

2021
Sustainability Report

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* **Public property:** A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Internationally, these properties are generally referred to as social infrastructure.

2021 Sustainability Report

Hemsö Fastighets AB has reported its sustainability performance every year since 2016. Previously, sustainability information has been integrated with the Annual Report. This year, in-depth sustainability information is presented separately in this report, in addition to the information in the Annual Report. This report describes Hemsö's sustainability performance and results for the period of 1 Jan-31 Dec 2021. This report constitutes Hemsö's statutory Sustainability Report in accordance with the Swedish Annual Accounts Act. The report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. We also present our contributions to achieving the Ten Principles of the UN Global Compact in this document.

The consolidated financial statements include the Parent Company and subsidiaries. Subsidiaries are entities over which the Parent Company has a controlling interest. Boundaries and changes compared with the preceding year's report are presented in tables and performance indicators. The report has been audited by Ernst & Young AB. The auditor is independent of Hemsö. The last report was published in March 2021. The contact person for this report and its contents is the Head of Sustainability, Emma Weman (emma.weman@hemso.se).

Hemsö

Hemsö is the leading owner of public properties* in Sweden, and also operates in Finland and Germany. The aim of the company is to sustainably own, manage and develop properties for:



Nursing homes



Education



Health care



Justice system

Tenants are state, municipal, regional and private companies with taxpayer-funded operations. Hemsö's principal owner is the Third Swedish National Pension Fund (AP3).

Vision

Hemsö's vision is to strengthen the backbone of society.

Mission

Hemsö shall make its employees and customers proud.

Business concept

To sustainably own, manage and develop public properties.

Hemsö in figures



Significant events in 2021



Q1

Functional, safe school places with environmental focus in Paavlova, Finland

- Hemsö acquired all the buildings, as well as ongoing development projects on the Paavola campus in Finland. Lahti is in great need of school places and other social infrastructure, and we are playing a key role in efforts to provide schools for approximately 2,500 children. The development project will be marked by the production of functional and safe premises with an environmental focus.

Q2

- Hemsö was first in Stockholm with a Nordic Swan Ecolabel school when the new Bagartorpsskolan in Solna obtained the certification. Our ambition is that both students and employees will be able to use buildings that are healthy and environmentally friendly, and the ecolabel is acknowledgement of that work. Nordic Swan Ecolabel certification is based on an overall perspective: low energy use, controlled construction process, good ventilation, natural light and strict standards for building materials. The school is operated by the Raoul Wallenberg School and has places for 360 students.

Stockholm's first Nordic Swan Ecolabel school

- The Nordic Swan Ecolabel was also in focus when Hemsö concluded a rental agreement with Kungälv and Uddevalla municipalities to create 450 new preschool places in the region. The development project comprises three preschools that will have Nordic Swan Ecolabel certification.

Q3

Q4

Q3

Contribute to inter-generational social effects

- In the third quarter, construction of the Vågen development project commenced, comprising a preschool and a nursing home in Upplands Väsby. The new building will accommodate 80 children and 80 residents in the same building. The aim is that the activities will be able to collaborate and contribute to positive intergenerational social effects. The new building has ambitious environmental requirements and will be Nordic Swan Ecolabelled.

Q4

- Hemsö's new construction Sköndalsvillan was the first nursing home in Sweden to achieve NollCO₂ certification – Sweden Green Building Council's new certification for net zero emissions. The building was also certified according to Miljöbyggnad Gold. With the current design, the carbon footprint is 41 per cent lower than nursing homes built according to traditional methods.

- At the Sweden Green Building Awards in November, Hemsö won two prestigious prizes and Sköndalsvillan was named 'NollCO₂ project of the year.' We were also rewarded for our work with an existing property – the Torp medical centre in Lerum was named 'BREEAM In-Use-building of the year.' Sweden Green Building Council presents these awards to highlight projects and individuals who are working towards a sustainable built environment.

NollCO₂ project of the year

- Hemsö signed an agreement to acquire the Lilla Tensta 1 property, comprising the Tensta upper-secondary school and Tensta Träff buildings. These acquisitions are important for our efforts to strengthen the backbone of society and contribute to social sustainability in all parts of the country.
- Hemsö signed a SEK 1 billion loan agreement with the European Investment Bank (EIB). The capital will be used to build more energy-efficient public properties in Sweden and Finland.
- In the annual report published by the Global Real Estate Sustainability Benchmark (GRESB), Hemsö was named Global Sector Leader in the 'Development: Health Care' category. We have also improved our overall results considerably, and Hemsö received very high scores in stakeholder engagement, sustainable materials and risk assessment. The award is testament to our sustainability performance when it comes to planning and developing new buildings.



This is Hemsö

Hemsö is the largest owner of public properties in Sweden, and our vision is to strengthen the backbone of society. It's in our properties that we start our learning journey, see medical care when we are sick, and where we look back on our life's work. Our business concept is to sustainably own, manage and develop public properties. Our aim is to be a long-term and responsible property owner that conducts business with a focus on people and the environment.

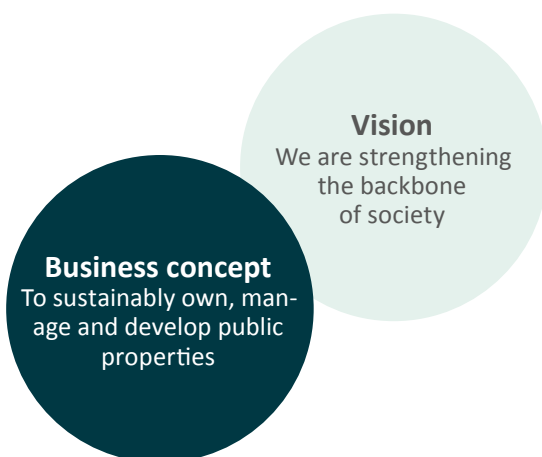
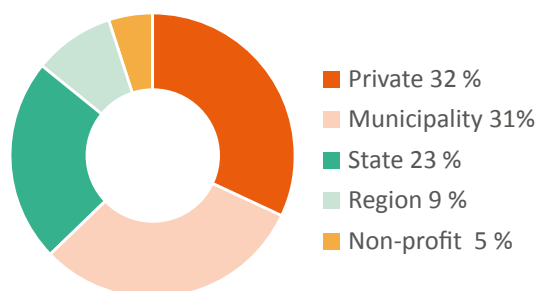
The populations of Sweden and Finland are growing steadily. The number of inhabitants is decreasing in Germany, however, leading to a shift in the country's population structure towards an ageing population. While better health is increasing life expectancy, this positive trend is also placing demands on society to provide inhabitants with schools, hospital beds and nursing homes. At the same time, the public sector is facing a need for the renewal and modernisation of its existing property portfolio. This is where Hemsö steps in as a stable and long-term

partner throughout the entire life cycle. Through close dialogue and collaboration with our tenants, we are working together to solve the major unmet need for public properties. In 2021, we initiated development projects that will contribute 770 new nursing home beds and 12,300 new school places in the markets where we operate.

At year-end, the market value of Hemsö's property portfolio was SEK 75.7 billion and comprised 441 properties allocated between four categories: nursing homes, education,

health care and the justice system. The tenants are state, municipal, regional and private operators that are taxpayer-funded. 94 per cent of Hemsö's rental income is directly or indirectly derived from public funds, ensuring a reliable and predictable cash flow. Our profits are mainly returned to Sweden's pensioners through our largest owner, the Third Swedish National Pension Fund, which owns 85 per cent of the share capital and votes. Hemsö Fastighets AB has its registered office in Stockholm, Sweden.

Contracted rent per customer category



Hemsö's business model

Hemsö's business model is characterised by low risk and long-term stable returns due to:

- Rising demand driven by demographic changes
- Financially stable tenants
- Long-term rental agreements
- Low vacancies
- Low sensitivity to economic fluctuations

Geographic market

Hemsö's largest market, Sweden, accounts for two-thirds of the property portfolio. Hemsö has also had operations in Germany since 2011, and Finland since 2013.

Property value
SEK 51
BILLION
Sweden

	Number
Employees	131
Nursing home properties	116
Health care properties	50
Educational properties	115
Justice system properties	13

Property value
SEK 12
BILLION
Finland

	Number
Employees	14
Nursing home properties	35
Health care properties	7
Educational properties	17
Justice system properties	7

Property value
SEK 13
BILLION
Germany

	Number
Employees	8
Nursing home properties	72
Health care properties	–
Educational properties	4
Justice system properties	5



Value-creation model



Long-term developer, manager and owner of sustainable public properties

Financial capital

- Equity: SEK 28,350 million
- Borrowed capital: SEK 42,498 million
- Profit from property management: SEK 2,145 million
- Shareholder dividends: SEK 905 million

Employees

- Employees: 153
- Engagement Index: 88/100
- 89 per cent of employees are satisfied with their competence development
- Employee attendance: 99.4%

Owners

- Third Swedish National Pension Fund (85%)
- Sagax (15%)

Close and long-term relationship with municipalities, the state and regions

- Customer Satisfaction Index: 73/100 Sweden
- Customer Satisfaction Index: 3.81/5 in Finland
- Rental duration: 9.6 years

Properties

- Properties: 441
- Property value: SEK 75,737 million
- Investments: SEK 7,590 million in new development, acquisitions and existing properties

Sustainable social infrastructure with a focus on those who use the building

Completed beds and area since Hemsö was founded

- Lettable area: 2,218 tsqm for social infrastructure
- Nursing home beds: 1,430
- School places: 11,600
- College/university places: 7,000

Environment

- Environmentally certified buildings: 70
- CO₂ emissions,* Sweden: 4.0 kg CO₂e/m²
- CO₂ emissions,* Finland: 21.1 kg CO₂e/m²
- Energy Sweden: 113 kWh/m²
- Energy Finland: 226 kWh/m²

* Emissions refer to Scope 1 and 2



Long-term property owner with a focus on people and the environment

In our role as a manager and developer of public properties, Hemsö can make a real difference in people's lives. We create places for young people and the elderly to live in and use. Our buildings are also a workplace for a large number of people and our expertise, research-based working methods and long-term approach are an unbeatable combination for the creation of tomorrow's sustainable public properties.

While we are working hard to build and manage social infrastructure, we also know that our activities have a major environmental impact. What we do also affects the everyday lives of many people – students in schools, elderly people in homes and the employees who work there. While we want to reduce Hemsö's emissions in every conceivable way, sustainability means more than that to us. It's about running our business responsibly, investing in our employees and ensuring that our properties support our tenants and their operations in the best possible way.

Sustainability strategy

Our sustainability initiatives shall contribute to social sustainability, and to the sustainable development of Hemsö as a company – economically, socially and environmentally. We shall offer safe, healthy and secure environments for everyone who uses our buildings, and contribute to social sustainability by

continuously working with improvements and innovations in areas related to public properties. This also means being an attractive employer for existing and potential employees, and ensuring efficient use of both human and natural resources. We shall take responsibility for any negative impacts that Hemsö's operations have on society, the environment or the climate and reduce our emissions.

Our sustainability initiatives shall also have a positive effect on Hemsö's competitiveness, help us to obtain sustainable finance and enable long-term sustainable financial growth in accordance with yield requirements.

Sustainability governance

Hemsö's sustainability governance is based on our sustainability policy and sustainability guidelines. The sustainability topics are covered by Hemsö's guidelines in, for example, energy, occupational health and

safety, purchasing, materials selection, business ethics and construction projects. External laws, guidelines and regulations, including the UN Sustainable Development Goals (SDGs) and voluntary commitments for sustainable development, also provide the framework for our sustainability governance. In 2021, Hemsö signed the UN Global Compact, and the core values of the Ten Principles – human rights, labour, environment and anti-corruption – have long been incorporated into the company's strategies, policies and procedures. Every year, Hemsö makes an assessment of sustainability issues, starting with our own operations and the needs of our stakeholders' needs, and defines the areas where our initiatives could have the greatest positive impact. Targets are set for priority areas.

Hemsö's Code of Conduct and whistleblower system also support these efforts. The Code of Conduct

MEMBERSHIP OF ASSOCIATIONS 2021

All Generation Ventures	A hub for the Nordic real estate industry with a focus on digital development
Almega	Helps service companies develop positive relationships between employer and employees.
Berlin City Mission	Hemsö sponsors the organisation's initiatives to support the homeless (kältebus).
BRIS	One of Sweden's leading organisations for children's rights, that supports children every day.
CSR Skåne	A network that brings together environmentally and socially engaged organisations to share knowledge and create business value.
Forum Bygga Skola	A national networking arena for all parties involved in the process of planning, building and refurbishing schools.
Fossil Free Sweden	A platform for dialogue and collaboration between companies, municipalities and other operators who want to make Sweden a fossil-free nation.
Green Building Council Finland	Organisation that promotes sustainable construction and urban development.
Hjärnfonden	A Swedish NGO that raises money for research and information about the brain and its diseases, injuries and disabilities.
Ifous	A non-profit independent research and development institute that works to promote practice-oriented research in the field of education.
Royal Institute of Technology's Property Academy	Funding for research related to property management.
LFM30	Roadmap for a carbon-neutral construction industry in Malmö. Hemsö has committed to the initiative.
Mentor	Non-profit organisation with volunteer mentors for young people.
Proptech Sweden	A Swedish membership organisation that has been formed to drive the digital transformation of the property industry.
Queen Silvia Nursing Award	A scholarship for nursing students who want to be involved and contribute to tomorrow's development of health and social care for the elderly.
Rakli	Organisation for real estate investors and owners in Finland.
Swedish Chamber of Commerce in Germany	Network to promote the development of German-Swedish business relationships.
Seniorvärlden	Non-profit association with the aim of communicating knowledge and research for learning and development in the senior area.
SGBC – Sweden Green Building Council	Organisation that promotes sustainable construction and urban development.
Confederation of Swedish Enterprise	An employers' organisation that lobbies actively for Swedish pro-business interests.
German-Swedish Chamber of Commerce	Network to promote the development of German-Swedish business relationships.
Vinnova	Government agency for innovation in Sweden with a mission to promote sustainable growth. Hemsö is involved in a research project on restorative workplaces/outdoor environments.
ZIA	Represents the combined interests of the property industry in Germany and fosters dialogue with its members.

As part of our vision to strengthen the backbone of society, we work together with important social stakeholders in our business environment. Our memberships and collaborations during the year are shown above.

describes how our values, visions, obligations and expectations guide our everyday actions, and provide guidance for employees and other stakeholders. The aim is that all new employees undergo training in the Code of Conduct. The whistleblowing system makes it easy for internal and external stakeholders to report suspected unethical behaviour or irregularities in the company's operations. Hemsö's whistleblowing system guarantees complete anonymity for all reporters.

The responsibility for sustainability-related issues follows Hemsö's organisational structure and these efforts

are an integral part of business operations. The Head of Sustainability is responsible for the Sustainability Department and reports to the Head of Communications in Group Management. The Board is responsible for setting the company's overall objectives and strategies and adopting the company's policies. For more information about the company's corporate governance and the duties of the Board and its committees, refer to page 77 of our Annual Report.

Risk management

We are exposed to various risks that could affect our future operations, costs and results. These range from

climate change to policy decisions, changed regulations and energy supply, and we must account for them. Risks, as well as opportunities, are identified and managed continuously within the operations. Risk assessment and management is incorporated into the company's processes for, for example, property acquisitions, construction projects and annual strategic planning. The Board is ultimately responsible for the company's risk management. Various methods are used to evaluate risks and to ensure that the relevant risks are managed in accordance with established policies and guidelines.

Materiality assessment and stakeholder dialogue

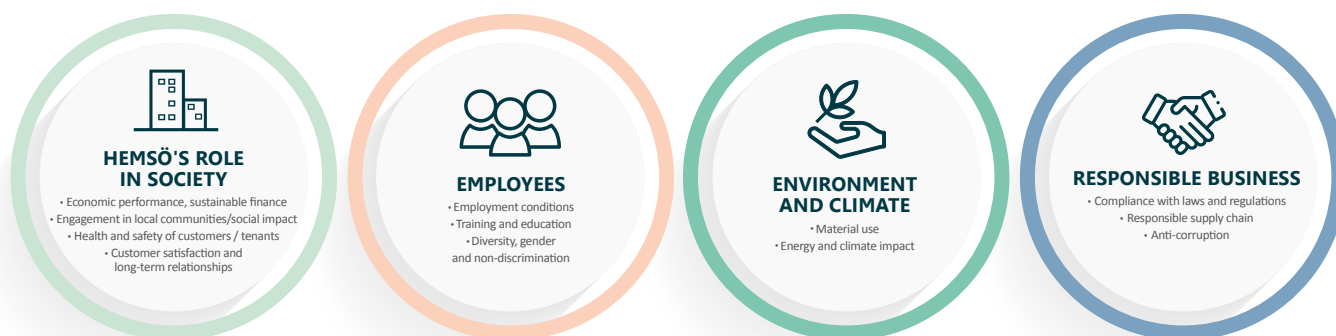
STAKEHOLDER/MAIN FORMS OF DIALOGUE	STAKEHOLDER'S EXPECTATIONS ON HEMSÖ
<p>Tenants:</p> <ul style="list-style-type: none"> • Regular tenant meetings • Annual customer survey • Ongoing dialogue in connection with management. • Fault management <p>Investors:</p> <ul style="list-style-type: none"> • External website and information material • Seminars on specific issues • Individual meetings • Financial statements • Capital market presentations <p>Shareholders:</p> <ul style="list-style-type: none"> • Board meetings, of which one every year is a strategy meeting. • Annual General Meeting • Ownership policy • Dialogue meetings on sustainability. <p>Employees:</p> <ul style="list-style-type: none"> • In the day-to-day operations. • Annual performance reviews and follow-ups, plus employee surveys. • Intranet, conferences • Union forums <p>Society:</p> <ul style="list-style-type: none"> • Involvement in research projects • Involvement in interest and professional organisations, and collaboration with other property companies to promote development. <p>Suppliers:</p> <ul style="list-style-type: none"> • Procurements, orders and supplier meetings. <p>Policy-makers in regions:</p> <ul style="list-style-type: none"> • In ongoing communication via ads, web and PR. • Via financial statements, industry days and trade fairs. 	<ul style="list-style-type: none"> • Long-term management that offers suitable public properties. • Responsible and capable landlord with a focus on customer needs. <ul style="list-style-type: none"> • Strong financial management and high standard of reporting in accordance with the company's policies, requirements and laws. <ul style="list-style-type: none"> • Long-term stable returns and a sustainability leader in the public properties segment. <ul style="list-style-type: none"> • Stable, long-term employer with good terms of employment, work environment and development opportunities. • Opportunity to be involved in societal development. <ul style="list-style-type: none"> • Driving sustainable development in the public properties segment. • Responsible stakeholder with expertise in their field. • Systematic efforts to minimise adverse environmental impacts. <ul style="list-style-type: none"> • Clear requirements in contracts, and monitoring to ensure compliance. • Long-term partner <ul style="list-style-type: none"> • Long-term action as an owner, in relationships and in management, with a good understanding of the customer's needs and activities.

Hemsö's key stakeholders have been identified according to the degree they are expected to be impacted by our operations and/or whose actions have a significant impact on us. In open dialogue and close collaboration with our stakeholders, we lay the foundation for functional sustainability initiatives together. In turn, this enables us to offer sustainable public services.

Hemsö's most recent materiality assessment was conducted in 2018, when the company's key employees identified the most significant issues for the company in a workshop. After

the workshop, we engaged in a conversation with selected stakeholders to hear their views on the sustainability topics that were most material for Hemsö. The factors that were rated highest by both internal and external stakeholders are Hemsö's material sustainability topics. In 2021, interviews were held with the company's key employees to ensure that we have continued to focus on the right issues, both strategically and in our Sustainability Report. In the following chapter, you can read about our efforts in each of the focus areas and with the material topics.

Hemsö's focus areas





Hemsö's role in society

By meeting the growing need for social infrastructure, we are contributing to an important part of society. In 2021, we initiated development projects that will add 770 new nursing home beds and 12,300 new school places. Through our principal owner, the Third Swedish National Pension Fund, we are also creating growth for Swedish pension funds and contributing to safety and security for elderly people.

To simplify a holistic approach in our efforts to create sustainable and high-quality nursing homes and schools, we have developed two tools – the Hemsö Flower, and the Hemsö Apple. The Hemsö Flower describes key dimensions for a nursing home, such as caring about employees or how we create more community engagement. The Hemsö Apple describes equivalent dimensions for schools and includes our combined property expertise, the operational knowledge of the schools and research into learning environments. The tools serve as support and inspiration throughout the entire life cycle, from new development to further development of existing nursing homes and schools.

High-quality school playgrounds are one example of an important section of the Hemsö Apple, where we have been working with the 'Skolgårdslyftet' project for several years. The aim of this project is to raise the quality of our school playgrounds and to provide a place for both play and quiet reflection, and for children to interact with nature. In 2021, four school playgrounds were completed and the inventory will continue so that we can create more inspiring places for the students in our schools. In 2021, a manual for the development of new outdoor environments was also produced.

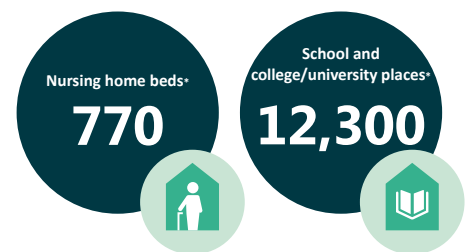
Community engagement and impact

Hemsö has a clear focus on management with a local presence, which creates conditions for sustainable,

innovative and customer-oriented operations. Expansion of the digital infrastructure is part of our vision to strengthen the backbone of society. In our research into tomorrow's nursing homes, we have identified a digitisation gap in relation to Swedish facilities. The 'Internetlyftet' project is Hemsö's initiative to remedy digital exclusion and future-proof our nursing homes with fast and stable WiFi connections. This need became even clearer during the pandemic when the only contact with loved ones was often through a screen. The Internetlyftet project was started in 2021 and initially comprises ten nursing homes. Employees also benefit from the connection, and welfare solutions such as alarms and cameras can also be installed to create a greater sense of security. Our aim is to eventually install this solution in all of our nursing homes in Sweden.

Our engagement includes sponsoring initiatives that are developmental and create social value. We have been sponsoring Hjärnfonden for many years now, an organisation that is very close to our heart as their research helps to promote the health and well-being of elderly people and school students. Hemsö is also a member of Seniorvärlden and Forum Bygga Skola, two non-profit organizations in which we are actively involved and part of the organisation.

The Hemsö Gift is an initiative that we started with the aim of simplifying and enriching the everyday life of people who use our properties by making a financial contribution. In



*Number of places/beds added by development projects initiated in 2021.



The Hemsö Apple



The Hemsö Flower

2021, the Hemsö Gift was awarded to health care and nursing home operations, since many of these had a difficult year due to the pandemic.

We are strengthening the backbone of society and will continue to maintain a presence in vulnerable areas. In 2021, we acquired Tensta upper-secondary school, which has been empty for many years. Here we have a great opportunity to create good conditions for learning at local level, and inspire faith in the future for children and young people in the area.

Zero-accident vision for our properties

As a property owner, Hemsö is responsible for safeguarding the health and safety of our tenants and users. Our properties shall meet a technical standard that ensures the safety and security of those who live, work and visit our buildings and their surroundings. We are responsible for always complying with applicable regulatory requirements.

We have delegated property owner responsibilities to property managers and project directors who have undergone training for that role. Preventive safety rounds and inspections are conducted in all properties at established intervals to check fire safety, fall protection, lifts and similar. All regulatory inspections in Sweden are logged in the Green View property system, which gives a clear overview of the inspections and measures in our property portfolio. An equivalent system is provided in Finland via Vastuu Group. Other inspections are coordinated with operations and maintenance service providers on a monthly basis and all safety rounds are documented. If an accident or serious injury occurs due to property owner negligence, we have a clear plan of action based on our crisis management process. Any events are handled by Hemsö's crisis management team until the situation is deemed normal again. The matter is then handed over to the line organisation and an action plan is created to prevent the occurrence of similar events in the future. An

incident report is also documented and submitted to the Board.

In addition to the digital support systems, we also use technology to optimise indoor air quality, which can also lead to energy savings. In an ongoing pilot project, AI sensors have been installed in a selected number of nursing homes and schools to gather data that can help us understand how the indoor environment is affected. When does the quality of air tend to fall, and what combination of factors make the premises too warm, are questions that we are hoping to solve with technology.

The safety and security for our tenants is a top priority and technology can help us maintain an on-site presence, while also optimising our initiatives. Our operations and maintenance service providers are on duty around the clock, with emergency services if needed.

We also include surveys of customer health and safety in our Customer Satisfaction survey. Hemsö has a zero accident vision for its properties. Two accidents were investigated in 2019, but no accidents were reported in 2020 or 2021 due to property owner negligence.

Sustainable construction

The construction industry's focus on sustainability has increased considerably in recent years. We use environmental certification to secure our long-term efforts with sustainable buildings and to ensure the quality of the building. Certification is based on a clear framework and includes a third party audit, providing a stamp of quality for the work carried out. It also provides a valuation of buildings as a basis for green and sustainable finance. Hemsö uses a range of environmental certifications for both new development and the existing portfolio.

Our requirement is that new development must be environmentally certified

Explanation of certifications

Miljöbyggnad – Miljöbyggnad is a Swedish environmental certification scheme for buildings, owned by Sweden Green Building Council. The assessment awards a rating of Gold, Silver or Bronze.

Nordic Swan Ecolabel – The Nordic Swan Ecolabel is a Nordic certification scheme for a wide range of products, including buildings. Nordic Swan Ecolabel is run by Ecolabelling Sweden on behalf of the Swedish government.

BREEAM – BREEAM (Building Research Establishment Environmental Assessment Method) is an international certification scheme based in the UK. Sweden Green Building Council has adapted BREEAM to Swedish conditions. The assessment awards ratings ranging from unclassified, pass, good, very good, excellent to outstanding.

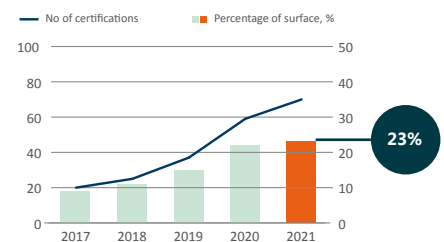
BREEAM In-Use – The BREEAM In-Use scheme is equivalent to BREEAM, but is used for existing buildings. The assessment also awards ratings ranging from unclassified, pass, good, very good, excellent to outstanding.

LEED – LEED (Leadership in Energy and Environmental Design) is an international certification scheme for buildings devised by the United States Green Building Council (USGBC). The assessment awards rating levels of Certified, Silver, Gold and Platinum.

NoIICO₂ – NoIICO₂ is a new certification scheme from Sweden Green Building Council designed to achieve net-zero carbon emissions for new buildings. It is an add-on certification to other certifications such as Miljöbyggnad, BREEAM, LEED or Nordic Swan Ecolabel.

DGNB – DGNB (German Sustainable Building Council) is a German certification scheme for buildings. The assessment awards ratings of Bronze, Silver, Gold and Platinum.

Environmentally certified buildings*



*Environmental certification of Miljöbyggnad Silver, or an equally high level of certification. Comprises Sweden, Finland and Germany.

The number of certified buildings is steadily growing. At the end of 2021, there were 70 environmental certifications comprising 37 Miljöbyggnad, four LEED, one BREEAM, 25 BREEAM In-Use, one DGNB, one Nordic Swan Ecolabel and one NollCO₂. All new development must be certified, and our aim is that all large existing properties will be certified moving forward.

Hemsö's first new construction project with net zero emissions is the Sköndalsvillan nursing home, a textbook example of our vision for tomorrow's new development. However, maintaining and renovating existing properties in an environmentally friendly way is just as important to us. The Lerum medical centre, which was named "BREEAM In-Use Building of the Year," is a fine example of how we work with sustainability in our existing older buildings.

In addition to the certification of new development, Hemsö also places a number of other sustainability requirements on new development and major conversion projects, in relation to re-use, waste, ecosystem services and climate change adaptation.

Customer satisfaction and long-term relationships

Hemsö works every day to safeguard customer relationships and build trust. It's important for us to know whether our customers think we are living up to their expectations. That is why we conduct regular Customer Satisfaction surveys and engage external providers to assure the quality of the results.

Customer responses help us continuously improve our operations, our customer relationships and our offering. Hemsö's customer interactions, and the quality and maintenance of our properties, are all major factors for overall customer satisfaction. But other issues such as sustainability, climate change, the outdoor environment and security are becoming increasingly significant.

The survey responses are disseminated to Hemsö's respective

property managers who follow up the results and create action plans. Hemsö has assigned a team to analyse how the company manages its customer relationships. They identify the regions that are best at managing customer relationships. Best practices are highlighted in order to share experience within the company and create a standard for customer relationship management.

In autumn 2020, a customer satisfaction survey was carried out in Finland with a score of 3.81 on a scale of 1-5 and a Net Promoter Score (NPS) of 49 – NPS is a customer loyalty and satisfaction measurement. The respondents were interviewed by phone and the response frequency was 76 per cent. The most recent Customer Satisfaction Survey in Sweden was carried out in January 2021 via a web-based questionnaire and phone interviews, and the CSI score increased from 71 in 2019 to 73 in 2020 (66 in 2018). Hemsö's target is a CSI score of 75 points (on a 100-point scale) within a five-year period.

Customer responses help us continuously improve our operations, our customer relationships and our offering

Hemsö has also conducted in-depth interviews with residents, employees and family members in elderly care in order to develop our nursing home offering. This process has strengthened the conviction that our tenants appreciate close and responsive property management that captures the needs of employees and their suggestions for improvement.

Financial performance and sustainable finance

In addition to meeting the growing need for social infrastructure, Hemsö is contributing to society by creating sustainable growth for Swedish pension funds, since Hemsö's surplus is mainly returned to AP3 and Swedish pensioners.

The overall objective of Hemsö's financing activities is to secure a stable capital structure, and an optimal net financial position within given

risk constraints. Due to the intensifying focus on green and social issues among Hemsö's investors, sustainable finance is key to ensuring good access to capital. Hemsö's sustainable finance has two components – the sustainability bonds, and sustainable loans from the Nordic and European Investment Banks. Hemsö was the first company in the Nordic region to issue sustainability bonds. The sustainable framework that was established as far back as 2016 defines the properties and projects that qualify for financing with sustainability bonds and, in addition to environmental sustainability, also includes social sustainability and investments. Since 2016, Hemsö has issued sustainability bonds totalling SEK 4.7 billion.

A building must hold at least Miljöbyggnad, Silver certification or an equivalent level under another certification scheme to qualify for financing with sustainability bonds. Since the aspect of social sustainability is also included, a project can meet the requirement for social sustainability due to the activities taking place in Hemsö's properties (health care, social care and education).

Hemsö's sustainable loans comprise two credit facilities totalling SEK 4 billion from the European Investment Bank, which will be used for the new development and conversion of public properties with high ambitions for energy-efficiency (nearly zero-energy building, NZEB). Hemsö also has a loan of SEK 0.8 billion from the Nordic Investment Bank for the development of St Erik Eye Hospital in Stockholm.

In June 2020, the EU adopted its Taxonomy Regulation, which is designed to help investors identify and compare environmentally sustainable investments. This takes the form of a classification system with a common language to determine whether an economic activity should be considered "environmentally sustainable." While Hemsö is not directly impacted by the regulation as yet, we are following developments. In 2022, we will intensify our focus on the Taxonomy to ensure that we are equipped to meet future requests and demands.

Results and metrics, Hemsö's role in society

Target
15%

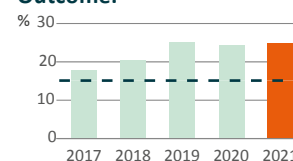
Outcome
25%

Return on equity

Target: Average return on equity shall amount to 15 per cent over a five-year period.

Outcome: At the end of 2021, the average return on equity over a five-year period was 25 per cent.

Outcome:



Economic value generated and distributed

SEK million	2019	2020	2021	Share, %
Direct economic value generated				
Income (rents and other income)	3,047	3,293	3,640	
	3,047	3,293	3,640	
Economic value distributed				
Employee salaries and benefits, social security contributions	-147	-172	-198	5%
Payments to providers of capital	-419	-500	-486	13%
Dividends to the owners	-722	-860	-905	25%
Payments to suppliers	-628	-702	-724	20%
Tax paid	-141	-171	-173	5%
Economic value retained	992	887	1,155	32%

The figures for payments to suppliers for 2020 and 2019 have been restated compared with last year's report due to a previous calculation error. This also affects results for the line item of economic value retained for 2020 and 2019.

Place availability completed

Year	No. of projects	Place availability school	Place availability college/university	Place availability nursing home
2018	7	750	0	171
2019	12	1,472	5,100	312
2020	7	490	0	258
2021	14	3,586	0	192
Since start	67	11,600	7,000	1,450

This indicator shows the place availability of the completed school, college/university and nursing home projects during the year. The indicator is linked to the area of local communities, where place availability shows how Hemsö is meeting the growing need for social infrastructure in the local community.

Completed development projects, 2021

Municipality	Project	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Rental value increase, SEK million	Occupancy rate, %
Linköping	Nyponkärnan preschool	Education	Miljöbyggnad	1,688	49	15	3	100%
Solna	Bagartorp ¹⁾	Education	Nordic Swan	4,456	169	30	11	100%
Zossen	Dabendorf	Education	-	16,250	432	20	26	100%
Västerås	Södra Källtorp Äldreboende ⁴⁾	Nursing home	Miljöbyggnad	9,975	375	25	21	100%
Norrköping	NOD-huset ⁴⁾	Health care	Miljöbyggnad	4,495	260	10	13	89%
Borlänge	Paradisskolan	Education	-	9,200	240	20	17	100%
Oulu	Linnanmaa ⁵⁾	Justice system	BREEAM	5,800	157	25	13	100%
Stockholm	Princeton ²⁾⁵⁾	Health care	Miljöbyggnad	22,364	1,667	8	106 ²⁾	93%
Lahti	Paavola ³⁾	Education	-	7,000	243	20	18	100%
Södertälje	Hantverkaren	Nursing home	Miljöbyggnad	4,982	167	20	12	100%
Joensuu	Konservatoriet ⁵⁾	Education	BREEAM	3,311	129	20	10	100%
				89,521	3,888	15	250	

1) Municipal guarantee.

2) A joint venture was formed with SveaNor to deliver the project. The property was sold and exited in Q4 2021.

3) 2 of 5 projects in the project portfolio were completed in Q4 2021.

4) Certified in 2020

5) Future certifications

CASE:

Smart technology for a healthy indoor environment

Hemsö in Luleå has launched an exciting pilot project using artificial intelligence to improve the indoor climate for students at two schools and about 650 residents in nursing homes.



Fredrik Sandberg, technical manager at Hemsö Luleå, says they looked into various AI systems that would be easy to integrate with existing management systems in the properties. They decided that Myrspoven's leading-edge technology offered the best solution.

Some 500 sensors have now been installed in 18 of Hemsö's properties, both schools and nursing homes. These sensors feed the system with data on temperature, CO₂ levels and relative humidity in the premises. Outdoor temperature is also measured and all information is combined into facts that give answers to the factors that are making the air too dry or causing heat to rise.

A survey is now being carried out of the perceived indoor environment in the properties included in the project.

"We haven't used artificial intelligence to control the indoor climate yet," says Fredrik. "First of all, we want to know how the situation is perceived right now, which we are

doing by sending out a questionnaire for employees and residents to fill in every week."

The reason why Hemsö is making such thorough measurements before the smart system is introduced is to study the experience before and after.

Some 500 sensors have been installed in 18 of Hemsö's properties

"We won't let AI control the air and temperature completely until January," says Fredrik, "based on the data that has been collected over the past year. And we are keeping the exact date a secret so that we don't affect the actual outcome."

Hemsö's questionnaire is unique because it is measuring perceptions before the technology takes over, and Myrspoven is also following the process with great interest. A collaboration is also under way with

students at Lund University who are studying whether the indoor climate could have potential health benefits. And while the main goal is to create a better indoor climate for people, the positive side effects, such as lower energy use, are expected to reduce Hemsö's emissions.

"If the project is successful, this is just the beginning and digitisation can create benefits for us on many levels. Now we're looking forward to seeing the results of the survey when we start using the technology," says Fredrik.

While the new technology is helping to improve the indoor climate, it is a continuous process for AI to learn how to adjust its response. But copious amounts of data are being built up over time to provide us with information about the situation in our properties. The response will also become more exact and support our efforts to optimise the indoor climate in our properties.



Employees

Employees are Hemsö's most valuable asset and we all share a passion for making society a little bit better every day. We want to be an attractive employer and attract talent, but also want to ensure that our existing employees are thriving, motivated and satisfied.

Systematic OHS management

All of Hemsö's employees in Sweden (86 per cent of all employees) are covered by Swedish collective agreements. In Hemsö Finland and Germany, collective agreements are not in place at present but similar terms apply. Prior to every recruitment, we conduct a process that matches salary terms using an HR/salary system. We inform about the benefits included in the employment contract and make a comparison with other property companies in order to offer similar terms. After a certain period of time, the HR department performs a follow up of

the recruitment, and a salary survey is conducted annually.

Hemsö's aim is that the physical office will be as pleasant as possible and that all workplaces meet the same standard. We perform regular safety rounds at all offices to ensure a safe and healthy workplace for our employees.

During the pandemic, we focused on a positive work environment for our employees who were working from home. Our employees received a contribution to set up a home office with a high standard, with a focus

on good ergonomics and functional IT solutions. Following up their mental and physical health was just as important, as well as how contact with other colleagues worked. We invested in pulse surveys, health activities and online training courses. During the summer, we also produced new guidelines for flexible working, authorising each individual manager to set the framework for remote working.

Hemsö has an OHS management system that governs how we work. Employee surveys are conducted every year to monitor the results,



Hemsö's core values

Accessible

We are locally based and work closely with our customers. We listen carefully and always strive to promote positive dialogue. We are a dependable and accessible partner, with high availability.

Reliable

We take responsibility for the properties we manage and build confidence through financial stability and stable ownership. We contribute to social sustainability and our properties are part of the social infrastructure.

Progressive

We drive development in our industry. We develop offerings and premises based on the requirements and preferences of our customers.

and one metric is the Net Promoter Score (NPS). The target for the employee survey is that all employees should be satisfied or very satisfied with their workplace. The survey conducted in 2021 showed that all index scores have increased and, according to the Employee Net Promoter Score (eNPS), the percentage of ambassadors has continued to rise. The employee engagement score also rose and was above the high-performance benchmark, which is a comparison with the absolute top companies. The employee survey showed that the ability to influence, a permissive culture that allows mistakes and a creative environment are some of the most positive things about working at Hemsö. All of this fosters a sense of pride in the company. The survey also showed that two areas for development are inter-department collaboration and employee feedback.

A key metric calculated by the employee survey is the Engagement Index (EI), which is part of the Employee Engagement Index. Our target is an EI of at least 77 per

cent and in 2021, the outcome was 88 per cent.

Diversity, equality and non-discrimination

We believe that everyone should be treated equally, and are always striving to promote diversity in the company. We value diverse perspectives and experience of our employees. It contributes to a dynamic workplace and broadens the knowledge base of our organisation. We work with training and information for our employees to promote diversity. We currently measure how employees feel about our work with anti-discrimination, and are planning to measure more diversity-related aspects moving forward. Promoting diversity is a top priority for Hemsö and we will intensify our focus on this area in 2022.

We also work actively to achieve equality in the workplace, in terms of both gender balance and equal pay for equal work. We have an even gender balance across the entire company, as well as in senior management. However, the most

recent salary survey in 2021 revealed the existence of a few pay gaps that cannot be explained at present. We intend to work actively to eliminate any gender pay gaps in 2022.

We value diverse perspectives and experience of our employees

We have a zero-tolerance approach to discrimination, harassment and bullying. We work pro-actively to prevent and identify abnormal behaviour at an early stage. These efforts are measured and followed up in the employee survey. It is also important to inform about events internally, follow up and dare to be transparent. We also have the Whistle B system, where both internal and external stakeholders can report suspected irregularities anonymously. When a matter is reported, Hemsö has a specific procedure for taking action and an investigation is carried out. Sometimes these matters are related to employees, other times to business ethics. Hemsö has been working pro-actively with the whistleblowing system for some time. In 2021, a number of reports were received concerning suspected irregularities and discrimination. All cases were analysed and addressed, and subsequently closed.

Competence development focus

Hemsö invests in its employees and places great emphasis on competence development in the company. As a basis for professional development, all employees have an individual plan that is established together at their annual performance review. The development plan also includes an individual plan for training, where the employee can present their own ideas for a course or training programme. Leadership is important to us and all managers at Hemsö undergo a leadership development programme. Management days with a focus on leadership philosophy are held every year. In the annual employee survey, we measure employees' perceptions of their competence development. In this year's survey, 89 per cent responded positively and 9 per cent neutrally to the question 'Are you able to develop in your role?'

Together with our employees, we are building a common set of values in the Hemsö School

Our values— accessible, responsible and progressive – guide everything that Hemsö does. Together with our employees, we are building a common set of values in the Hemsö

School. The Hemsö School is a training course for all new employees, where we focus on the company's values, culture and Code of Conduct. In 2021, 20 employees participated in the Hemsö School, which is slightly less than normal due to the pandemic.

Samhällsskolan (the Social School) is another internal training course, and has been ongoing since 2017. It is based on sharing experience with colleagues that began around the coffee machine and is now a regular forum for internal training and competence development. Employees can listen to a colleague speaking about their own particular area of expertise for one hour. External specialists in areas that are relevant to our operations are also invited to speak. The school has become a popular and simple way to share experience and contribute to the company's competence development. A topic that was recently addressed by Samhällsskolan is digital development, and many employees took advantage of the opportunity to learn from the company's experts in this field.

Our aim is that Hemsö will be a company to grow and develop in. To inspire employees to move upwards in the organisation, we advertise vacant positions internally first and ask our employees for recommendations. Succession planning is also in place for key people and senior positions.

Risk and risk management

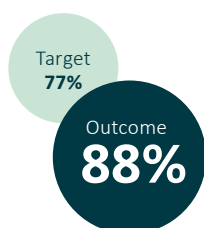
Employee risk mainly relates to Hemsö's inability to meet its own needs for competence, and the risks associated with employee health. If Hemsö is unable to attract competent and qualified staff, or if key employees leave Hemsö, this could have a negative impact on the operations. Risks related to employee health are problems associated with sick leave which, in addition to the problems these cause for individuals, may also cause problems related to the handling of tasks and continuity.

Hemsö has a structured method for working preventively with both competence development and health. Hemsö works actively to be a reliable employer and strives for an open and transparent work environment based on Hemsö's values. Hemsö has an OHS management system that governs how Hemsö works. Employee surveys are

conducted every year to monitor the results, and one metric is the Net Promoter Score (NPS).

Hemsö works continuously to maintain a pipeline of talented employees through internal training programmes via Hemsö's Social School, and through trainee and work placement programmes. All managers at Hemsö undergo a leadership development programme. Succession planning is in place for key people and senior positions. Hemsö work systematically with health and safety by setting targets that are monitored annually. Hemsö works preventively with employee wellness, which includes regular health checks and wellness activities for all employees. In 2021, employee attendance was 99.41 per cent. No workplace accidents were reported for Hemsö employees in 2021.

Results and metrics, Employees



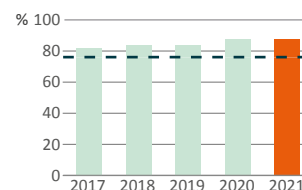
Engagement Index (EI).

Target: The Engagement Index score will be at least 77 per cent. The EI is part of the Employee Engagement Index (EEI), which includes the Leadership Index and Team Efficiency Index, and

also received high scores during the year.

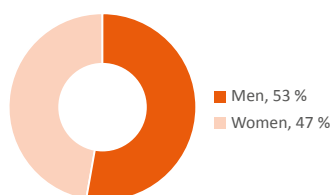
Outcome: 88 per cent, which means that the target for 2021 was achieved.

Outcome:

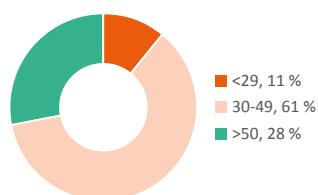


Age and gender balance

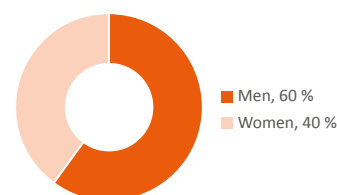
Gender balance total



Age balance total



Gender balance, management



	Women/men, %	<29 years	30-49 years	> 50 years
2021				
Board	50/50	0%	17%	83%
Management	40/60	0%	40%	60%
All employees	47/53	11%	61%	28%
2020				
Board	33/67	0%	17%	83%
Management	40/60	0%	50%	50%
All employees	43/57	13%	62%	25%
2019				
Board	33/67	0%	33%	67%
Management	30/70	0%	90%	10%
All employees	47/53	12%	68%	20%

Based on number at 31 December each year. Comprises Sweden, Finland and Germany.

New employee hires and employee turnover

Employee turnover, %	2019	2020	2021
Total	10.7	10.1	7.6
Men	3.4	5.6	6.2
Women	18.7	13.9	1.4

The number of new employees in 2021 was 28 (29 in 2020, 30 in 2019). Hemsö does not report age group or region due to too few employees. Calculation using the formula: lowest number of employees started or ended, respectively/average number of employees. Comprises Sweden, Finland and Germany.

Employment contract type

No. of employees per employment contract	2021
Total no. of employees	153
Permanent employees	151
Temporary employees	2

All permanent employees full-time employees. The working hours of temporary employees vary. The calculations are based on the number of employees at 31 December 2021 and comprise Sweden, Finland and Germany.

CASE:

Career Company of the Year 2021

Universum named Hemsö 'Career Company of the Year' for the fifth consecutive year.



Sara Lofthammar,
Junior Project Developer

Career Company of the Year 2021

The Certified Career Company award is a Swedish stamp of quality for those employers with the highest standard of employer branding. Universum named Hemsö 'Career Company of the Year' for the fifth consecutive year. This means that the jury rates Hemsö as one of the top 100 companies in Sweden when it comes to offering development and career opportunities to its employees. Hemsö has the highest number of nominations in the industry.

The jury's citation for 2021 was: "Hemsö shows clearly that its employees are the company's most valuable asset. They offer opportunities for continuous development with internal training, seminars, and so forth. When it comes to employer branding, every employee should be aware of their opportunities for a career within the company, and Hemsö succeeds with this above and beyond. Hemsö makes it easy – whether you are an employee or an applicant. With a wonderful company culture and a real feeling for communication, Hemsö succeeds in reaching out with its message – A company to develop in!" Karriärföretagen's mission is to make it easy for Swedish students and young professionals to find their next employer and to reward effective employer branding.

In 2021, Hemsö recruited several new employees. One of them – Sara Lofthammar – explains why she wanted to start working at Hemsö.

What brought you to Hemsö?

"When I was studying for my Masters Degree in Surveying at Lund University, I met Hemsö several times at job fairs. When I saw a job ad for a student employee in development projects, based in the Malmö office, I applied and was accepted. When I completed my Master's thesis last spring, which was based on property valuation at Hemsö, I contacted them to see whether it would be possible to stay with the company after my degree, but work from Stockholm. And it was!"

What made you want to continue at Hemsö?

"It didn't take long to realise that this is an organisation that shares my values and that I feel proud to work for. I've felt welcome and valued since the very first moment. I've been given responsibility, but I can also ask 'stupid' questions. And then it feels good to be involved in helping to create social value, through what we own and develop, but also because Hemsö's profit is returned to Swedish pensioners via our owner – the Third Swedish National Pension Fund."

Environment and climate

Reducing Hemsö's emissions will be a top priority for the company for many years to come. In our long-term climate strategy, we are primarily focused on energy efficiencies, a transition to renewable energy, reduced emissions from construction, and identifying and preventing physical, climate-related risks.

Energy and climate

Energy use is one of Hemsö's material sustainability topics and a top priority from both environmental and economic perspectives. Energy-efficient buildings are a condition for Hemsö's ability to obtain and retain sustainable finance. Hemsö's overall objective is that our properties will be 3 per cent more energy-efficient per year in the comparable portfolio, meaning the properties that Hemsö has owned over the past two years.

In addition, Hemsö has a company-wide climate strategy with the following objectives:

- 100 per cent fossil-free energy use and net-zero emissions for the existing property portfolio by 2035
- To make an inventory of the climate change risks related to our properties and take any necessary actions to avoid negative impacts
- Reduce total emissions from new development and large-scale conversion projects
- Promote development in the area of climate-smart and sustainable buildings by focusing on new technological solutions
- Carbon-neutral travel

Reducing the property sector's emissions is a major challenge and radical changes are needed to achieve internal and national targets. By focusing on innovation in our own projects and choosing the right partners, Hemsö can make a difference and be a role model in this area. Achieving a NollCO₂ certification is an important part of our efforts to reduce

emissions from construction. During the year, we reached a milestone with our new construction project, Sköndalsvillan, the first nursing home in Sweden to achieve this certification. Sköndalsvillan's carbon footprint is 41 per cent lower than a traditionally built nursing home, and net zero emissions are achieved by carbon offsetting in the form of photovoltaic (PV) system investments in Hemsö's own property portfolio.

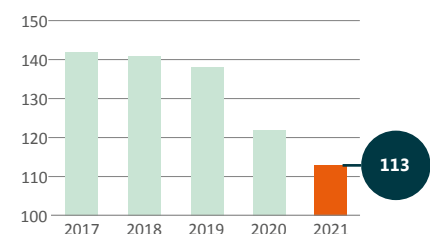
We are also working continuously to improve the energy performance of our existing properties, where renewable energy is key. Hemsö is investing in PV systems, for example. In 2021, we completed another 25 installations, which means that Hemsö now has 67 properties with PV systems. The total installed capacity is 4,880 kWp (3,050). The expected annual output from the systems is 4,228 MWh (2,710). In 2022, we will continue to look into the feasibility of PV systems and several projects are either ongoing or planned for the future.

In the comparable portfolio in Sweden, energy use dropped 0.1 per cent between 2020 and 2021. Technical problems in some large properties during the year prevented a greater reduction. Excluding these properties, consumption fell 3 per cent. We continued to work systematically with energy-efficiencies and considering the fact that we reduced our energy use by more than 9 per cent in 2020, our energy use has continued to fall.

In 2021, the outcome for the entire

Swedish portfolio as a separate year was 113 kWh/m² (122) for heating and electricity (including business electricity). The large decrease was mainly attributable to a large property that has now been removed from the statistics due to conversion. In addition, we achieved a reduction because new, energy-efficient properties have been added to the portfolio and our systematic energy work with operational optimisation and energy efficiencies has also yielded results.

Energy use in Sweden kWh/m² A-temp



For the Finnish portfolio, energy use declined 4.7 per cent in the comparable portfolio between 2020 and 2021. The decline was attributable to systematic energy work and the effect of previously completed energy projects in the portfolio. In 2021, the outcome for the entire portfolio as a separate year was 226 kWh/m² (254) for heating and electricity (including business electricity) for Finland. We can also see how new, energy-efficient properties in the portfolio contributed to the reduction.

The aim of a large-scale project currently taking place in Finland is to improve energy-efficiency in

some of the largest properties. One example is the extensive refurbishment of Turku City Hospital, which is expected to reduce both energy consumption and CO₂ emissions. The project comprises an upgrade of the existing system to improve energy efficiency and the installation of geothermal heating. The project is currently in the planning and preparation stage, and is scheduled for completion by the end of 2022.

In the German property portfolio, Hemsö is currently working to gain an overview of the energy use. We mainly have double net leases in Germany, which means that Hemsö as the landlord is responsible for maintaining the structure of the property while the tenant is responsible for all routine maintenance, operations. This means that the data collection process is slightly different compared with Sweden and Finland. However, efforts to reduce energy use in the German portfolio are ongoing and one example is Hemsö's new upper secondary school in Zossen, south of Berlin. The school was inaugurated in 2021 and uses an innovative wastewater heat recovery system to heat the building in winter. The innovative solution is helping to reduce energy use and environmental impacts.

We calculate our GHG emissions using the international GHG Protocol standard. In 2021, our Scope 1 and 2 emissions in Sweden were 4.0 kg CO₂e/m² (4.0 kg CO₂e/m² in 2020 and 5.6 kg CO₂e/m² in 2019). In 2021, our Scope 1 and 2 emissions in Finland were 21.1 kg CO₂e/m² (14.5 kg CO₂e/m² in 2020 and 17.8 kg CO₂e/m² in 2019). The increase in Finland is mainly due to the fact that for 2021, we are using emission factors from our suppliers instead of, as previously, an average emission factor for district heating in Finland.

In order to work more systematically to reduce our emissions from construction, Hemsö launched a development project to calculate emissions. The calculations primarily comprise new development

and measure emissions in the construction process stage, such as raw material supplies, transport and manufacturing. From 2021, emissions from all new development projects in Sweden will be calculated. Emissions from development projects in Finland were also calculated. This gives us basic knowledge of baselines for various environmental performances.

To gather more knowledge about our emissions, we also started two pilot projects during the year. The aim of these projects is to develop tools for calculating emissions in the early stages, already during the pilot study, and to see how the choice of materials affects emissions in that phase. Hemsö is also participating in a research project based on BIM models to calculate emissions, which are virtual representations of reality that generate and organise all information produced during the life cycle of a building.

Plans are under way to start a carbon-neutral development project in Malmö by 2025

Collaboration is a critical success factor in the net-zero transition. We have joined the Fossil Free Sweden initiative (Roadmap 2045) and the LFM30 network (Roadmap Malmö), and are planning the start-up of a carbon-neutral development project in Malmö by 2025. Hemsö is also a member of Sweden Green Building

Council and Green Building Council Finland. During the year, we have conducted training and workshops to develop skills for addressing climate change and identifying climate-related risks in accordance with the TCFD guidelines (refer to pages 27–28).

In 2022, we will maintain our focus on the development of public properties on the company's own land. Many municipalities have a need to upgrade their portfolios, and are primarily interested in retaining and converting their properties. With our experience, we can assess whether an asset is worth refurbishing or should be demolished, which is important knowledge for reducing all kinds of resource use and emissions.

Importance of choosing the right materials

To ensure that the materials used in new development and conversions are sustainable, the materials used in development projects are subject to requirements. In 2021, we updated our internal governing documents in order to intensify our focus on the use of sustainable materials as we move forward.

In Sweden, we use SundaHus Material Data – a tool for assessing the products used by the construction and property industry and avoiding products with harmful substances. We can also document the products we have chosen for a specific project as support for future refurbishments. There is no equivalent system in Finland or Germany at present.

Construction emissions

Development projects completed in 2021	Building type	A1-A5 (kgCO ₂ e/m ² GIA)
Bagartorpsskolan	Sports centre	348
Bagartorpsskolan	Education	314
Södra Källtorp	Nursing home	303
Nyponkärnan	Preschool	266
Hovsjöhemmet	Nursing home	200
Paradisskolan	Education	139
Paradisskolan	Sports centre	214

The table shows the calculation of emissions for the construction process stage for development projects completed in 2021. The calculations comprise the construction process stage, i.e. modules A1-A5 (according to SS-EN 15978) and at a minimum include the following components: load-bearing structural components, climate screens and interior walls. Since the methods and life cycle stages vary, it is not possible to compare the projects with each other.

SundaHus Material Data Assessments are divided into four levels, from A to D, where A is best in terms of minimal environmental impacts and sustainability. Hemsö has adopted a policy that all materials we use must have a minimum assessment of B. We use SundaHus Material Data for all new construction, major conversions and routine property maintenance. In 2021, 86 per cent of the assessed products in completed development projects met the criteria for level A or B.

Waste management

Waste management is a key aspect of Hemsö's approach to sustainability. New development, conversions and tenant adaptations, in particular, generate large amounts of waste. In addition, waste is generated by the everyday use of the buildings and our tenants' activities.

Hemsö is primarily working to reduce the amount of waste generated, but also to manage the waste that does arise as resource-efficiently as possible. Construction waste is a source of both emissions and environmental impacts, and reducing the amount of waste that is generated makes development projects more resource-efficient.

The developer is responsible for handling construction and demolition waste. Hemsö's objective is to reduce the generation of waste and

to take control over the materials and chemicals in construction materials. For future construction or demolition, the aim is to generate a comparatively smaller amount of waste, a smaller amount of hazardous waste and to increase the amount of materials for recycling.

The contractor is responsible for handling waste from construction projects. Therefore, both Hemsö and the contractor are responsible for handling the waste. In the contract procurement process, Hemsö specifies the environmental and sustainability requirements that apply for the development project. As the client, Hemsö monitors and verifies that the contractor has handled waste in accordance with the contract, has a transport permit, that hazardous waste has been transferred to an authorised facility and that this has been documented and recorded. The contractor's environmental plan, OHS plan and risk assessment are also monitored in development projects.

Focus on improved waste management

In 2022, we will start a project with a focus on tenant waste in existing properties. The aim of the project is to make it easy for our tenants to sort their waste in all properties, which is not possible in some

properties at present. An inventory will be carried out together with the tenants to find the best kind of waste solution for each type of activity. By doing so, we hope to inspire to more interest in waste, increase the amount of waste that is sorted and create better opportunities for obtaining waste statistics for the Sustainability Report. In addition, waste sorting and management is often mentioned in the Customer Satisfaction Survey, which indicates the importance of this topic for our tenants.

Water use

Water shortages have become increasingly common in recent years, especially in some areas, and reducing our water consumption is important from a sustainability point of view. While restrictions are not applicable in all locations where Hemsö operates, we have initiated a process to reduce our water use. We monitor water use continuously and use cost-efficient measures to reduce consumption.

During the year, we launched a pilot project in six properties in the Stockholm region, where we are testing a leak control service to detect leaks automatically as soon as they occur. If a leak occurs, the system alerts the operations manager who can take care of the incident immediately. That keeps water consumption down, while avoiding any damage that can be caused by a leak.

Risk and risk management

Environmental and climate-related risks refer to the company's impacts on the environment and the surrounding community, and the risk that climate change could impact the company. Hemsö's activities impact the environment when properties are being built, the ongoing operations of the properties and the activities conducted in them. Changed legislation or regulatory requirements for the environment and energy use, as well as growing customer demands on environmental management and environmental certifications, may entail a risk of higher costs and financial losses. There is a risk that climate change could impact Hemsö's operations due to higher costs for handling extreme weather events such as heavy rain and flooding.

Hemsö works systematically with preventive measures to achieve a good indoor environment, energy efficiencies and renewable energy, sustainable material choices and safe handling of chemicals and waste in the company's properties. Environmental and

climate-change due diligence is carried out prior to acquisitions. Hemsö has clear procedures for following the applicable regulations regarding property owner responsibility for emissions from property operations. In 2019, Hemsö adopted a climate strategy focused on managing climate-related risk for the operations. All new development holds at least Miljöbyggnad Silver, or an equivalent rating under similar certification schemes such as BREEAM or the Nordic Swan Ecolabel. For new development in Sweden, Hemsö chooses materials based on SundaHus Material Data assessments to protect human health and the environment.

In 2021, no incidents were recorded that led to fines or other environmental sanctions.

Read more about climate-related risk and opportunities on page 27–28.

TCFD – climate-related risks and opportunities

Understanding the impact of climate change has become increasingly urgent, and a key component of companies’ strategic planning is how to manage the potential risks while also taking advantage of the opportunities. Based on the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), Hemsö conducted a climate scenario analysis in 2021 where the company identified and documented risks and opportunities with the aim of improving resilience to climate change.

Climate-related scenarios

As a basis for the identification of potential risks and opportunities, we used two climate-related scenarios for 2050, RPC 8.5 and 1.9, both based on scenarios created by the UN Intergovernmental Panel on Climate Change (IPCC). RPC 8.5 is a worst-case scenario where CO₂ levels continue to rise sharply and global warming is expected to rise as a result. RPC 1.9 is a best-case scenario with a rapid transition to a lower-carbon

economy, reduced emissions and limited global warming. Hemsö analysed the potential impacts on the company’s operations for each of the scenarios, and identified the transition risks (i.e. policy and regulatory risks) and physical risks (i.e. rising sea levels and drought). In the coming years, Hemsö intends to develop the process of analysing how the company could be impacted financially by the identified risks and opportunities.

WORST-CASE SCENARIO, INSPIRED BY RCP 8.5

Emissions continue to rise rapidly due to the failure of nations to collaborate and deliver a transition

Climate

- Temperature increase in Europe is about 2–5 °C
- Rising sea levels up to about 0.5 metres¹⁾
- Extreme weather with rain, storms, heat and drought becomes more common
- More flooding, especially in connection with the 100-year storm estimate
- Reduced snowfall

Society

- Continued dependence on fossil fuels
- Nations fail to agree on joint initiatives and action
- No tough demands or regulations
- No major changes in the behaviour of people or companies
- Continued high energy intensity
- Global population growth reaches about 12 billion by 2100
- Climate refugees
- Increased global polarisation

Hemsö

Hemsö fails to achieve collaboration on emissions reduction with the company’s partners

1) Reference point Malmö, with account for land uplift.

BEST CASE SCENARIO, INSPIRED BY RCP 1.9

Powerful climate policy and rapid transition leads to the achievement of net-zero emissions by 2050

Climate

- Temperature increase in Europe is limited to about 1.5–4 °C
- The sea-level rise is limited to a few decimetres¹⁾
- Slightly higher risk of extreme weather events
- Slightly higher risk of flooding

Society

- Nations collaborate and deliver a transition
- Renewable energy has replaced fossil fuels
- Policy decisions, legal regulations and instruments have been introduced to reduce CO₂ emissions
- Rapid transition of society, infrastructure and buildings has taken place
- Sharp increase in new technologies and digitisation
- Low energy intensity has been achieved
- Customers, investors and authorities impose stringent requirements on climate change adaptation
- Global population growth reaches about 9 billion by 2100

Hemsö

Hemsö and our partners succeed in collaboration to accelerate the low-carbon transition

WORST-CASE SCENARIO

RISKS AND OPPORTUNITIES IDENTIFIED

Physical risks:

- Heavy rain, flooding and rising sea levels risks cause damage to Hemsö's properties and the surrounding environment and infrastructure
- More frequent heat waves could mean that current properties do not meet air conditioning and ventilation requirements
- Erosion could damage the environment around the properties
- Supply chain problems could arise due to, for example, a shortage of natural resources, materials, energy and raw materials needed for the operations
- Extreme weather events and a higher risk of flooding, landslides and avalanches could damage power stations and lead to electricity shortages if there is no back-up power for our properties

Transition risks:

- If cities and/or properties need to be relocated due to rising sea levels, this could make existing properties obsolete

Opportunities:

- Acquiring, developing and offering climate-resilient and resource-efficient public properties in areas at lower risk of climate-change impacts
- Energy and resource-efficient construction reduces costs

POTENTIAL IMPACT ON HEMSÖ

Financial impact:

- The potential negative impact on Hemsö's financial results is deemed low in the short term, but certain costs for operation, maintenance and insurances may increase. The market value of the properties may be affected, and the ability to obtain financing may change, if the capital market is reluctant to provide finance for properties in high-risk areas.

Impact on strategy and operations:

- Strategy for handling our properties should the worst-case scenario eventuate, such as being prepared to deal with a large number of emergencies
- Identification of properties in risk areas and taking action to reduce risk, and being prepared for several days with extreme weather, for example. Upgrade of properties that are less resilient to climate change.
- Greater emphasis on climate scenario analysis for new construction or property acquisitions to identify business opportunities and minimise risks
- Offer back-up power in order to guarantee electricity so that social infrastructure can conduct business as usual in the event of a power outage due to extreme weather
- Prioritise properties where essential services are provided, enabling society to function in general despite, for example, extreme weather events

BEST-CASE SCENARIO

RISKS AND OPPORTUNITIES IDENTIFIED

Physical risks:

- More frequent heavy rainfall events could damage the properties
- A slightly higher mean temperature increases the need for air conditioning and ventilation systems in the properties
- Raised sea levels could affect parts of the property portfolio

Transition risks:

- Tougher requirements from, for example, customers, politicians and the capital market on Hemsö's climate-change adaptation and the standard of properties
- New technologies must be installed in the properties on a large scale, such as ventilation, air conditioning, energy and water, which is sometimes complex and requires high levels of both capital and expertise
- Risk that our public properties are located in areas where people do not want to live or work
- Lack of in-house expertise in the company for meeting the new and tougher requirements

Opportunities:

- Hemsö can take a clear position by working pro-actively with climate-change adaptation, meeting the tougher requirements and using that as a competitive advantage
- Climate-proof the property portfolio by developing a strategy and making investments to ensure the resilience of existing properties to climate change
- Include criteria for climate adaptation in new acquisitions and new construction to ensure that future properties are resilient to climate change and located in low-risk areas
- Use materials and resources more efficiently
- Take advantage of opportunities to obtain green financing

POTENTIAL IMPACT ON HEMSÖ

Financial impact:

- The potential negative impact on Hemsö's financial results is deemed low in the short term, but some investments in conversions to adapt the existing property portfolio, such as the installation of air conditioning and ventilation systems, are considered necessary. That could also lead to some increase in insurance premiums, albeit less than for RCP 8.5.
- The opportunity to increase the value of a climate-resilient property portfolio, while the value of properties that do not meet the new requirements can fall, or may need to be written off.
- Increased rental income for climate-resilient properties in low-risk areas
- More resource-efficient systems can reduce costs for energy and water, for example

Impact on strategy and operations:

- Incorporate climate-change adaptation into day-to-day operations and focus on the areas where the company has the greatest impact
- Cooperate with other players, such as municipalities, to meet the increasingly tougher requirements
- Continued focus on public properties – older people are living longer, which is increasing the need for nursing homes
- Greater emphasis on climate scenario analysis for new construction or property acquisitions to identify business opportunities and minimise risks
- Review the property portfolio and existing systems, and identify measures to address, for example, the energy use and ventilation systems of the properties
- Clear responsibilities and communication, both internally and externally

Results and metrics, Environment and climate

Target 3%

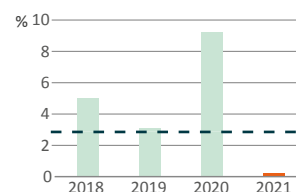
Outcome
0.1%

Energy use

Target: In the comparable portfolio (Sweden), energy savings shall be at least three per cent per year.

Outcome: In 2021, energy savings in the comparable portfolio in Sweden were 0.1 per cent.

Outcome:



Energy use within the organisation

The reporting period is 1 January-31 December 2021. The total amount of energy consumed in 2021 was 281,153 MWh. (2020 243,235).

MWh	2019	2020	2021
Electricity, renewable	86,980	94,537	95,990
District heating, renewable	115,779	108,128	116,261
District cooling, renewable	4,272	4,521	7,331
Total renewable energy	209,050	207,186	219,582
Electricity, non-renewable			
District heating, non-renewable	25,559	34,273	58,433
District cooling, non-renewable	273	289	
Oil	1	6	440
Natural gas	1,558	1,310	1,411
Biogas			1,287
Diesel	68	61	
Petrol	118	110	
Total non-renewable energy	27,576	36,049	61,571
TOTAL	236,626	243,235	281,153

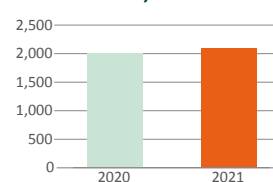
Energy use includes data for Sweden and Finland. In Germany, the tenant is responsible for energy use under the rental agreement.

Tenant waste

Tonne per waste management method	2020	2021
Landfill	1.4	2.1
Energy recovery	798	1143
Recycling	662	950
Unknown	547	0
Total tonnes of waste	2,008	2,096

This is the first time we have reported tenant waste. Tenant waste data is only available for some properties and is extrapolated for the remaining properties on the basis of property type. This was done by estimating an average figure for the amount of waste per sqm for each property type. These figures were then used to estimate the amount of waste for the properties where data was not available. This was then totalled with the data that was available. An average breakdown between the various waste management methods was also estimated for each type of property, and this was used to break down the estimated waste into the various waste management categories. The reported waste was broken down according to the information provided, not according to the average breakdown. The estimations include data for Sweden, Finland and Germany.

Tenant waste, tonnes

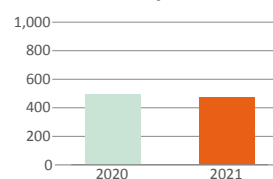


Water use

Water use	2020	2021
Water use, m ³	669,647	697,265
Water intensity, l/m ²	492	473

This is the first time we have reported water use in our Sustainability Report. The calculations are based on water use in our properties in Sweden. We intend to report water use in Finland next year. In Germany, the tenant is responsible for water use under the rental agreement.

Water intensity, l/m²



GHG emissions

Direct and indirect (scope 1, 2 and 3) emissions	2019	2020	2021	Comments
Direct (scope 1*) GHG emissions, tCO₂e	683	541	737	
Non-renewable energy	683	541	737	
Indirect (scope 2*) GHG emissions, tCO₂e	12,126	9,682	13,014	
Electricity, non-renewable	-	-	-	
District heating, non-renewable	12,106	9,660	13,000	
District cooling	20	21	14	
Other indirect (scope 3**) emissions, tCO₂e	2,687	2,979	47,708	
Business travel				
Air travel	101	21	26	
Train travel	-	-	-	As of 2021, emissions from company cars for private use have been included in Scope 3. There were previously classified as company cars and included in Scope 1.
Cars	9	11	61	
Bus	-	-	-	
Hotel	1	1	5	The increase is due to more complete reporting
Travel expenses	-	-	3	Included in Scope 3 as of 2021.
Purchased goods and services				
Construction process stage (A5)	-	-	488	Included in Scope 3 as of 2021.
Capital goods				
Product stage (A1-A3)	-	-	7,426	Included in Scope 3 as of 2021.
Upstream transportation and distribution				
Transport stage (A4)	-	-	382	Included in Scope 3 as of 2021.
Downstream leased assets				
Energy use	-	-	35,870	Included in Scope 3 as of 2021.
Waste	-	-	616	Included in Scope 3 as of 2021.
Production of energy carriers	2,576	2,945	2,831	
Total	15,496	13,202	61,459	

GHG inventories, emission factors and estimates are based on the international Greenhouse Gas Protocol accounting standard (www.ghgprotocol.org). The selection of emission factors and assumptions is based on a conservative approach. Where information about emissions was unavailable, assumptions and extrapolations were used.

* The calculations include direct emissions from refrigerants, mobile and stationary fuels (Scope 1), and indirect emissions from purchased electricity, heating and cooling (Scope 2). The market-based method was used to calculate Scope 2 emissions. When calculating consumption data from stationary combustion, refilling of refrigerants and purchased electricity, heating and cooling were used. The calculations include data for Sweden and Finland. We mainly have double net leases in Germany, which means that Hemsö as the landlord is responsible for maintaining the structure of the property, while the tenant is responsible for all routine maintenance, operations and maintenance. Germany is not therefore included in the Scope 1 and 2 calculations.

**In previous years, the calculations included other indirect emissions from business travel and the production of energy carriers, which are based on data for travel by air, car, bus, rail and taxi as well as number of hotel nights. This year, for the first time, the calculations include purchased goods and services (construction processes), capital goods (construction materials), upstream transportation (construction transport) and downstream leased assets (tenants' energy use and waste). Emissions data for construction processes, construction materials and construction transport have been obtained from climate declarations compiled on behalf of Hemsö. These emissions are broken down in the climate declarations, in accordance with the European EN 15978 standard, into the categories of A1-A3 (product stage), A4 (transport stage) and A5 (construction process stage). In this report, emissions from the A1-A3 category are placed in the capital goods category, A4 is placed in upstream transportation and emissions from the A5 category are placed in purchased goods and services. Tenant waste data is only available for some properties and was extrapolated for the remaining properties on the basis of property type. The calculations contains data for Hemsö's operations in Sweden, Finland and Germany.

Emission intensity*

Scope 1 and 2 (kg CO ₂ e per lettable m ²)	2019	2020	2021
Sweden	5.6	4.0	4.0
Finland	17.8	14.5	21.1

* In Germany, the tenant is responsible for all maintenance and operations. Therefore, we only present Scope 1 and 2 data for Sweden and Finland.

CASE:

Recycling reduces emissions when Kadetten and Kronåsen are upgraded

Hemsö is working on several levels to reduce our emissions. An exciting project that started in 2021 is focused on the re-use and recycling of building materials in conversion processes.



Instead of purchasing new materials, Hemsö looked at what could be retained – from the façade to structural elements. The properties included in this re-use project are Kadetten in Stockholm and Kronåsen in Uppsala.

“Both are upper-secondary schools with places for 1,800 and 1,400 students,” says Åsa Östman, Project Director at Hemsö. Kadetten is first and is scheduled for completion by the autumn school term of 2022. Kronåsen is scheduled for completion one year later.

Re-using existing material requires a more careful approach

The process with Kadetten is creating a lot of useful information for the upgrade of Kronåsen. Recycling

and re-using material is a completely different way of working compared with using new material for construction or conversions.

“We see the refurbishment of Kadetten as practice,” says Åsa. “All the lessons that we learn will be useful for future conversions. Even when it’s not possible to re-use a particular type of material, we’ve still learnt something.”

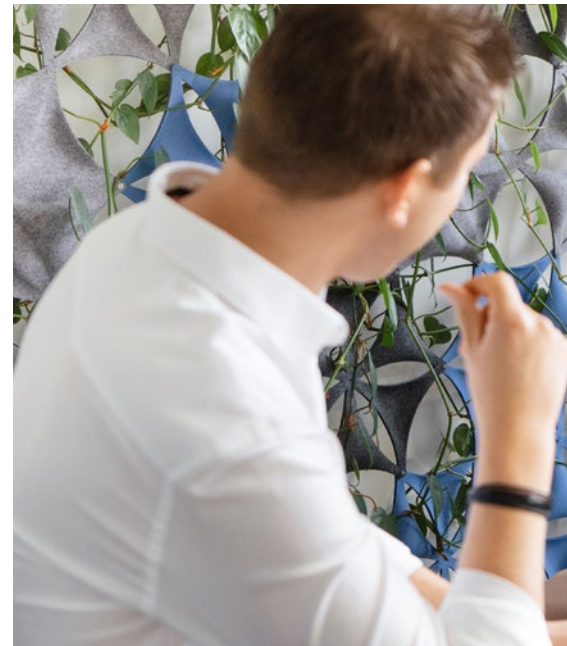
Another experience is that some spaces work better than others. As a tenant, you expect a higher standard after an upgrade, which means that using recycled material can sometimes be a challenge. But spaces that aren’t visible work well, like suspended ceilings for example, and we can re-use materials more generously there.”

“Re-using existing material requires a more careful approach,” says Åsa. “Instead of demolishing, we have

to dismantle, and that takes longer time. But once we’ve gotten into a routine with re-use, we expect the process to pick up speed.”

Kadetten is the only conversion project in Hemsö’s emissions calculations to date and provides valuable information about how Hemsö can reduce its emissions by thinking circular and keeping materials in use for longer. Despite the challenges this brings, the emissions calculation shows that Kadetten’s carbon footprint does not account for more than one-third of a corresponding new development project. There is also a growing market for used building materials and furnishings.

“If the market also becomes better adapted to using recovered building materials combined with existing materials for construction in the future, these types of conversions could really have a minimal effect on the environment,” says Åsa.



Responsible business

To ensure that we conduct our business responsibly, we have procedures in place and a clear delegation of responsibilities. All purchasing is governed by our guidelines for procurement and the related purchasing process. These processes are continuously monitored and for extra support, we have a whistleblowing system for external people as well as Hemsö's own employees.

Compliance

The most significant laws and regulations for Hemsö are mainly in the areas of tax, financial reporting, environment and reporting, employer responsibilities, premises liability and in the role of developer. We use internal procedures, quality control and external audits to ensure compliance with these laws and regulations. We monitor each area continuously to identify any regulatory or legal changes. That enables us to take timely action and adapt our operations.

For obligations that are governed by law, Hemsö has a clear delegation of responsibilities within the company and provides regular training for the people concerned. The principle for delegation of responsibilities is based on fields of expertise and the employee's ability to take responsibility for their own area of expertise. The cases for which regulatory and

legal changes bring a need for action within the company are monitored regularly. Any need for action is materialised through various activities and included in the annual Group-wide business planning process. Monitoring takes place at management level. In 2021, Hemsö was not subject to any legal action due to non-compliance with laws or regulations.

We condemn corruption and unethical behaviour and demand transparency, integrity and honesty in all aspects of our business

Anti-corruption

We condemn corruption and unethical behaviour and demand transparency, integrity and honesty in

all aspects of our business. Hemsö's objective is always to build long-term relations, in which quality and sustainability expectations are met and sound business ethics are applied. To reduce corruption risk, Hemsö has guidelines and procedures in place for purchasing and signature authority. Any cases of non-compliance that we discover are handled according to a special procedure and reported to the Board. In 2019 and 2021, no incidents of corruption or legal violations were reported in connection with Hemsö's operations. Two incidents were reported in 2020. Both cases were closed following an investigation. Our aim is that all new employees will undergo training in Hemsö's Code of Conduct, where anti-corruption is a key element. In 2021, 20 people participated in the Hemsö School – an introduction and training course for new employees that includes anti-corruption.



Supply chain management

In addition to the specific requirements for each procurement, all of our suppliers are expected to comply with Hemsö's Code of Conduct for suppliers. These requirements apply for all central purchasing and procurement. Hemsö's main suppliers are contractors and consultants for construction projects, and property maintenance providers. New development and construction/conversion projects with a value of SEK 20 million and over are procured and led by the respective project director, while operation and maintenance contracts and Group-wide services are procured centrally. During the year, seven contracts (nine in 2020, six in 2019) were procured centrally.

Collaboration with our suppliers and their compliance with Hemsö's Code

of Conduct for suppliers is monitored regularly by, for example, holding contract meetings and conducting surveys. Construction projects are monitored in the construction stage by holding regular meetings and reviewing the quality, environmental and work environment management plan.

Hemsö's main suppliers are contractors and consultants for construction projects, and property maintenance providers

To determine whether our suppliers comply with our Code of Conduct, we conducted a survey during the

year. A screening was carried out on the basis of their responses, and we subsequently updated Hemsö's Code of Conduct for suppliers and our purchasing guidelines. Our aim is to develop this monitoring process in order to detect any deviations at an early stage. No non-compliance with our Code of Conduct for suppliers was identified in 2021.

To ensure compliance with all regulatory requirements and to simplify monitoring and regulatory inspections, we use a digital tool called Greenview. In addition to better opportunities for monitoring and analysis, the tool also enables quality-assurance and 'Hemsöfication.' An equivalent system is provided in Finland via Vastuu Group.

Risk and risk management

Risks associated with human rights, compliance, fraud and corruption can exist both internally in the company, and externally among suppliers and partners. Poor management of these risks could lead to economic loss and sanctions, as well as impairment of Hemsö's reputation and brand.

Hemsö has effective, continuous internal control and quality assurance at several levels, and well-documented processes. Third-party auditors perform annual audits. To reduce corruption risk, Hemsö has guidelines and procedures for purchasing and authorisation. Hemsö has one internal Code of Conduct, and one for suppliers. Hemsö also has a whistleblowing system for internal use as well as for suppliers and external stakeholders.



CASE:

Shared goal creates a basis for collaboration

Hemsö's Central/North region has been using Fastighetssnabben for many years to manage and supervise its properties. The agreement comprises 400,000 m² spread out across the region's 86 properties, from Nyköping to Boden. "We have a successful collaboration based on transparency, openness and honesty. But it hasn't always been like that," says Henrik Reimerth, Head of Central/North region.

"There was a period when we were at odds with each other, and that makes it difficult when you have to work together. So we decided to sit down together and come up with a new approach, and now we both have the same goal – to work for the children in the school playground, the teachers in the classroom and the seniors in the nursing home."

The collaboration is monitored with Customer Satisfaction Surveys

every 18 months, where Hemsö receives feedback on how customers experience supervision, repairs and maintenance of the properties. A survey is also carried out after each fault report, where the customer rates their experience of the service they received and the action taken.

We have a successful collaboration based on transparency, openness and honesty

"We hold maintenance meetings every month to discuss all of the everyday issues related to routine property management," says Henrik. Before these meetings, we always receive a report of events during the period from Fastighetssnabben so that we can get down to business fast and focus on improvements. We also hold a contract meeting every

quarter with a focus on our collaboration and compliance with our Code of Conduct for suppliers.

Listening to each other is also the basis of a good partnership. One example is Hemsö in Västerås, which had problems with the outdoor environment around its properties. It was discovered that the problems were due to the sub-contractor, so Fastighetssnabben hired its own employees instead to achieve better management and control. Now the gardening, lawn mowing and snow clearing work perfectly and the outdoor environment has significantly improved.

"When a collaboration isn't working, it's easy to cancel the contract, instead of sitting down and tackling the issues. But with an open dialogue and mutual respect, you can reach a great solution together," says Henrik Reimerth.

Targets and strategies to support the achievement of the SDGs



GLOBALA MÅLEN
för hållbar utveckling

Hemsö works strategically with sustainability and focuses on the areas where we, as a developer and owner of public properties, can make a difference and help to promote sustainability. The Sustainable Development Goals (SDGs) that Hemsö can help to achieve are presented below.



Goal 3 – Good health and well-being

Hemsö strives for the buildings to contribute to a safe and healthy indoor environment, for example through environmental certification, stringent building material requirements, environmental inventories of older buildings, and development and innovation projects to promote healthy indoor and outdoor environments.



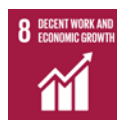
Goal 4 – Quality education

Hemsö works to create and manage sustainable, inclusive and safe learning environments through, for example, the Hemsö Apple concept. In the Skolgårdsliftet project, we are intensifying our focus on the outdoor environment of our schools.



Goal 7 – Affordable and clean energy

We work systematically to reduce our energy use in buildings and place high demands on energy efficiency in new buildings. Extensive investments in photovoltaic systems and geothermal energy are further examples of how we are supporting the achievement of this goal.



Goal 8 – Decent work and economic growth

Hemsö's activities create social value through the public properties we build and manage. We generate returns for Sweden's national pension system and are a long-term and stable employer with satisfied and healthy employees. We are responsible and take a long-term approach to our business, and our relationships with tenants and suppliers.



Goal 11 – Sustainable cities and communities

We are working every day to create environmentally sustainable public properties with a focus on social, local and human needs. In our own operations and in collaboration with our tenants, municipalities, suppliers and our industry network, we run development and innovation projects with a focus on both health and the environment.



Goal 12 – Responsible consumption and production

Property construction and maintenance is resource-intensive, and we are working actively to minimise our use of resources with measures ranging from resource-efficient buildings with floor space optimisation to transitioning to renewable energy and climate-change adaptation in new buildings.



Goal 13 – Climate action

Hemsö has adopted a climate strategy and is working actively to reduce our emissions in both construction and property management with measures ranging from choice of energy sources and building materials to participating in pilot projects in initiatives linked to climate-change adaptation in buildings, such as NollCO₂, Roadmap 2045 and Local Roadmap for a Carbon-Neutral Building & Construction Industry in Malmö 2030 (LFM30).

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302-1	Energy consumption within the organisation	29	
302-2	Energy intensity	9, 24-25	
302-4	Reduction of energy consumption	24-25	
Emissions			
103-1	Management approach	10-12, 24-26	
103-2			
103-3			
305-1	Direct (Scope 1) GHG emissions	30	Hemsö reports Scope 1 and 2 emission (CO ₂ e/m ²). Due to the inclusion of Scope 3 in previous years, the figures for 2020 and 2019 have been restated in this year's report.
305-2	Energy indirect (Scope 2) GHG emissions	30	
305-3	Other indirect (Scope 3) GHG emissions	30	
305-4	GHG emissions intensity	25, 30	
Employment			
103-1	Management approach	10-12, 19-21	
103-2			
103-3			
401-1	New employee hires and employee turnover	22	
Training and education			
103-1	Management approach	10-12, 21	
103-2			
103-3			
Hemsö-2	The proportion of employees who are satisfied with their opportunities for professional development	21	
404-3	Percentage of employees receiving regular performance and career development reviews	21	Our aim is that all employees receive annual performance reviews. In 2021, we documented that 67 per cent of employees had reviews, but have also noted poor verification of the reviews, which means that the percentage may be higher. In 2022, we intend to develop our monitoring and documentation to improve data quality.
Diversity and equal opportunity			
103-1	Management approach	10-12, 20-21	
103-2			
103-3			
405-1	Diversity of governance bodies and employees	22	
405-2	Ratio of basic salary and remuneration of women to men	20-21	

Topic-specific disclosures		Page	Comments
Supplier social assessment			
103-1	Management approach	10-12, 32-33	
103-2			
103-3			
308-1 414-1	New suppliers that were screened using social criteria	32-33	Hemsö defines suppliers as those included in central procurements.
Tenant health and safety			
103-1	Management approach	10-12, 15	
103-2			
103-3			
416-1	Assessment of the health and safety impacts of product and service categories	15	
Hemsö-3	Reported accidents and incidents in Hemsö's properties during the reporting period	15	Comprises accidents and incidents related to Hemsö's premises liability.
Product and service labelling			
103-1	Management approach	10-12, 15-16	
103-2			
103-3			
CRE8	Sustainability certifications and ranking of the property portfolio	15-17	
Customer satisfaction			
103-1	Management approach	10-12, 16	
103-2			
103-3			
Hemsö-4	Results of customer satisfaction surveys	16	
Local communities			
103-1	Management approach	10-12, 14-15	
103-2			
103-3			
Hemsö -5	Place availability completed	17	

Reporting requirements according to Annual Accounts Act

Area	Disclosure	Reference
Overall	Business model	2, 6
Environment	Policy and environmental issues	
	Risks and risk management related to environmental issues	
	Targets and results related to environmental issues	10-12, 24-31
Employees and social conditions	Policy and social issues	
	Risks and risk management related to social issues	
	Targets and results related to social issues	10-12, 19-23
Human rights	Policy and social issues	
	Risks and risk management related to social issues	
	Targets and results related to social issues	10-12, 19-22, 32-33
Anti-corruption	Anti-corruption policy and approach	
	Risks and risk management related to anti-corruption	
	Targets and results related to anti-corruption	10-12, 32-33

Signing of the Sustainability Report

This sustainability reporting is the statutory Sustainability Report for the Group and the company, and is part of the Directors' Report for Hemsö Fastighets AB with Corporate Registration Number 556779-8169. The Sustainability Report contains Hemsö Fastighets AB information about the most significant factors for understanding the company's performance, financial position and results, and the impacts of its operations, including disclosures related to environmental matters, social matters and treatment of employees, respect for human rights, and anti-corruption and bribery.

The Board unanimously confirms, to the best of its knowledge and belief, that:

- the Sustainability Report has been prepared in accordance with the Swedish Annual Accounts Act.
- the Sustainability Report contains no material misstatements, no material information has been omitted, and that all information is consistent with the contents of the annual accounts and consolidated financial statements.

Stockholm, as of the date of our electronic signature.

Pär Nuder

Chairman of the Board

Åsa Bergström

Board member

Maria Björklund

Board member

Kerstin Hessius

Board member

David Mindus

Board member

Johan Thorell

Board member

Nils Styf

Chief Executive Officer

Auditor's Limited Assurance Report on Hemsö Fastighets AB's Sustainability Report and the Auditor's Report on the Statutory Sustainability Report

To Hemsö Fastighets AB, corporate identity number 556779-8169

Introduction

We have been engaged by the Board of Directors of Hemsö Fastighets AB (Hemsö Fastighets) to undertake a limited assurance engagement of Hemsö Fastighet's Sustainability Report for the year 2021. The company has defined the Sustainability Report for 2021 on page 36-38 in this document, that also includes the statutory sustainability report on page 38.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report and the Statutory Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the statutory sustainability report in accordance with the applicable criteria and the Swedish Annual Accounts Act respectively. The applicable Criteria are explained on the page 126 and are the parts of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and provide an opinion on the statutory sustainability report. Our engagement is limited to the information in this document and the historical information presented and thus does not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, with the application of RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. The procedures performed in a limited assurance engagement and in accordance with FAR's auditing standard RevR 12 vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance

with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Hemsö Fastighets in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. Consequently, the procedures performed and our examination in accordance with RevR12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures performed in the limited assurance engagement are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A statutory sustainability report has been prepared.

Stockholm on the day stated in our electronic signature

Ernst & Young AB

Magnus Fredmer
Authorised Public Accountant

Marianne Förander
Specialist in FAR



