer have on the long-term goals of the Finnish welfare society.

The wellbeing of our employees was raised as one of the key themes in our recent responsibility strategy. We want to be an attractive employer in the eyes of new employees, and to maintain our employees' wellbeing and resilience at work. Based on personnel surveys, we are doing a good job: most of our employees would recommend MuniFin as an employer.

The report you are holding is MuniFin's first-ever responsibility report, and we are very proud of it. We have compiled our approach to responsibility as well as the main goals and indicators in this report. We closely monitor the achievement of these goals on an annual basis. We also publish a separate summary of the development of our green finance and green bonds in 2017. I am delighted to see that our commitment to environmental responsibility grows stronger every year.

Work on responsibility is never complete – there is always room for improvement. Building the future does not progress in great leaps but in small steps taken together. Any comments and improvement suggestions regarding this report are therefore most welcome.

**Esa Kallio**  
President and CEO  
Municipality Finance

# Highlights in responsibility 2017

- Responsibility became a concrete part of the company's updated strategy and mission

- MuniFin became a member of Finsif, Finland's Sustainable Investment Forum

- MuniFin's green finance exceeded EUR 1.0 billion at the end of 2017

- MuniFin started offering zero-margin green leasing for electric vehicles

- MuniFin defined the core areas for responsibility

- The Corporate Responsibility and Communications department was established

- MuniFin's EUR 500 million green bond was almost six times oversubscribed and tightly priced

- MuniFin participated in defining a Nordic issuers' joint publication Position Paper on Green Bonds Impact Reporting

# Strategy and business model

*The core principle of MuniFin's strategy is to build a better society in cooperation with the customers. MuniFin aims to be the best possible financial expert for its customer base, with the deepest insight into its customers' needs and changing operating conditions.*



## MISSION

Building a better future line line with the principles of responsibility and in cooperation with our customers.



## VISION

MuniFin is the best financing partner for its customers in a changing world.



## VALUES

- The customer is number one
- Integrity
- Partnership
- Creativity and capacity for renewal
- Spirit of cooperation



## SUCCESS FACTORS

- Happy customers
- Efficiency
- Risk management
- Responsibility
- Skilled and motivated staff
- Creditworthiness of the joint funding system

When it comes to global megatrends, climate change and resource scarcity have the largest impact on development within the financial sector. They have already affected MuniFin's business operations, examples include green finance, green bonds and socially responsible investments (SRI). In addition, digitalisation is reshaping MuniFin's processes and services at a rapid pace.

Climate change also affects the operating environment of MuniFin's customer base. Accelerating urbanisation and an ageing population are also among the global megatrends strongly influencing the future of MuniFin's customers.



## Business model

MuniFin is committed to building a better future together with its customers in a responsible way. This includes ensuring the availability of financing to its customers in an ever-changing operating environment, which is why MuniFin has to have a sufficient liquidity buffer in place in order to secure business continuity in the event of any market disruptions.

Due to the business model, shareholders, and customer base, MuniFin only offers products and services in Finland.

MuniFin offers services and solutions that meet its customers' existing and future needs in a competitive way. MuniFin strives to create positive long-term effects by actively working with its customers to find a

solution that best fits each customer, and then helps them in the implementation of the solutions. MuniFin is an integral part of the Finnish public sector, for which it represents the most important partner in financing.

MuniFin is an efficient, flexible, and committed partner for its customers and investors. The business model is based on the 0 % risk weighting of municipalities in the company's capital requirements calculation and the solid credit rating of the Finnish public sector. Funding is entirely acquired from the international capital markets and guaranteed by the Municipal Guarantee Board.

### VALUE CREATION



- Close-knit networks of stakeholders: customers, shareholder and investors
- Skilled and motivated staff
- Joint funding system of the municipalities
- Strong credit rating

- Profit maximising is not the main goal
- Responsibility in customer finance and risk management
- Flexible and effective practice
- Unique expertise in the customers' business sector

- Increasing wellbeing in the society: long-term sustainable investments, affordable social housing and other social investments
- Granting long-term lending
- Competitiveness of finance and ensuring availability
- Analysing customers' overall financial position, and providing advice and digital solutions
- Employee wellbeing

Year 2017 CASE

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## RANTAROUSTI SCHOOL

*The Rantarousti elementary school in Tyrnävä was built efficiently: the building has no classrooms or a separate lunchroom and consists of modifiable, multipurpose learning spaces and environments. The school building has geothermal heating and solar panels. Rantarousti School was financed with MuniFin's green finance.*



# Key principles of responsibility at MuniFin

*MuniFin has defined four key principles of responsibility. Through its work, the company promotes the achievement of nearly all of the sustainable development goals (SDG) set by the United Nations.*

## Long-term value creation through responsible products and services



## Improving wellbeing at work



## Forerunner in sustainability



## Strong corporate governance



Responsibility is reflected in MuniFin’s operating practices throughout the organisation. The key principles of responsibility are based on a materiality analysis carried out in 2016 and finally specified during 2017. MuniFin’s Board of Directors approved the key principles of responsibility in late 2017. The materiality analysis, principles and related goals were implemented by interviewing MuniFin employees from

all functions in the company, MuniFin’s customers, investors and other public sector experts.

The key principles of responsibility were also used as the basis for preparing the group-wide Responsibility Policy. All employees at MuniFin will be required to familiarise themselves with the new policy.

The objectives and indicators of each principle will be reported to stakeholders annually.

# Long-term value creation through responsible products and services

The projects financed by MuniFin have a wide-ranging impact on the Finnish society. The financing granted is primarily long-term, with loan maturities up to 40 years.

Social responsibility is emphasised in MuniFin’s operations because the projects financed by MuniFin aim to maintain and improve the Finnish welfare

society in the long-run. Examples of socially responsible projects include hospitals, healthcare centres, schools, daycare centres, the production of housing for special groups, and affordable social housing as well as investments in other environmental projects.

MuniFin’s responsible lending is based on analysing the overall financial situation of the customer.

## KEY PRINCIPLES AND GOALS FOR RESPONSIBLE PRODUCTS AND SERVICES

### Key principles and goals

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

Goal: Increasing the social impact of MuniFin

#### Enhancing expertise

Goal: Launching new products and enhancing expertise within the customer base

#### Responsible business

Goal: Ensuring financing for customers under all market conditions

### Indicators

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

- Training and seminars in 2017
- Cooperation with universities and other higher education institutions in 2017
- Number of individual Apollo users
- Customer experience survey: How well have we met your expectations?

- Responsibility in lending
- Number of customers
- Breakdown of investor types
- Number of active hedge counterparties (CSA)



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

MuniFin offers financing to municipalities, municipally owned corporations, municipal federations, and government-subsidised social housing. Thus, the financing is directed to strengthen the Finnish welfare society.

The majority of the financing for municipalities consists of balance sheet lending. The balance sheet lending can be used for various investment projects. Projects of green finance and financing purposes for social housing are clearly designated. During 2018, MuniFin will develop its internal processes to enable that the targets and purposes of the financing would be possible to define more accurately.

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

**More than 1 000 persons with special housing needs are served with MuniFin's lending in 2017.**

### FINANCING FOR AFFORDABLE SOCIAL HOUSING

Part of the MuniFin's social responsibility is the financing of affordable social housing. For the government-subsidised rental and right-of-occupancy housing, applicant's need for a home, income level and wealth form the inhabitant's selection criteria. The rental and right-of-occupancy housing financed by MuniFin, are therefore especially for applicants with urgent need of home, little personal wealth and low income level.

In 2017, the total amount of financing for new residential buildings with interest subsidy, amounted **EUR 834 million.**

### SOCIAL HOUSING FOR SPECIAL GROUPS

In addition to government-subsidised rental and right-of-occupancy social housing, MuniFin offers financing for social housing intended for special groups. Through MuniFin's financing, housing is provided to thousands of students, people with disabilities, and elderly people. **The total amount of financing granted by MuniFin for the production of housing for special groups in 2017 was approximately EUR 91 million.** A more detailed breakdown of the financing (total amounts) is provided in the graph below.

#### The financing of social housing building projects for special groups in 2017:

- Students: 2
- People with disabilities: 12
- Elderly people: 10

Year 2017 CASE



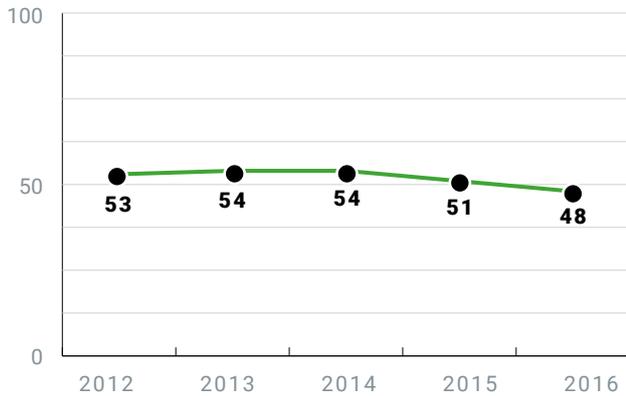
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## PIELAKOTI

*Located in the municipality of Pielavesi, the premises of Pielakoti are a combination of a service housing unit and a central kitchen serving the entire community. The building has geothermal heating and cooling, energy efficient LED lighting and solar panels. Pielakoti was financed with MuniFin's green finance.*

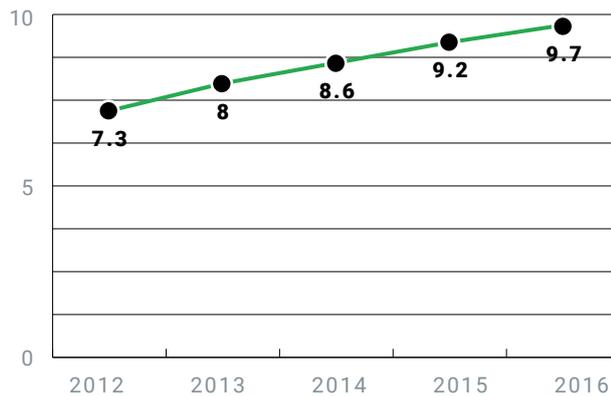


**Share of MuniFin's lending in municipal debt, %**



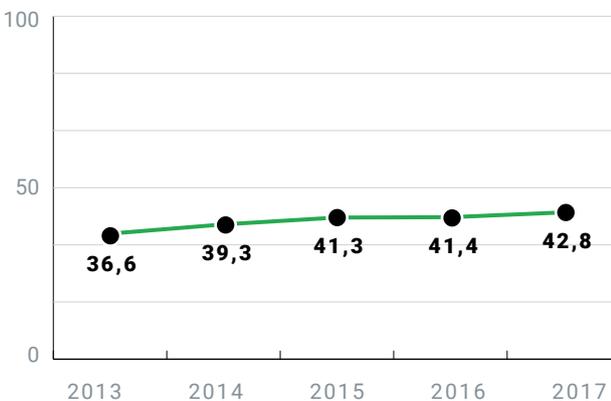
Share of MuniFin's lending from municipal loan stock

**Total amount of loans for government-subsidised social housing (EUR billion)**



Loans, total

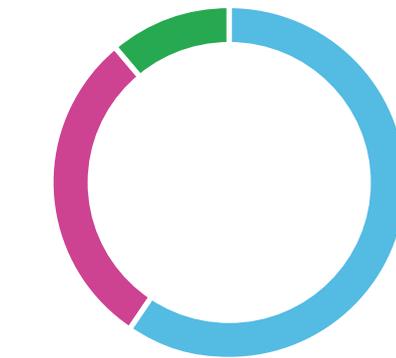
**Share of long-term loans from total lending portfolio, %**



Long-term loans, %

Long-term loans with a maturity of over 10 years, as shown in the balance sheet.

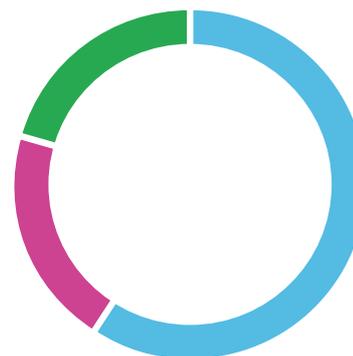
**Breakdown of social housing loans in 2017**



- Rental apartments 59,7 %
- Right-of-occupancy 29,4 %
- Government-subsidised social housing, special groups 10,9 %

Breakdown of financing for government-subsidised social housing (won in 2017) by location, based on total amount (tenders won). Category: buildings (not basic renovation).

**Breakdown of social housing loans in 2017 (special groups)**



- Elderly people 59,4 %
- People with disabilities 20,4 %
- Students 20,3 %

Breakdown of loans for housing for special groups in 2017 based on total amount (tenders won). Category: buildings (not basic renovation).

## Enhancing expertise

MuniFin's operations are aimed at enhancing expertise in questions related to public sector finances, municipal investments and social housing investments. The company works closely with the Housing Finance and Development Centre of Finland (ARA), the Association of Finnish Local and Regional Authorities, Local Government Pension Fund (Keva), Local Government Employers, and the private sector employer organisation Avainta ry.

By offering green finance, MuniFin aims to promote the development of sustainable solutions benefiting the environment. To this end, the company cooperates with the Ministry of the Environment and the Finnish Environment Institute SYKE, as well as the Finnish Sustainable Communities FISU – a network of Finnish municipalities aiming to become carbon neutral and waste-free by 2050, and the HINKU Forum – working towards carbon neutral municipalities.

In 2017, MuniFin deepened its cooperation with universities and other higher education institutions. In addition, MuniFin and its subsidiary Inspira have been involved in organising or participating in dozens of training sessions and seminars around Finland.

Enhancing expertise is also measured through three quantitative indicators, which are related to cooperation with universities, the customers' perception of expertise, and the use of MuniFin's Apollo service. Apollo is a loan portfolio management solution software targeted for MuniFin's customers. Apollo has a wide range of modelling and reporting functions that are based on market data, the data on customers' existing financing agreements, and the simulation of various financing options.

### COOPERATION WITH UNIVERSITIES IN 2017

MuniFin cooperates with universities and other higher education institutions in order to generate more expertise in public finances in Finland.

- In 2015–2017, MuniFin supported the specialisation option Public Financial Management on the degree programme in Administrative Studies at the University of Tampere Faculty of Management. The cooperation agreement included organising a seminar on the theme of public funds, which was open to everyone. In addition, MuniFin's experts gave guest lectures at the Faculty of Management.

- In 2017, together with the Association of Finnish Local and Regional Authorities, Keva, Local Government Employers KT and the private sector employer organisation Avainta ry, MuniFin co-funded a University of Tampere study on the Nordic financing models in use in various regions and their applicability in Finland.
- In 2017, MuniFin made the decision to support the establishment of a professorship in Urban Economics at the Aalto University. The total donation was EUR 60,000, distributed over five years.
- MuniFin started cooperating with Hanken Svenska handelshögskolan's Master's degree programme in Business and Management. The cooperation is focused on the theme of responsibility. A project to evaluate the social impacts of MuniFin's operations was launched in 2017. The project is part of the Corporate Social Responsibility and Humanitarian Logistics course offered at Hanken.

**MuniFin promotes enhancing expertise in questions related to public sector finances, municipal investments and social housing investments.**

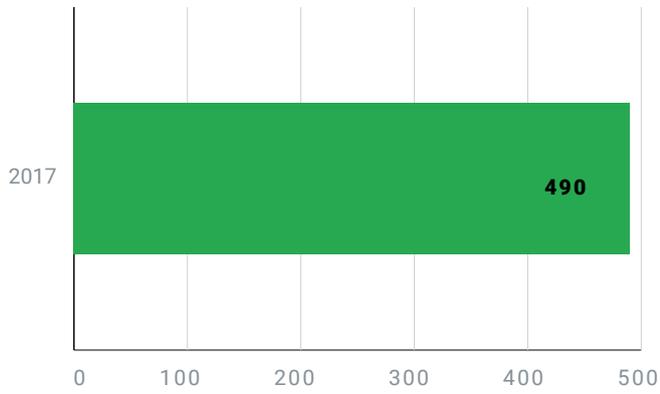
### TRAINING AND SEMINARS

In 2017, MuniFin organised nine events on its own, and seven seminars or events in cooperation with its partner organisations.

In addition to these, MuniFin and its subsidiary Inspira annually participate in dozens of events as a presenter or trainer. The target groups of the events and seminars include municipal managers, investors, local government experts on construction and the environment, and university students.

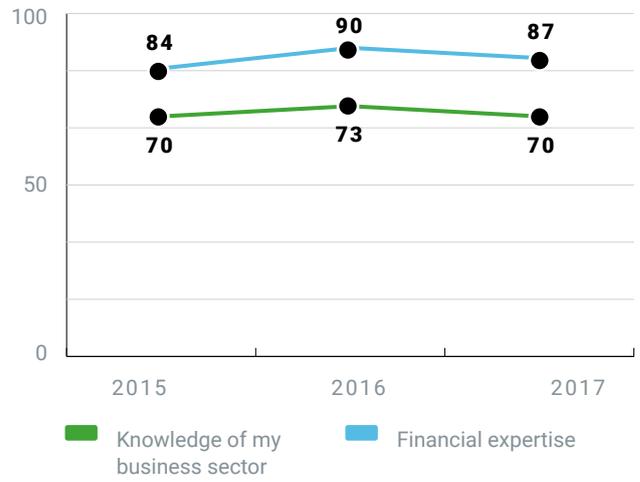
MuniFin's subsidiary Inspira organised 14 training sessions and seminars, of which nine were organized with MuniFin.

**Number of individual Apollo users**

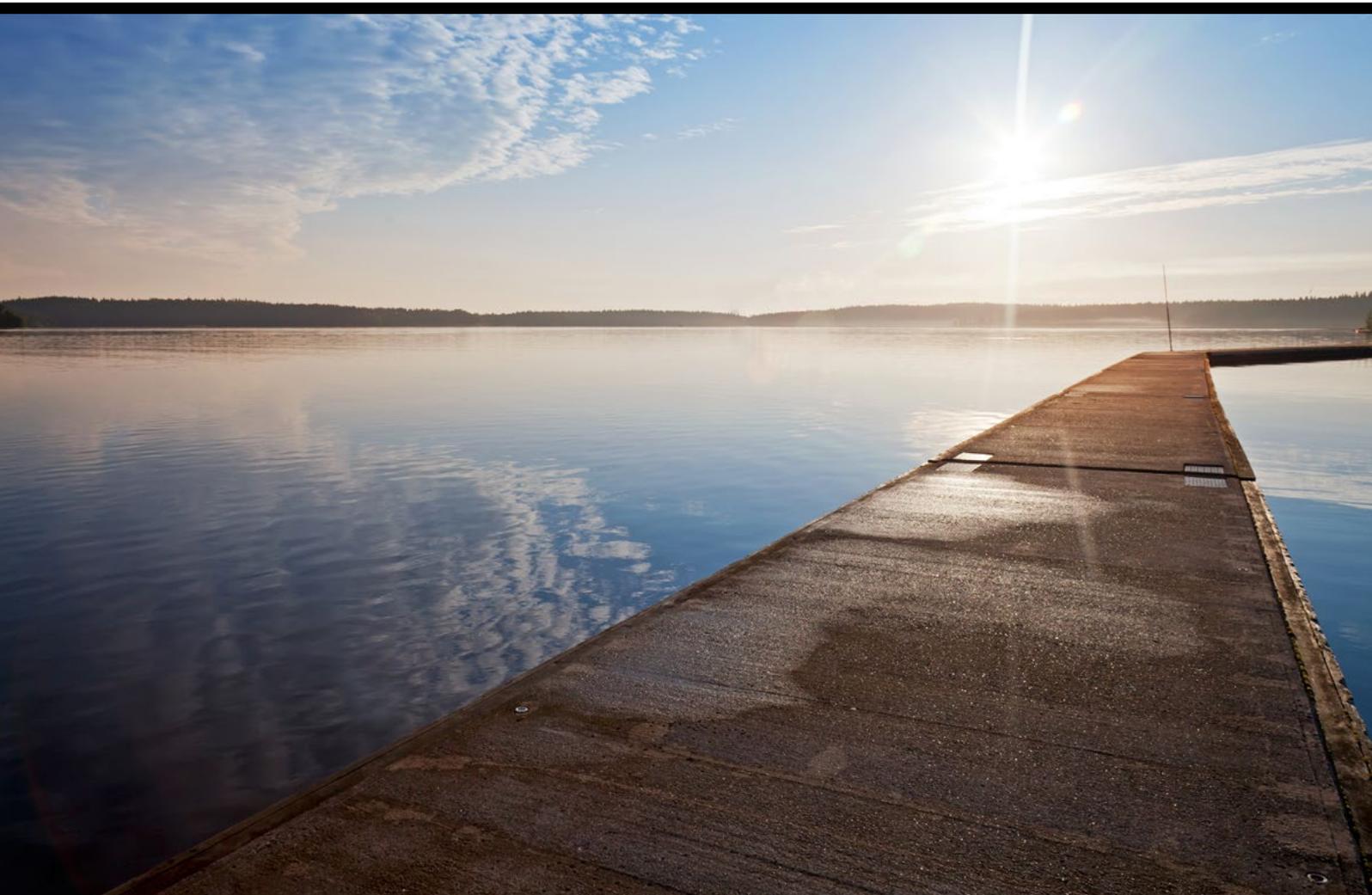


Apollo is a financial portfolio management solution developed by MuniFin.

**Customer experience survey: How well have we met your expectations? (1-100 %)**



The index number indicates how many respondents out of a hundred would be ready to recommend MuniFin.



## Responsible business operations

For MuniFin, responsibility in financial operations means not only being able to secure financing for its customers under all market conditions, but also the responsibility for managing the risks associated with its own operations and customer finance.

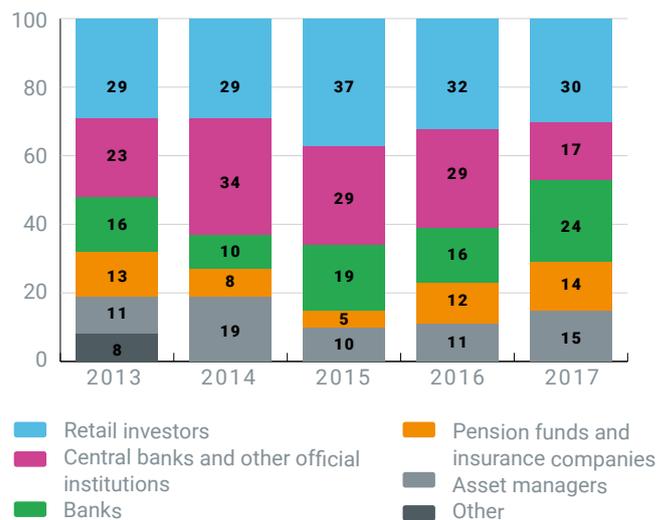
In 2017, MuniFin developed its loan granting process. The changes will make MuniFin's own risk management more effective, and will also improve the quality of customer service.

In the renewed process, the customer's financial position and the viability of the planned investment are evaluated more thoroughly than before: data is collected from multiple sources and analysed systematically by an automated system. The data is utilised in the internal analyses of market trends and discussions with customers. With the more effective process, both MuniFin and its customers have a better understanding of the customers' overall financial position.

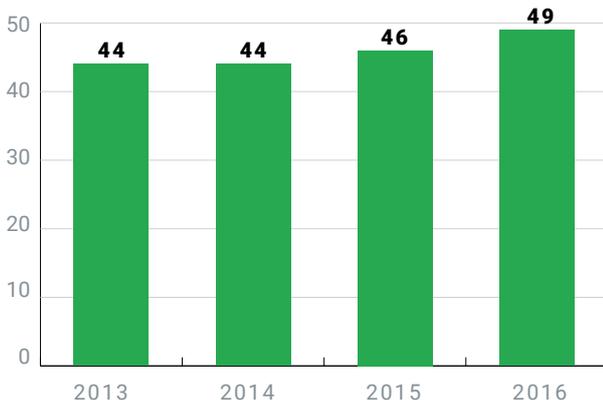
While the key part of the renewal was to develop the sources of customer data, analytics and data management, the final evaluation of the customer's financial position is carried out in cooperation with the customer. Finance-related discussions and mappings provide valuable insights to both parties.

**Data about customers' financial position and the viability of planned investments is collected from multiple sources and evaluated more thoroughly than before.**

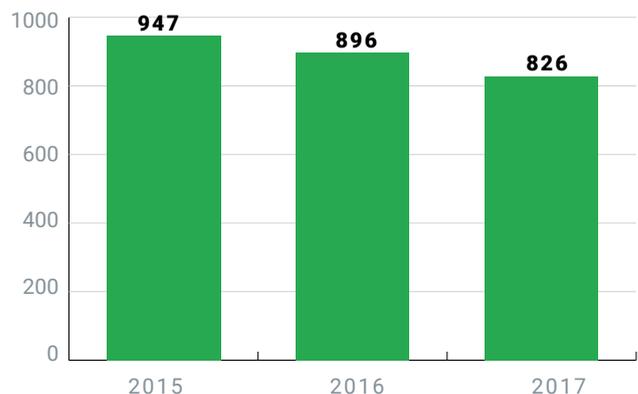
Breakdown by funding investor type



Number of active hedge counterparties (CSA)



Number of active customer organisations (loans and leasing agreements)



# Forerunner in sustainability

The municipal sector and social housing production play a key role in the achievement of Finland's climate goals. MuniFin aims to operate in a way that lowers the threshold of its customers to make environmentally sustainable investments.

In 2016, MuniFin launched the concept of green finance. Projects eligible for green finance promote the achievement of Finland's climate goals and sustainability in the long run. Eligible projects are financed with green bonds, which the company aims to issue annually.

## KEY PRINCIPLES AND GOALS IN FORERUNNER IN SUSTAINABILITY

### Key principles and goals

### Indicators

#### Green finance

Goal: Share of green finance from total lending 15% by 2025

- Green portfolio, total
- Green portfolio, average maturity
- Eligible green projects (qty)
- Share of green finance from total lending and leasing portfolio
- Green projects, CO<sub>2</sub> emissions avoided
- Improvement of energy efficiency of buildings
- Pilot project trends (qty) or new green solutions

#### Green bonds and socially responsible investments (SRI)

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

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

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

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

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



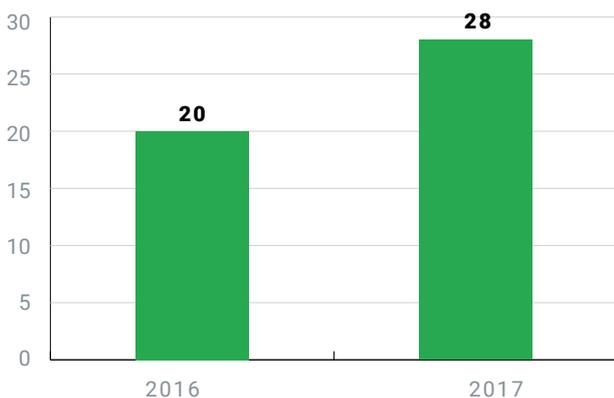
## Green finance

MuniFin started to offer green finance for customers in the beginning of 2016. Municipalities play a key role in achieving Finland’s climate goals and thus MuniFin offers green finance and green leasing for environmental investment at a lower margin. The projects of green finance can represent any category of the Green Framework: renewable energy, energy efficiency, sustainable public transportation, waste management, water and waste water management, sustainable building and environmental management including nature conservation. The projects are reviewed and

approved by experienced third party. **MuniFin’s long-term goal is that the share of green finance from total lending is 15% by 2025.**

At the end of 2017, the total amount of disbursed green projects was EUR 840.0 million and the remaining EUR 182.0 million was invested in short-term investments according to MuniFin’s short-term investment policies. The average maturity of the total green portfolio at the end of 2017 was 27.3 years. The average maturity of eligible projects added into the portfolio in 2017 stood at 28.3 years.

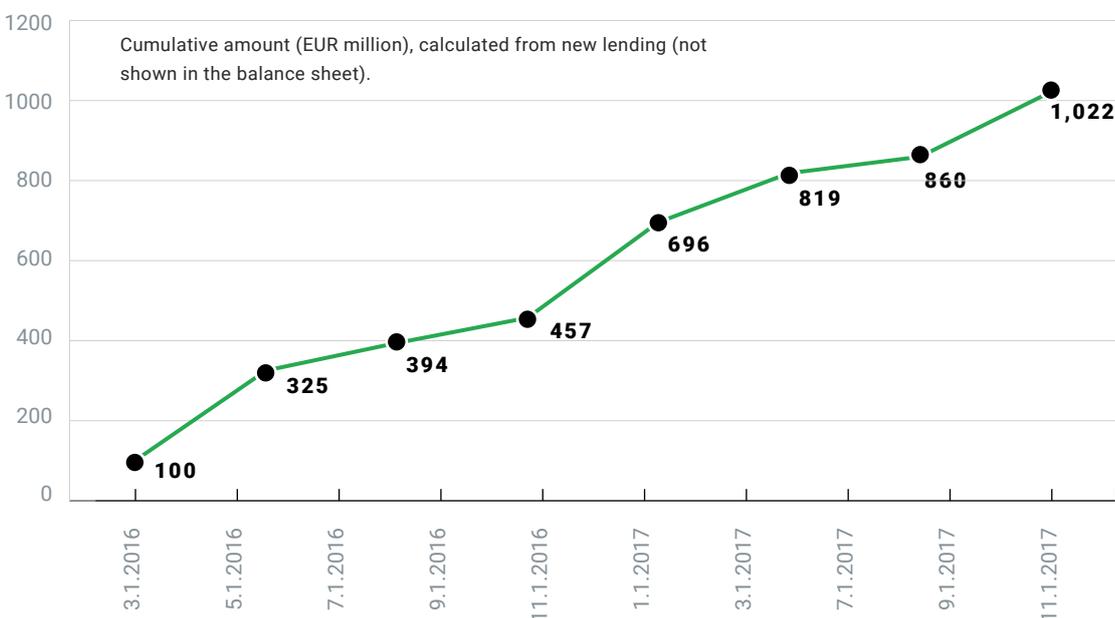
### Green portfolio, average maturity in years



Green portfolio,  
total 31 DEC 2017

**1,022**  
EUR million

### Green portfolio, total



Year 2017 CASE

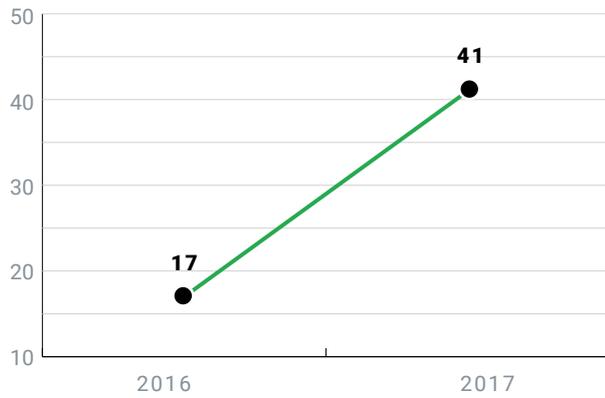


## ELECTRIC BUSES IN TURKU

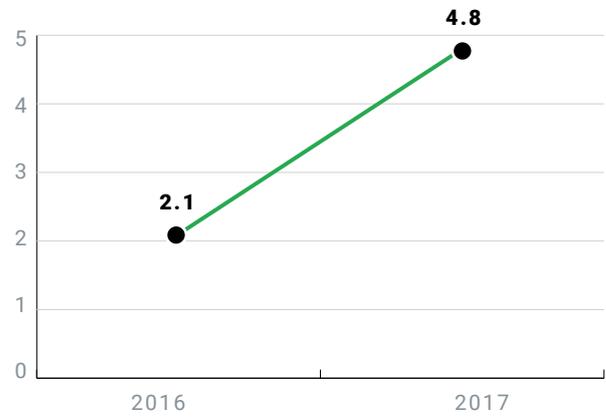
*The City of Turku has set the target of becoming carbon-neutral by 2040. With regard to public transport, the city is investing in the introduction of more electric buses, which will reduce the emissions and noise generated by city traffic. The first electric buses introduced in Turku were partly financed with MuniFin's green finance.*



**Number of green projects, total**

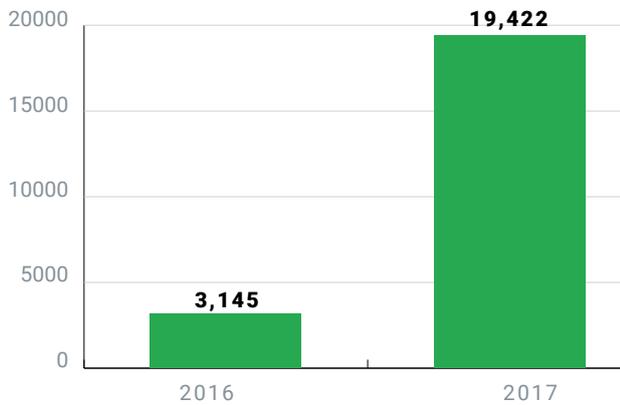


**Share of green finance from total lending and leasing portfolio, %**



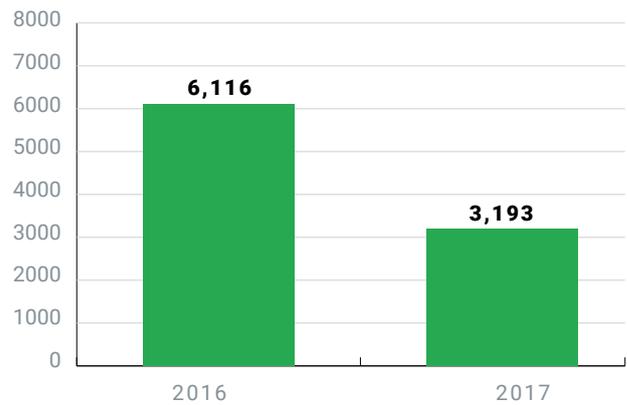
Ratio of green finance (new lending, cumulative) to the size of the lending and leasing portfolio, as shown in the balance sheet.

**Green portfolio, CO<sub>2</sub> emissions avoided**



Emissions avoided, tonnes of CO<sub>2</sub>, not cumulative.

**Improvement of energy efficiency of buildings**



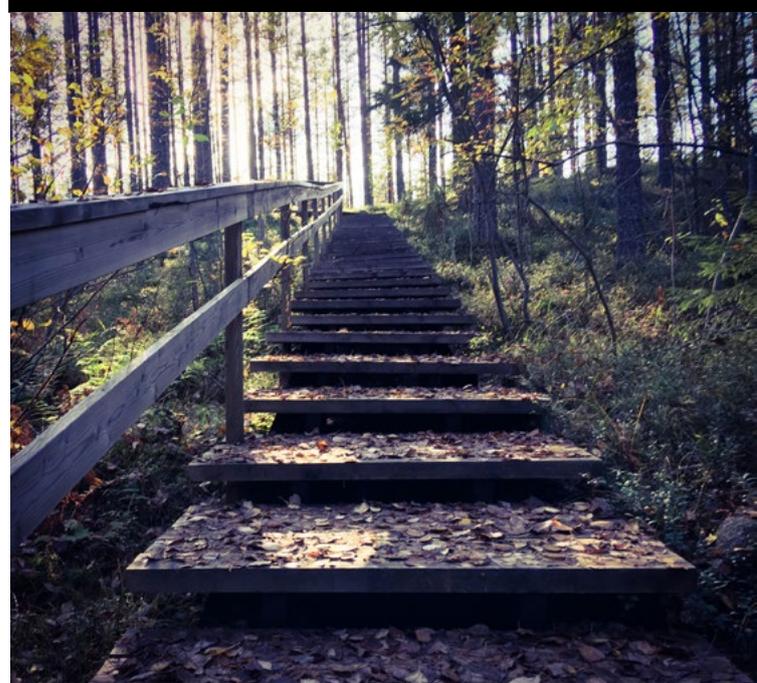
Improvement of energy efficiency, MWh/m<sup>2</sup>, not cumulative.

## Green bonds and responsible investments

MuniFin’s green portfolio is fully financed with green bonds. At the end of 2017, the total amount of green bonds was EUR 978.1 million and their weighted average maturity was 7.44 years. Nearly 150 institutional investors worldwide have participated in the issuance of green bonds by MuniFin.

In 2017, MuniFin made the decision to allocate some of its investments to socially responsible investments. A portfolio of socially responsible investments (SRI) was established in 2017, and its target size is linked to the total number of green bonds. Additionally, MuniFin monitors the responsibility of its investments based on an ESG score calculated on a quarterly basis.

MuniFin’s annual goals include the issuance of a green bond. The first green bond in the history of MuniFin – and Finland – was issued in 2016.



### A NEW GREEN BOND ISSUED?

**2016**

Yes

**2017**

Yes

### SOCIALLY RESPONSIBLE INVESTMENTS, TOTAL

**EUR 43**

million

### RESPONSIBLE INVESTMENTS

MuniFin makes liquidity investments in compliance with the Responsibility Policy approved by the company’s Board of Directors.

The total amount of MuniFin’s responsible investments in 2017 was EUR 43 million.

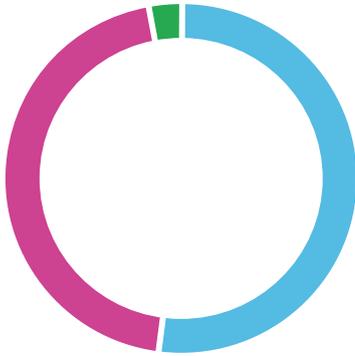
The company monitors the ESG scores (environmental, social, governance) of the issuers in its investment portfolio.

The average ESG score of all investments is compared to a benchmark index using an asset class breakdown corresponding to the company’s liquidity investments. The ESG analysis of issuers is carried out by the German asset manager Union Investment. At the end of 2017, MuniFin’s liquidity investments had an ESG average of 49.1, which is just under the benchmark index (49.2).

The method of calculating the ESG score used by Union Investment was changed in 2017. This prevents comparison between the ESG scores published in previous years and the ESG score for 2017. According to the calculation method used in 2017, the ESG score for 2016 was 49.9.

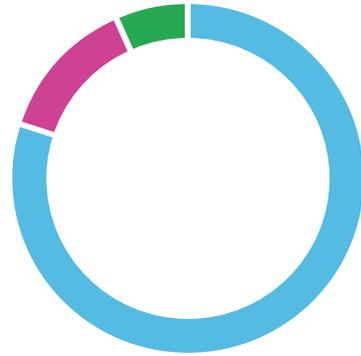


**Green bonds, total and breakdown  
(EUR, USD, AUD)**



- EUR 500m 2027 52 %
- USD 500m 2021 45 %
- AUD 50m 2027 3 %

**Green bonds,  
geographical location**

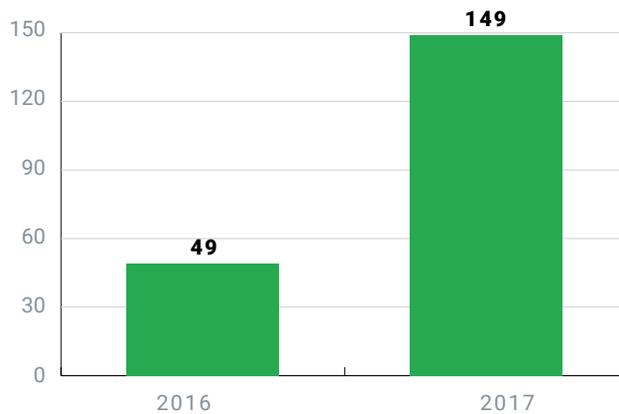


- Europe 80.2 %
- North America 13.2 %
- Asia 6.6 %

At the end of 2017, the total amount of green bonds was EUR 978.1 million, and their weighted average maturity 7.44 years.

Green bonds, cumulative breakdown (2016–2017).

**Number of institutional investors  
in MuniFin green bonds**



Cumulative amount (2016–2017).



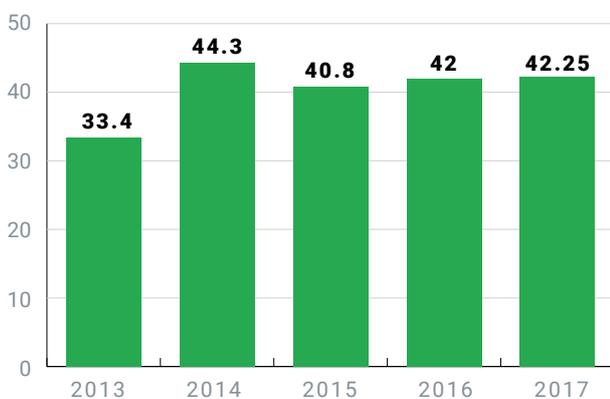
## Environmental impact of MuniFin's own operations



MuniFin strives to make environmentally friendly choices in its own operations. For efforts to reduce its environmental footprint and greenhouse gas emissions, MuniFin has been granted a Green Office certificate, which is audited by the WWF.

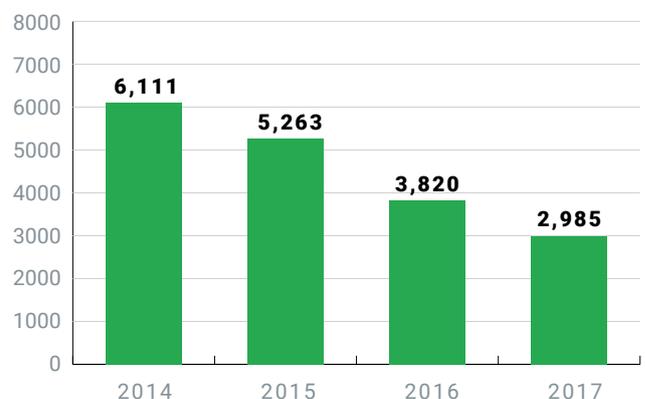
The company aims to reduce the use of paper and the generation of biowaste, lower its energy consumption, and increase environmental awareness among its staff. MuniFin also emphasises environmental efficiency in its purchases.

**Energy consumption at MuniFin, tonnes of CO<sub>2</sub>**



Source of data: WWF's Climate Calculator

**Use of office paper at MuniFin, consumption, sheets/employee**



Source of data: WWF's Climate Calculator



# Improving wellbeing at work

MuniFin invests strongly on the wellbeing of its employees and their job satisfaction. Offering equal opportunities to everyone at the workplace is a priority. The company's staff feel that their work is meaningful and significant for the society.

One of the key success factors for MuniFin is finding the people with the best skills to work for the company, which is why the company has set a goal of having the best possible employer brand.

The information relating to staff presented in the responsibility report only concerns the parent company and not Municipality Finance Group as a whole.

## KEY PRINCIPLES AND GOALS FOR DEVELOPING WELLBEING AT WORK

### Key principles and goals

#### Diversity and equal opportunities

Goal: increasing diversity

#### Employee wellbeing

Goal: promoting wellbeing at work and job satisfaction

### Indicators

- Breakdown of employees by gender
  - Breakdown of managerial staff by gender
  - Breakdown of Board of Directors by gender
  - Breakdown of employees by age group
  - Equal treatment of employees
- 
- Level of dedication (Corporate Spirit)
  - Supporting professional development
  - Employee turnover
  - Sick leave, amount and trends
  - Performance appraisals implemented

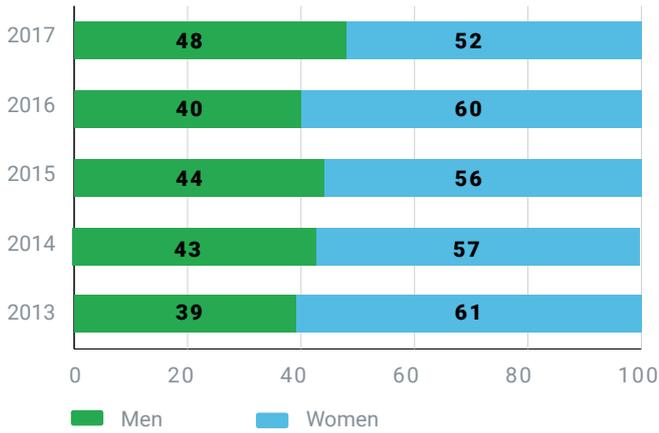


## Diversity and equal opportunities

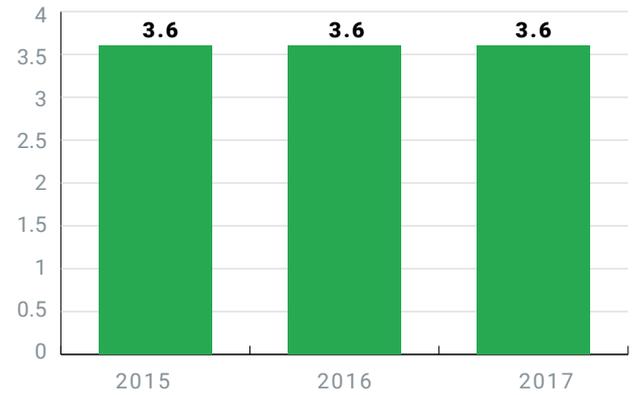
Diversity as well as offering equal opportunities to everyone at the workplace are important elements of MuniFin's corporate culture. Diversity and equal

treatment are measured in this section through five indicators.

**Breakdown of employees by gender, %**

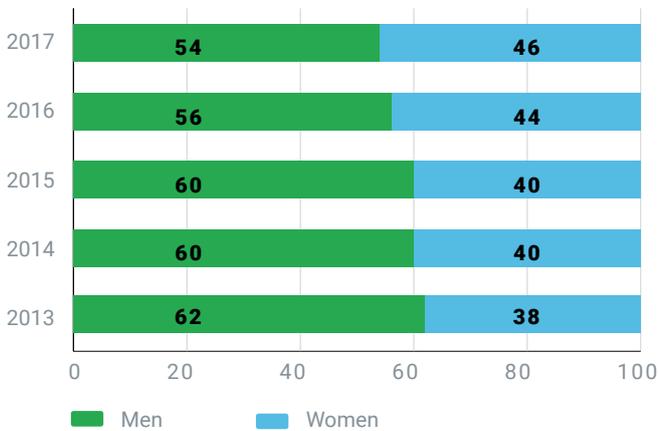


**Equal treatment of employees**

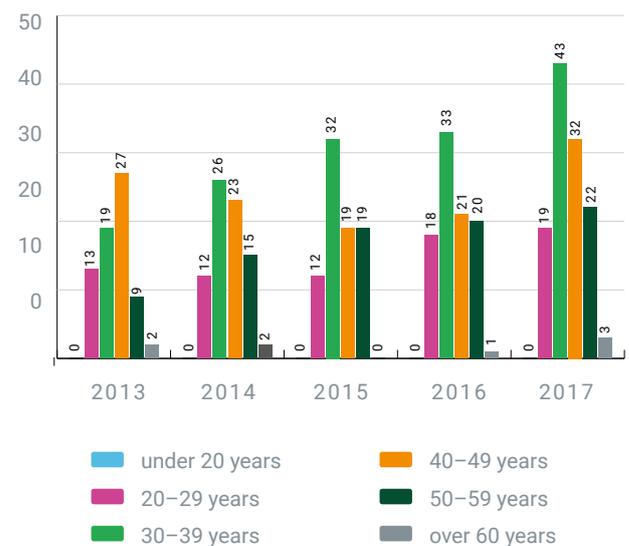


Corporate Spirit, average score for five questions measuring equal treatment on a scale of 1 to 4 (poor–good).

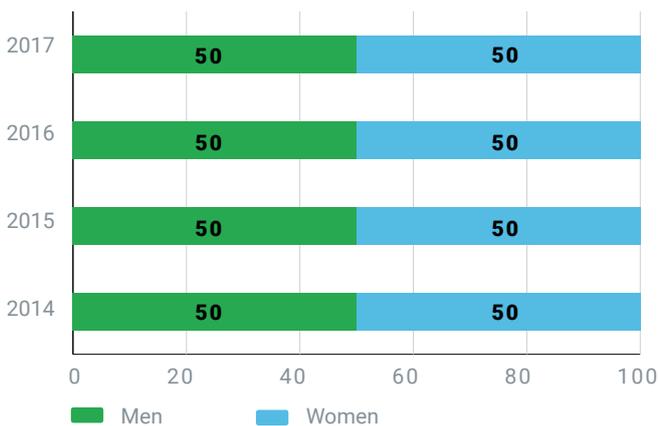
**Breakdown of managerial staff by gender, %**



**Breakdown of employees by age group**



**Breakdown of Board of Directors by gender, %**



## Employee wellbeing

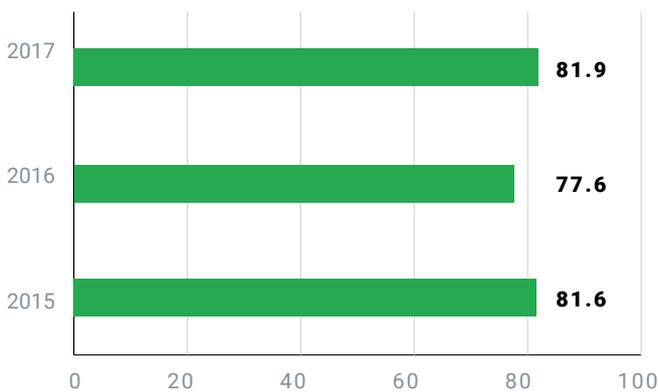
The competence and job satisfaction of employees are key factors for ensuring MuniFin's success. Work tasks are versatile, and accountability and continuous professional development are required to perform them. The company therefore offers plenty of opportunities to participate in training, and also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

"My employer supports my professional development" question has answered positively by:

- 2015: 87% of the respondents
- 2016: 87% of the respondents
- 2017: 84% of the respondents

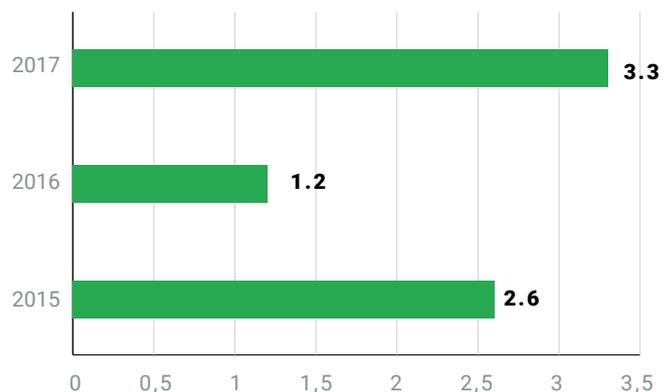
**84%** of employees find that MuniFin supports professional development

Level of dedication, %



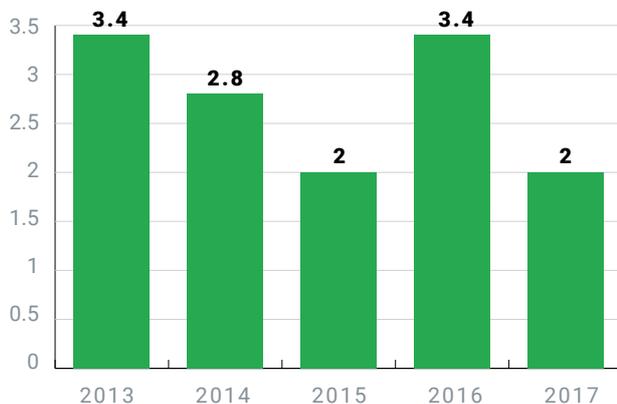
Survey by Corporate Spirit, maximum is 100%.

Employee turnover, %

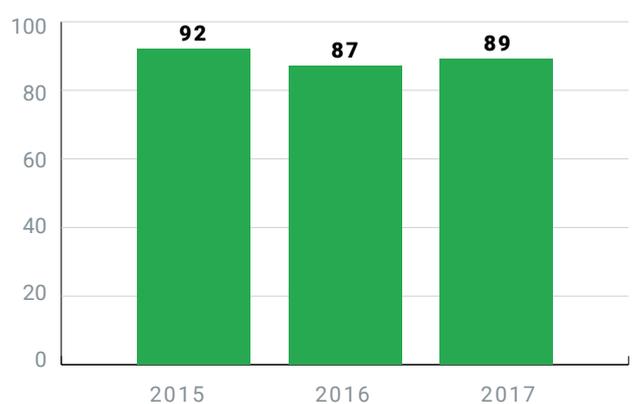


Ratio of exits (%) to number of employees on 31 Dec the previous year.

Sick leave, amount and trends, %



Performance appraisal implemented, %



# Strong corporate governance

The leading principle in the work of MuniFin’s employees is to ensure that all operations are conducted in a responsible way. The company’s operations are guided by Responsibility Policy, and staff are trained to understand the principles of responsible behaviour

and to identify any conflicts of interest. MuniFin’s website includes a whistleblowing channel that can be used to report any suspicions of misconduct, also anonymously, if necessary.

## KEY PRINCIPLES AND GOALS FOR STRONG CORPORATE GOVERNANCE

### 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



## Business ethics and Responsibility Policy

### RESPONSIBILITY POLICY

As of 2018, the operations of MuniFin will be guided by a Responsibility Policy (previously the Code of Conduct). The goal is to ensure that MuniFin's staff becomes familiar with the company's Responsibility Policy during 2018. Additional goal for 2018 is to develop anti-corruption indicators and to introduce them into the employees' tasks throughout the organisation.

Through this group-wide policy, MuniFin aims to reduce the risks to which MuniFin and its employees are exposed, in particular operational and reputational risks, which can have a considerable adverse impact on the company's operations and profitability. Such risks include fines, litigation costs, restrictions imposed by competent authorities, other financial and criminal penalties, and the loss of brand value and consumer trust.

Completely new sections in the Responsibility Policy include key principles for responsibility, customer finance, and risk management. Other sections on operational business functions, such as funding and liquidity management, were also updated to reflect MuniFin's current approach to responsibility.

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

### CORPORATE GOVERNANCE TRAINING FOR STAFF

MuniFin actively organises training to its staff regarding topics, such as corporate responsibility, risk management as well as regulation and policies. All trainings are recorded to MuniFin's HR system in order to keep track of the trainings.

In 2017, MuniFin organised training sessions on risk policies for all employees. Workshops designed specifically for a department or function were also organised to enable all employees to familiarise themselves with the key principles of responsibility, as well as to identify any targets for further development.

### REGULATORY BREACHES

MuniFin's compliance function monitors MuniFin's regulatory compliance based on an annual monitoring programme and reports monthly on any material breaches to Executive Management Team and the Board of Directors as part of the the company's risk position. This standard reporting model as part of MuniFin's Risk Appetite Framework related reporting has been in place since 2016.

In the history of MuniFin there have been no material regulatory breaches where administrative sanctions would have been posed on MuniFin.

### COMMITMENTS AND MEMBERSHIPS OF ASSOCIATIONS AND NATIONAL INTEREST ORGANISATIONS

MuniFin is committed to promoting the achievement of Finland's sustainable development goals through Commitment 2050 – Society's Commitment to Sustainable Development.

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

### MEMBERSHIPS OF ASSOCIATIONS AND NATIONAL INTEREST ORGANISATIONS:

- European Association of Public Banks EAPB
- International Swaps and Derivatives Association ISDA
- International Capital Market Association ICMA
- Corporate responsibility network FIBS and Diversity Charter Finland
- Finland's Sustainable Investment Forum Finsif
- Nordic Capital Markets Forum

# Responsibility Scorecard

## GOALS AND ACHIEVEMENTS IN 2017

AREA	 SDG	GOALS IN 2018	ACHIEVEMENTS IN 2017	
<p>Long-term value creation through responsible products and services</p>		<ul style="list-style-type: none"> <li>Increasing the social impact of MuniFin</li> <li>Launching new products and enhancing expertise within the customer base</li> <li>Ensuring financing for customers under all market conditions</li> </ul>	<ul style="list-style-type: none"> <li>Responsibility became a concrete part of the company's updated strategy and mission</li> <li>The Board of Directors approved key principles of responsibility</li> <li>Cooperation with customers and other stakeholders was promoted</li> <li>MuniFin is still the most important financier for the municipal sector and government-subsidised housing production</li> <li>Investors' demand remained strong for benchmark bonds in funding</li> </ul>	
<p>Forerunner in sustainability</p>		<ul style="list-style-type: none"> <li>Share of green finance from total lending 15% by 2025</li> <li>Increasing the amount of socially responsible investors and investments (SRI)</li> <li>Mitigating the impact of MuniFin's own operations on the environment</li> </ul>	<ul style="list-style-type: none"> <li>The share of green finance from total lending grew from 2.2% to 4.8%</li> <li>The 10-year, EUR 500 million green bond was oversubscribed almost six times and the number of responsible investors increased significantly</li> <li>A portfolio for responsible investments was launched</li> <li>In relation to the number of staff, consumption of office paper diminished substantially and energy consumption remained stable despite the growth in the number of staff</li> </ul>	
<p>Improving wellbeing at work</p>		<ul style="list-style-type: none"> <li>Increasing diversity</li> <li>Promoting wellbeing at work and job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of women and men among employees and managerial staff almost 50/50</li> <li>Index for measuring equal treatment of employees is very high</li> <li>Creating guidelines for taking diversity into account in all operations</li> <li>Employees' dedication level has remained stable and employee turnover rate is low</li> </ul>	
<p>Strong corporate governance</p>		<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>Board of Directors approved the group-wide Responsibility Policy in Feb 2018; training will be provided to staff during 2018</li> <li>Continue developing anti-corruption guidelines and indicators</li> </ul>	

 Completed or in line with long-term goal

 In progress

# Reporting principles

## REPORTING PERIOD

MuniFin publishes a responsibility report annually at the same time with an annual report. MuniFin's first-ever responsibility report was published in March, 2018.

## REPORTING FRAMEWORK

The framework for MuniFin's responsibility reporting was prepared by the consultancy company Deloitte, together with MuniFin, in autumn 2017. This framework has served as a basis for planning and implementation of the report.

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

## SCOPE AND KEY CONTENT OF THE REPORT

The core areas for responsibility, based on which the indicators presented in this report have been selected, were approved by the Board of Directors in autumn 2017. Goals have been defined for each core area, and they will be monitored annually. MuniFin reserves the right to add, remove, or change existing indicators and objectives. However, any changes must be in line with the company's strategy and core areas for responsibility.

Since MuniFin's responsibility is emphasised indirectly through the financing, the scope of the report especially reflects MuniFin's longterm impacts in society. Additionally, attention was paid to the environmental impacts of MuniFin's operations and financing due to MuniFin's commitment in promoting the long-term goals in mitigating climate change in relation to its own operations and customers

## INFORMATION RETRIEVAL

The information and figures used in preparing the report have been derived from MuniFin's internal systems, the calculations made by the consultancy firm Deloitte, and the public databases of Statistics Finland and the Association of Finnish Local and Regional Authorities.

## STAKEHOLDERS

The key stakeholders of the report include, among others, MuniFin's shareholders, customers, funding investors, representatives of the media, authorities, and employees of MuniFin.

## VERIFICATION

The report has not been verified.

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