

# Sustainability Report 2018

**Given Kommuninvest's business concept, vision and position, naturally we volunteer to take responsibility for our impact on society from an economic, environmental and social perspective. Our Sustainability Policy states that this is to be respected throughout the operations, in terms of both direct and indirect impact.**

Kommuninvest supports its members' high sustainability ambitions through efficient and appropriate financing, as well as in its consultancy work. The principal tasks in our sustainability work include responding to the needs and expectations of our members and customers. Other important areas include our own environmental responsibility, being a responsible employer and conducting operations pervaded by professionalism, stringent ethical requirements and good business practices.

## Direct and indirect influence

Within the framework of a situation assessment conducted in 2018, Kommuninvest's direct and indirect sustainability impacts have been mapped. Kommuninvest owns the direct influence, meaning this lies within the Company's direct decision-making mandate and efforts can provide concrete qualitative and quantitative effects. Direct influence includes, for example, customer and employee relations, business travel, office premises, local collaboration, etc.

Kommuninvest's indirect impact is defined as its sustainability impact through its lending to local government groups/its balance sheet and business relations with borrowers, investors and counterparties. The impact is mainly related to the local government authorities' choice of investments and how these contribute to a sustainable society.

The survey shows that the sustainability work conducted by the Company is beneficial in several regards. The development needs that have been identified relate primarily to the indirect impact. It is also important for the Group to continue reducing its direct environmental impact.

## Stakeholder dialogue

Kommuninvest has relationships with a range of stakeholders who, in different ways affect – and are affected by – our operations. It is very important that we listen to our stakeholders to identify the issues that Kommuninvest's activities affect and that stakeholders consider essential.

Kommuninvest's stakeholder dialogue involves, for example, systematic meetings with customers and owners, discussions with personnel representatives and representatives from central government ministries and authorities. In addition, Kommuninvest conducts regular surveys among owners, customers, employees and investors. Kommuninvest's

members own and control our operations but are also our customers when they choose to borrow from us. In the 2018 customer survey, Kommuninvest received a SCI of 88, an improvement by two points since the 2016 survey and a very high result.

The dialogue with our members, in their capacity as owners, is mainly conducted with elected politicians. In dialogue with our members, in their role as customers, we mainly interact with specialists in economy and finance.

The ongoing dialogue with other societal actors – central government ministries, regulatory bodies and supervisory authorities – takes place largely through meetings in person and exchanges of information. The dialogue with investors and the capital market takes place through meetings in person and presentations, both nationally and internationally. The dialogue with employees is conducted in both formal and informal formats, between managers and employees and at regular information meetings.

## Materiality analysis

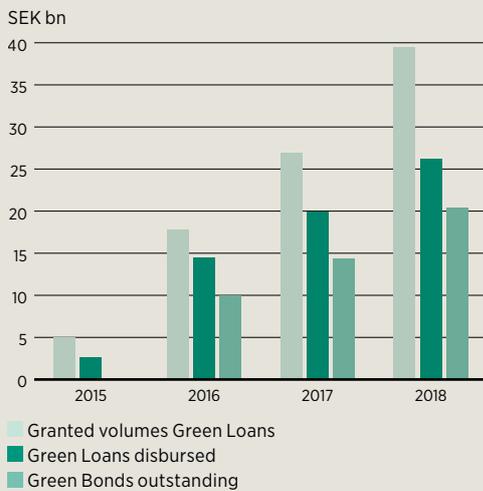
Through the stakeholder dialogue, Kommuninvest forms an idea of which sustainability issues the Company should work with. In the stakeholder survey on sustainability that was conducted in 2016, external and internal stakeholders were asked to prioritise which initiatives Kommuninvest should prioritise. Environmental aspects of lending and funding were the issues considered most important by stakeholders. The intention is to implement the stakeholder survey again in 2019.

## Governance of sustainability work

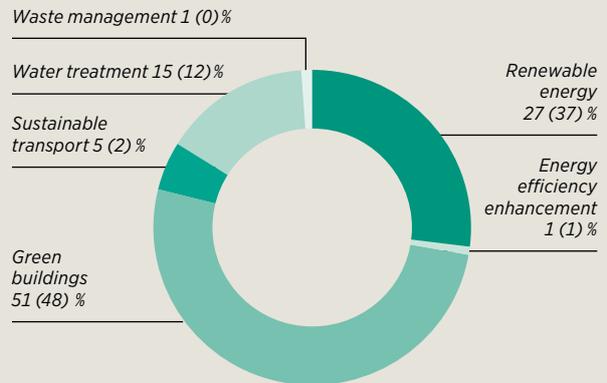
The Sustainability Manager is responsible for managing, developing and reviewing Kommuninvest's sustainability work in close cooperation with the Executive Management Team and the department heads, who are responsible for taking sustainability aspects into account within their respective areas of responsibility. Guidelines for sustainability work are detailed in a Sustainability Policy adopted by the Company's Board of Directors, and are further specified in supplementary policies and instructions relating to occupational and personal safety, IT security, equality and diversity, competence supply, bribery and hospitality, and regulatory compliance.



### Green Loans and Green Bonds



### Green Loans by project category



## Funding supporting the Paris Agreement and the Sustainable Development Goals

Green Loans permit financing of environmental and climate-related investment projects in Kommuninvest’s member municipalities and regions. At the end of 2018, SEK 39.5 billion in Green loans had been granted for 232 projects and 109 members. These projects and their funding can be linked to nine of the UN’s global Sustainable Development Goals, and all of the overall goals of the Paris Agreement.



## Partnership increases knowledge and drives development

Attaining ambitious sustainability goals demands collaboration and partnership. Coordinated efforts facilitate the transition, improving its accuracy. Based on this, Kommuninvest entered into strategic collaborations with SABO and SNS during the year.

During the autumn of 2018, a climate initiative was launched in the public housing sector, whereby SABO member companies seek to make public housing fossil-free by 2030. A focus area within the initiative involves the life-cycle perspective and climate requirements in the construction of multi-dwelling buildings. The intention is for the requirements to be used

for procurement and as criteria for being able to obtain Green loans from Kommuninvest.

To enhance knowledge of how the build-out of Swedish welfare works and how it could function better, Kommuninvest supports SNS’s research project Community Building. The project serves to bring enhanced knowledge and to propose measures in various areas of policy, based on scientific studies and proven experience.

Yet another example is the “Nordic Public Sector Issuers’ Position Paper on Green Bonds Impact Reporting” that Kommuninvest has headed since 2016.

# Economic responsibility

**Kommuninvest finances the development of Sweden's local and regional sectors, as well as investments for a sound and sustainable society. The Company and its employees shall adhere to the legislation, regulations and rules applicable to the operations and shall always behave in an ethically correct manner, with transparency, integrity and honesty.**

The Company applies zero tolerance to all kinds of corruption; no employee may provide or receive benefits that may be considered unfair and therefore criminal. The Company is required to identify and manage potential or emerging conflicts of interest.

## Local government debt office

Continuing to provide the Swedish local government sector with stable and efficient financing at the lowest possible expense is an important contribution to our sustainability efforts. Accordingly, Kommuninvest fulfils a similar role for the local government sector as the Swedish National Debt Office does for the central government and its authorities.

Financing at lower expense means that tax funds stretch further. The fact that Kommuninvest has been able to continue offering financing during periods of financial unease, contributes to the security of the local government sector and the stability of the financial system. Accordingly, an indirect effect of Kommuninvest's work is the strengthening of financial sustainability among the members, by ensuring the most effective possible financing, and by providing advice and support during the funding process.

Kommuninvest was established in 1986 to provide municipalities with access to an additional source of funding, as a complement to loans through the banking system. Our lending operations are limited to Swedish municipalities and regions, including their majority owned companies and foundations. The operations are to be characterised by the lowest risk exposure possible and lacks a profit-making purpose. To ensure high creditworthiness and low funding expenses, the members of Kommuninvest Cooperative Society have entered into a joint-and-several guarantee undertaking for the Company's commitments.

## Partnership on behalf of members

One of Kommuninvest's main objectives is to reduce local government funding expenses. Large volumes and a relatively small organisation mean that operating expenses can be kept at a low level. In 2018, the Group's operating expenses, excluding the resolution fee, amounted to 6.1 (7.1) basis points in relation to the lending volume. The Company's operating expenses were 5.7 (6.5) basis points of lending.

The profits generated in the operations are returned to the members in the form of interest on contribution capital and refunds in relation to business volume. In 2018, SEK 969.8 (445.4) million was transferred in this way to the members of the Society, due to the high financial outcome in 2017. Profit is expected to decrease in the future, following decisions by members in 2018 regarding a changed and more

transparent pricing model. This means that the prices offered by Kommuninvest have been reduced.

## Anti-corruption and anti-money laundering measures

Kommuninvest strives for its transactions and relationships to be pervaded by good business ethics, as evident in both the Company's Code of Conduct and its Sustainability Policy. The Company's employees shall adhere to the legislation, regulations and rules applicable to the operations and shall always behave in an ethically correct manner, with transparency, integrity and honesty. Zero tolerance of all forms of corruption applies.

A risk-based approach is applied to ensure that the Company's products and services are not used for money laundering or terrorist financing. Suspicions of serious irregularities that could entail or lead to a breach of law are to be reported. Such violations can also be reported anonymously via a whistleblower function handled by an external party. No matters related to anti-corruption or guidelines on money laundering were investigated during the year.

## Lowest funding expenses

Kommuninvest continuously analyses its capacity to secure low funding expenses in the fixed-income market. The analysis shows that Kommuninvest is consistently the local government actor (municipalities and regions) that raises funding at the lowest expense, although the difference compared with other players decreased during the year.

## In-depth knowledge of conditions in the sector

Through in-house research and reports, Kommuninvest seeks to increase knowledge of the local government sector's long-term financial conditions. Since 2012, Kommuninvest has, among other things, maintained an in-depth partnership with the University of Örebro, promoting, for example, research on the local government sector's debt management and financial conditions, and financing a chair and post-graduate studies.

Kommuninvest has been part of the reference group associated with the University's Master's programme in Sustainable Business which commenced in the autumn of 2018, and participated with guest lecturers at the special Finance Day arranged during the first term of the programme. Kommuninvest will also be offering internships for programme participants during 2019.

Each year, we publish reports describing developments in local government investment and its funding, and we analyse trends and phenomena associated with local government funding, debt and investment.



## Nano learning: learning a lot from a little

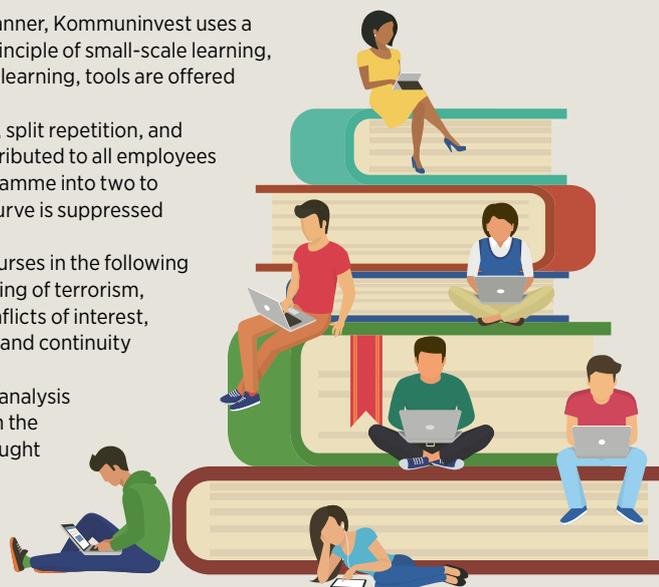
As an organisation, Kommuninvest values learning and knowledge highly. With more municipalities and regions having joined, demand increases for us to be able to work with and for additional players. Here, an important component is the ongoing skills development of all employees.

To satisfy this in a fast, easy and quality-assured manner, Kommuninvest uses a user-friendly digital learning platform based on the principle of small-scale learning, so-called "nano learning". Building on research about learning, tools are offered to optimise learning and awareness of current issues.

The method is based on "spaced repetition", that is, split repetition, and entails short parts of a training programme being distributed to all employees at even and adaptable intervals. By dividing the programme into two to three-minute lessons, the employees' forgetfulness curve is suppressed without requiring much time or effort.

In 2018, Kommuninvest's employees completed courses in the following areas: Measures against money laundering and financing of terrorism, operational risks, inventory of secondary jobs and conflicts of interest, internal governance and control, information security and continuity management.

The platform also includes reporting functions and analysis tools to monitor participation and development within the organisation. For Kommuninvest, the method has brought high implementation rates and significantly increased knowledge levels following the completion of the courses.



## Generating financial value – Kommuninvest Group

	Unit	2018	2017	2016
<b>Total revenue</b>				
Interest revenues	SEK, million	505.3	452.3	621.4
Other operating income	SEK, million	7.6	6.2	7.2
<b>Distributed value</b>				
Interest expenses	SEK, million	367.2	426.4	140.5
Commission expenses	SEK, million	-8.2	-7.3	-5.2
Salaries and emoluments	SEK, million	-73.9	-70.4	-68.1
Pension expenses, training expenses and other payroll expenses	SEK, million	-23.2	-26.6	-29.4
Social security contributions and payroll tax on pension expenses	SEK, million	-26.9	-25.3	-23.7
Resolution fee	SEK, million	-69.1	-66.3	-31.4
Other operating expenses	SEK, million	-94.1	-97.1	-93.2
Tax	SEK, million	-3.7	-28.0	-0.4
Transferred to the members of the Society during the year, refunds based on business volumes and interest on members' contribution capital for the previous financial year	SEK, million	969.8	445.4	500.7
<b>Efficiency</b>				
Operating expenses, excluding the resolution fee, as % of balance sheet total	%	0.052	0.061	0.059

In this note, revenues are recognised as positive and expenses as negative.

# Social responsibility

**Respect for human rights is a basic prerequisite for being able to generate value within Kommuninvest in the long term. We will work to prevent discrimination, promote diversity and equality, and ensure good working conditions.**

The Company shall avoid causing or contributing to a negative impact on human rights in its own operations and address any such impact if it arises. Employees should be able to combine working life and their free time.

Kommuninvest shall have good knowledge of, and compliance with, applicable legislation and labour market agreements. This involves, in particular, discrimination legislation, environmental legislation, legislation regarding public companies and legislation relating to business relations. No form of discrimination is tolerated within the Company.

## Equality, diversity and development

Kommuninvest's Gender Equality and Diversity Policy emphasises the importance of gender equality and diversity in the organisation, to ensure that the Company is an attractive employer for both current and potential employees. At the end of 2018, 45 (38) percent of the total number of employees were women. Of the managers, 36 (38) percent were women and, in the Executive Management Team, the proportion was 43 (43) percent. The ambition is to be able to attract, retain and develop skilled employees, regardless of gender, ethnic background, faith, age, disability, sexual orientation or transgender identity.

Towards the end of 2018, 12 (18) percent of the Company's employees came from countries other than Sweden. A total of 10 (13) different countries are represented in the organisation.

## The year's employee survey

The result of this year's employee survey shows that Kommuninvest is an equal and non-discriminatory workplace, where employees feel considerable commitment to Kommuninvest's social mission. Employees also perceive Kommuninvest as a workplace where you can combine work and leisure. Areas for improvement include the pace of work and stress, as well as internal communications. The 2018 Employee Satisfaction Index amounted to 73 (68) and the Employee Loyalty Index to 79 (75) – combined, the Company had 86 (81) percent satisfied and loyal employees, which is considered a relatively high value.

## Sustainable daily life

Increasing absenteeism due to work-related stress and other psychosocial factors have caused Kommuninvest to initiate ambitious efforts within the framework of what we call "sustainable daily life". Sustainable daily life offers everything from substantial opportunities for a good physical and social working environment, training and daily exercise, health-inspired lectures, stress management, individual coaching and self-help programmes. Among other things, all employees are offered individual health and lifestyle reviews on a regular basis. Based on these, employees are given tools to establish a sustainable lifestyle in the areas where the need is perceived to be greatest. This can involve everything from sleep, diet, exercise and lifestyle to work-related concerns.

## Initiatives in the local community

Kommuninvest does not work with sponsorship in traditional terms, but seeks cooperation partners who have a pronounced social commitment, with an emphasis on ventures in Örebro, where the Company has its head office. We focus on activities involving education, culture and social inclusion and share our values in terms of gender equality, diversity and ethics. Initiatives include helping immigrant upper-secondary pupils with their homework, support for artistic endeavours within OpenArt, opportunities for football and horse riding for people with disabilities, as well as initiatives for young immigrant women in the district of Vivalla.

## Kommuninvest's Employee Programme

In 2018, an extensive initiative in leadership, collaboration, communication and culture was initiated. The employee programme has been developed to increase Kommuninvest's capacity to develop in a time pervaded by ever-increasing complexity and rapid change. With the programme, Kommuninvest seeks, among other things, to establish platforms for developmental dialogue between employees and managers, to increase the quality of the communicative leadership and to give employees opportunities for personal development and better conditions for self-leadership. More information about the programme can be found on page 29.



## Programme for lower labour market thresholds

For various reasons, the transition into the labour market may take a particularly long time for some academics. Accordingly, each year, Kommuninvest gives a number of people the opportunity to gain relevant work experience that could ease the next step in their careers. At the end of 2018, eight people had undergone the threshold-passing programme and six of them had gained continued trust from other employers, generally in the form of permanent jobs matching their educational profiles. The three people pictured – Muhammad Amin Sadiq, Zubdah Farrukh and Mohammad Ehtasham Billah – began their threshold-passing jobs at Kommuninvest in January 2019.

## Employee statistics – Kommuninvest Group

	Unit	2018	2017	2016
Total number of employees, including those on part-time and probationary employment <sup>1</sup>	Number	104	105	97
Proportion of women/men – total	%	45/55	38/62	41/59
Proportion of women/men – all managers	%	36/64	38/62	45/55
Proportion of women/men – Executive Management Team	%	43/57	43/57	67/33
Average number of full-time annual employees (based on hours worked)	Number	97	91	85
Employment period <2 years (based on permanent employees)	%	18	18	14
Employment period 2-4 years	%	13	28	35
Employment period 5-9 years	%	40	29	25
Employment period >10 years	%	29	25	25
Personnel turnover	%	8	11	3
Participation in employee survey	%	96	95	84
Proportion of employees with university education	%	89	93	88
Proportion of employees who had development interviews	%	100	100	100
Proportion of employees who have undergone sustainability training	%	64	63	84

1) Number of employees refers to the total headcount, including full and part-time employees, those on parental leave and temporary employees. The total number of permanent and probationary employees was 92 at the end of 2018.

# Environmental responsibility

**Kommuninvest's environmental work takes into account both the direct environmental impact of the office operations, purchases and services, as well as the indirect environmental impact of the financial operations.**

## Direct environmental impact

Kommuninvest's direct environmental impact relates to the impact arising as a direct consequence of the Group's operations, including energy consumption in its premises, purchases of office supplies and equipment, meetings and conferences, business travel, etc.

The environmental impact has been monitored annually since 2015 regarding the most significant areas. In 2018, a calculation was made, in cooperation with an external party, of Kommuninvest's total carbon footprint for the 2017 financial year. The analysis showed a total climate impact of 383.1 tonnes of carbon dioxide equivalents (CO<sub>2</sub>e), or 4.1 tonnes of CO<sub>2</sub>e per employee. Business travel, in the form of air travel, hotel accommodation and car travel accounted for 89 percent of the Group's climate impact, of which air travel accounted for 79 percent.

As such a large proportion of the Group's climate impact relates to aircraft, this is a natural focus area for reducing the total carbon footprint. A fundamental principle is that it should be possible to reduce travel without compromising on business objectives.

Significant emission reductions was achieved in business travel. Total emissions from business travel have decreased from 801 to 338 tonnes of CO<sub>2</sub> equivalents between 2014 and 2018. The main explanation is the reduced number of long-haul flights.

In our office operations, we work in various ways to reduce their environmental impact by means of environmentally labelled electricity, motion-controlled lighting and plumbing fixtures, micro-flush toilets, and a high level of recycling/sorting of waste. Towards the end of 2018, an analysis process was initiated to map the office property's performance from an environmental perspective, aimed at identifying possible improvement measures.

## Climate compensation

During the year, Kommuninvest decided to compensate for the greenhouse gas emissions remaining following its own climate efforts. In accordance with the conditions that apply to municipalities and regions, we climate compensate internally, that is, for investments made locally/in Sweden. The funds allocated are calculated based on the estimated expense for external climate compensation, multiplied by a factor of two, and are used to finance initiatives that either support the sustainability efforts of the Society's members or that help reduce Kommuninvest's own impact.

## Reducing the impact of office operations

Beyond business travel, the Group's climate impact occurs mainly through the office operations, through consumption of energy and other resources, as well as purchases of office materials and supplies. The Company has modern office premises in which sustainability ambitions are expressed through eco-labelled electricity, motion-controlled lighting and plumbing fixtures, "print-on-demand" solutions, low-flush toilets, etc. However, total energy consumption is increasing and an analysis of potential energy efficiency measures is planned to be implemented in 2019.

## Green Loans support the local government sector's sustainability efforts

Green Loans were introduced in 2015 and allow financing of investment projects undertaken by Kommuninvest's member municipalities and regions, including renewable energy, energy efficiency, green buildings, public transport and water management. Approved projects must promote the transition to a climate resilient society with low emissions and be part of the systematic environmental efforts of the borrower.

At the end of 2018, Kommuninvest had granted loans totalling SEK 39.5 (26.9) billion for 232 (149) green investment projects. Of the funds granted, SEK 26.2 (19.9) billion had been disbursed. The majority involved renewable energy and green buildings. The expected annual reduction of CO<sub>2</sub> emissions from these projects is visible in Kommuninvest Green Bonds Impact Report, which is available on Kommuninvest's website.

All projects are reviewed from an environmental perspective by Kommuninvest's Environmental Committee for Green Bonds. The Committee is an advisory body composed of representatives from the environmental function in at least two member municipalities and regions, environmental experts from other relevant organisations in the public sector or academia, as well as from Kommuninvest's Client Relationship Group.

## Largest Swedish issuer of Green Bonds

Kommuninvest finances Green Loans by issuing Green Bonds. Five Green Bonds have been issued since March 2016, and a total of SEK 20.4 (14.4) billion was outstanding at the end of 2018. Investors are primarily institutional ones, both domestic and foreign, with a clear sustainability focus.



## Emissions from business travel more than halved

Since 2014, Kommuninvest's business travel, particularly by air, has declined sharply. Air travel, measured in kilometres flown, has decreased by more than 60 percent. Over the same period, rail travel has increased by slightly

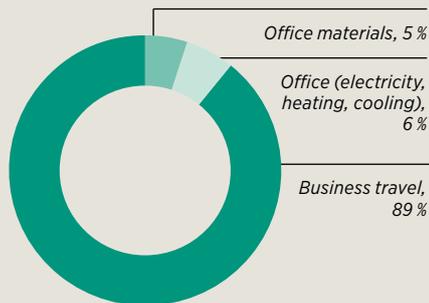
more than 20 percent. An analysis commissioned by Kommuninvest of its total CO<sub>2</sub> footprint shows that about 90 percent of the Group's total climate impact relates to business travel.

**CO<sub>2</sub> emissions from business travel, tonnes**



Source: Big Travel, with processing by Kommuninvest (emission values have been multiplied by a so-called RFI factor of 2.7 for the aviation industry's high altitude effects).

**Distribution of total climate impact**



The analysis related to the 2017 financial year and comparative values are not available.

Source: Tricorona Climate Partner

### Business travel



Air travel

**79%**



Hotel stays

**8%**



Car travel

**2%**

## Environmental indicators – Kommuninvest Group

	Unit	2018	2017	2016
<b>Energy consumption</b>				
Total energy consumption (in buildings)	kWh	620,068	585,678	463,034
– of which, electricity	kWh	365,237	333,210	295,084
– of which, heating	kWh	254,831	252,468	167,950
Proportion of renewable energy in energy consumption of electricity	%	100	100	100
Change in electricity consumption compared to the preceding year	%	10	13	-1
Proportion of renewable energy in energy consumption for heating	%	100	100	100
Total office space	m <sup>2</sup>	2,217	2,217	2,217
Total energy consumption per square metre	kWh/m <sup>2</sup>	280	264	209
Total energy consumption per employee	kWh	6,392	6,436	5,447
<b>Resource usage</b>				
Purchased office paper	Tonnes	0.5	0.5	0.8
– of which sustainability labelled paper (PEFC)	Tonnes	0.5	0.5	0.8
Proportion of sustainability labelled office paper, of total purchases	%	100	100	100
Total paper consumption per employee	Kg	10.3	11.0	11.8
Paper recycling, incl. purchased and delivered paper	Tonnes	2.0	3.0	2.4
<b>Business travel</b>				
Total business travel	Km	862,896	887,488	1,319,646
Total business travel per employee	Km	8,896	9,753	15,525
Total air travel	Km	515,965	591,480	992,144
Rail travel in Sweden	Km	311,037	291,456	327,162
Total CO <sub>2</sub> emissions from business travel <sup>1</sup>	Tonnes	338.4	375.8	625.6
CO <sub>2</sub> emissions from business travel, per employee <sup>1</sup>	Tonnes	3.5	4.1	7.3

<sup>1</sup> Effective from 2018, Kommuninvest observes a so-called RFI factor of 2.7 in its emissions calculations, with regard to the aviation industry's high altitude effects. Previously published emission values for 2017 and 2016 have been adjusted.

# Auditor's opinion regarding the statutory Sustainability Report

To the Annual General Meeting of Kommuninvest i Sverige AB (publ),  
corporate identity number 556281-4409

## Engagement and responsibility

It is the Board of Directors that is responsible for the Sustainability Report for the year 2018 on pages 14–21 and that it is prepared in accordance with the Annual Accounts Act.

## The scope of the examination

Our examination has been conducted in accordance with FAR's auditing standard RevR 12: The auditor's opinion regarding the statutory Sustainability Report. This means that our examination of the statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that the examination has provided us with sufficient basis for our opinion.

## Opinion

A statutory Sustainability Report has been prepared.

Stockholm, 12 February 2019  
KPMG AB

Anders Tagde  
Authorised Public Accountant