

**HEMSÖ**

**2023**

Annual and Sustainability Report

**We strengthen the  
backbone of society!**

Nursing homes | Education | Health care | Justice system

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### Annual and Sustainability Report 2023

The statutory Annual Report, including the Directors' Report, for Hemsö Fastighets AB (publ), Corp. Reg. No. 556779-8169 has been audited and comprises pp. 55–106. The Directors' Report comprises pp. 55–60. Hemsö Fastighets AB has reported its sustainability performance every year since 2016. The sustainability reporting comprises Hemsö's statutory Sustainability Report pursuant to the Swedish Annual Accounts Act and the scope is specified on p. 52. The sustainability reporting has been prepared in accordance with the Global Reporting Initiative (GRI) Standards and is defined on pp. 50–52.

The 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 next to tables and KPIs. The Annual and Sustainability Report has been reviewed by KPMG AB. The reviewer is independent of Hemsö. This report was published on 28 March 2024. The last report was published in March 2023.

### Vision

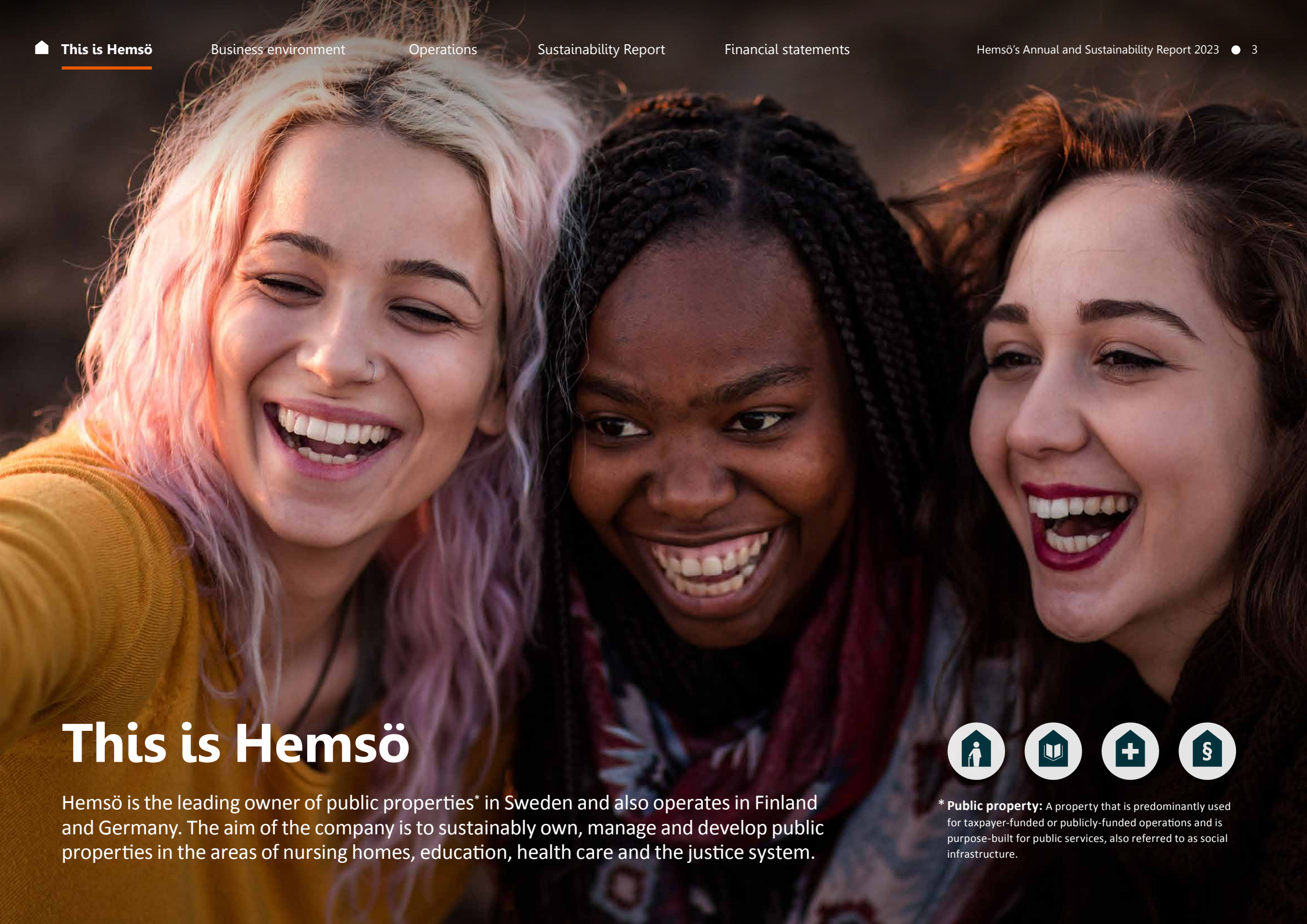
Hemsö's vision is to strengthen the backbone of society

### Mission

Hemsö shall make its employees and customers proud

### Business concept

To sustainably own, manage and develop public properties



# This is 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 public properties in the areas of nursing homes, education, health care and the justice system.



\* **Public property:** A property that is predominantly used for taxpayer-funded or publicly-funded operations and is purpose-built for public services, also referred to as social infrastructure.

# Welcome to Hemsö

Hemsö is Sweden's leading owner of public properties. We are the courageous property company that manages and develops with care. We dare to try new solutions to future-proof our properties and create a sense of security in the areas where we operate. With a presence in Sweden, Germany and Finland, we learn from each other, in various development projects, municipalities and environments.

With the Third Swedish National Pension Fund as our principal owner, we contribute to Swedish pension funds in a long-term and dependable manner. With the same approach, we are entrusted with the task of managing, developing and owning properties for nursing homes, education, health care and the justice system.

Our focus is on the people who use our properties – they form the backbone of our society. We therefore want to create the best conditions where people can learn, heal, work, live and thrive.

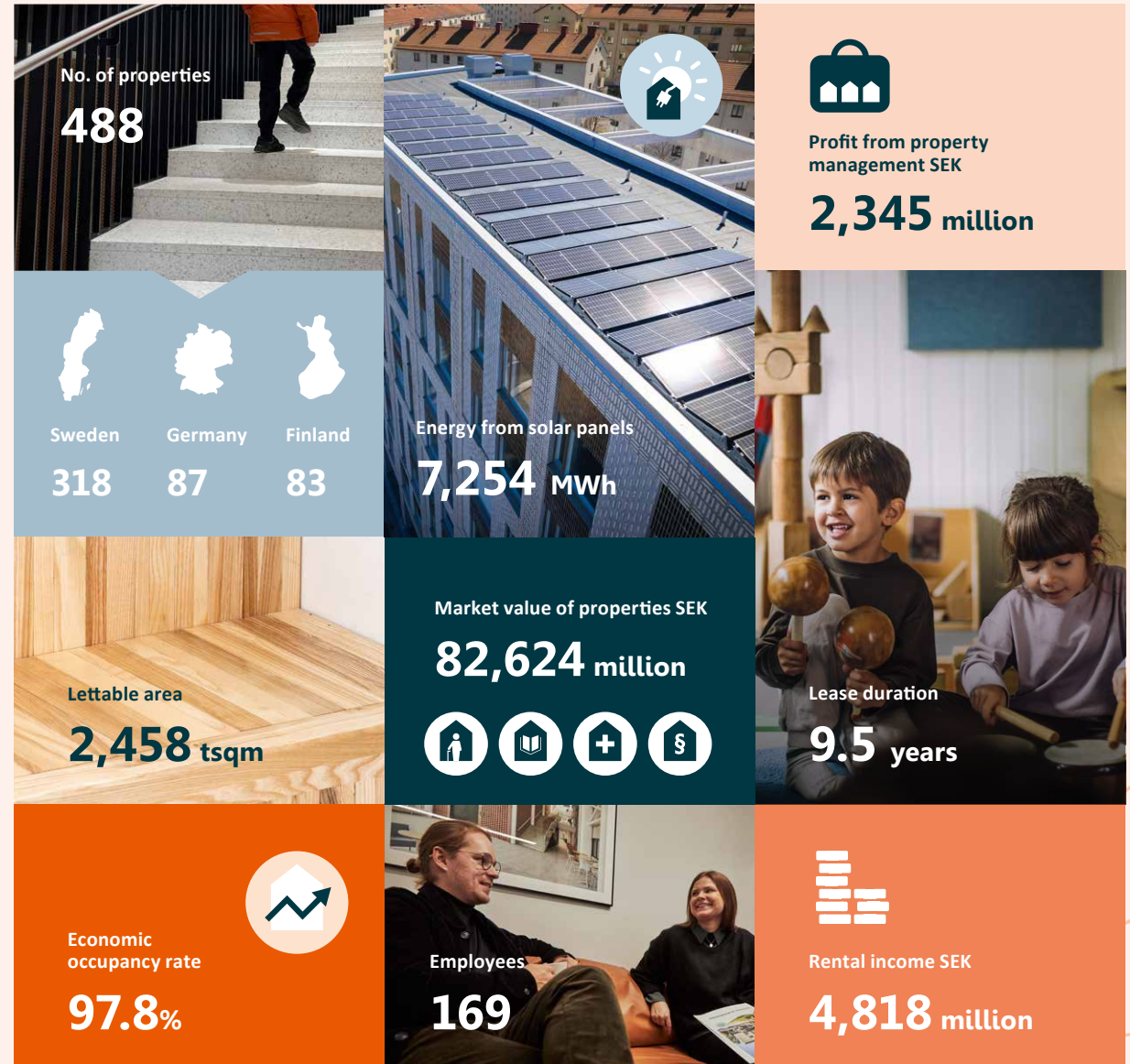
We work closely with the public sector and together we meet the growing need for social infrastructure. This year, we have contributed 3,010 new school places and 650 new nursing home beds.

With our ambitious sustainability targets, we are making good progress on our sustainability journey. We are looking for new ways to reduce our carbon footprint and increase social sustainability through initiatives in the areas of re-use, increased energy efficiency, biodiversity and activities to create secure and attractive spaces. And our journey is keeping the same high momentum.

We know that our employees play a key role in our sustainability program and are our main success factor and most valuable asset. Our employees support and drive our sustainability initiatives. Together, we have the courage to invest, take the initiative and lead the industry in setting higher targets. Through creativity and courage, we are developing ourselves, our properties and our society.

We strengthen the backbone of society.

## Hemsö in numbers 2023





CEO STATEMENT

# We have a long-term perspective in everything we do

We can look back on a turbulent 2023. The year was marked by geopolitical uncertainty as well as high interest rates, inflation and construction costs. Despite the market situation, Hemsö increased its rental income and net operating income by 18 and 20 per cent.

I am proud of the fantastic work done by Hemsö's organisation during the year. In this challenging time, it is clearer than ever that our value-generating efforts extend beyond the four walls of the buildings. It is about the people who use them and the societal functions they support.

### A focus on people

Schools are not only important for all of the children and young people; they are also a workplace. The same applies to our nursing homes, where well-being and security are as important to the staff as to residents and their families. We take account of the needs of the different target groups

when we develop and manage new and existing social infrastructure. My colleagues at Hemsö are not only property experts, they also have a deep understanding of the operations conducted in our buildings. They combine specialist expertise in social infrastructure with a focus on our customers and people. And this how we want it to be.

The people who use our properties form the backbone of society. Our job is to strengthen this backbone by creating the right conditions for work, learning, security and development. This is an important driver for us and a prerequisite for being relevant to our tenants. Viewed from that perspective, during the year we completed development projects with a total of 650 new nursing home beds and 3,010 new school places – new sustainable social infrastructure that meets a long-term need.

### Sights set on 2040

We have a long-term perspective in everything we do. In 2023, Hemsö set the climate target to achieve net zero value chain emissions (Scopes 1, 2 and 3) by 2040. The target was also validated

by the Science Based Targets initiative. Hemsö is the first property company in Sweden to receive this validation.

Sustainability is embedded in our work methods and it is everyone's responsibility to work with measures to reach our ambitious targets. We can significantly reduce our climate footprint through a greater focus on re-use and re-developments rather than only new construction. A good example is the municipal Lundellska School in Campus Polacksbacken in Uppsala, where the climate footprint was 85 per cent lower than building a completely new school.

Energy efficiency is another top priority. During the year, Hemsö conducted a comprehensive energy project with Turku City Hospital in Finland. This included an upgrade of the existing system to improve energy efficiency and the installation of geothermal heating. The annual reduction of CO<sub>2</sub> emissions is estimated to be more than 300 tonnes. The project will also reduce annual costs by 25 per cent.

Our efforts to reduce emissions will continue in 2024.

### Shared goal

Hemsö cannot stop the ongoing wars. Nor can we solve the problems of gang-related crime. However, we can help to increase social sustainability by providing safe and stimulating learning environments, sports facilities and other social infrastructure needed in a well-functioning society.

We can also bring together stakeholders with the same goal as us: municipalities, associations, private enterprise and non-profit organisations. Change begins with one step in the right direction and when more people move in the same direction, we can make a noticeable difference.

Nils Styf, CEO

# Significant events in 2023



## HemTag develops a municipal swimming centre in Nacka

- Hemsö signed a 15-year lease agreement with Folkvandvården Skåne related to the newly constructed property in the Arenaområdet district in Ystad.
- Nacka Municipality decided that the property company HemTag, half owned by Hemsö and half by Tagehus Holding, will develop, own and manage the Myrsjö swimming centre in Nacka
- Hemsö is developing a preschool in the Hertoniemi district of Helsinki. A 25-year lease agreement was signed with the City of Helsinki. The investment amounted to approximately EUR 11 million.
- Hemsö acquired a property with development rights of 4,000 sqm in Halmstad. The Bäckgård 1:297 property is located in Eketånga, on Nya Tylösandsvägen.



## New upper-secondary school opens in Campus Tensta 2024

- Hemsö signed a 12-year lease agreement with the Academedia education group for two buildings totalling approximately 2,000 sqm in Uppsala.
- Credit ratings provider Fitch Ratings affirmed Hemsö's long-term credit rating of A+ with a stable outlook, and Hemsö's short-term credit rating of F1+ in its annual review of the company.
- Hemsö updated its sustainable finance framework. The framework is aligned with the International Capital Market Association's guidelines and the EU Taxonomy. SEB acted as advisor and Sustainalytics reviewed the terms and gave an opinion.
- To further diversify its financing structure, Hemsö signed an agreement with Svenska Handelsbanken for a secured loan of SEK 1 billion with a term of four years.
- Kerstin Hessius was elected new Chair of Hemsö's Board at the 2023 Annual General Meeting. Kerstin Hessius has been member of Hemsö's Board since 2009. Until December 2022, she was CEO of Hemsö's majority owner, the Third Swedish National Pension Fund.
- Hemsö signed a seven-year lease agreement with Järva Gymnasium for a new upper-secondary school in Campus Tensta. The school will have an area of 4,600 sqm with space for 500 students.
- Hemsö appointed Karolina Brick as new Head of Sustainability. Her previous position was at Riksbyggen where she had worked for ten years, most recently as Head of Sustainability.
- Hemsö signed a Letter of Intent with Burlöv Municipality and the International English School (IES) to establish an elementary school and a preschool in Burlöv Municipality.
- The Council of Europe Development Bank (CEB), a multilateral development bank with an exclusively social mandate, approved an eight-year unsecured loan of EUR 22.2 million for Hemsö's Campus Tensta development project.



## Hemsö is developing two upper-secondary schools for the arts in Helsinki

- Hemsö acquired Odinsskolan in central Gothenburg for SEK 170 million. Odinsskolan is an historic building in an attractive location. The building has a lettable area of 4,000 sqm.
- Hemsö's owners resolved to contribute SEK 1 billion in equity to strengthen the capital structure and finance Hemsö's investments in new sustainable schools and nursing homes.
- Lanthem, a joint venture between Hemsö and Lantmännen Fastigheter, signed a 15-year lease agreement with Forened Care. The lease pertains to a newly built nursing home of 4,000 sqm for 54 residents in central Malmö.

- Hemsö was awarded a lease by the City of Helsinki in a public procurement. The city will rent premises for two upper-secondary schools for the arts in Helsinki. Comprehensive refurbishment work will be carried out on the central property at Siltavuorenpenger, which Hemsö acquired in 2021. The lease has a 15-year term, and the lettable area is 5,000 sqm.



## Hemsö becomes first property company in Sweden with climate targets approved by SBTi

- Hemsö and the International English School in Hässleholm signed a new 20-year lease agreement.
- Hemsö's owners resolved to contribute an additional SEK 1 billion in equity to strengthen the capital structure and finance Hemsö's investments in new sustainable schools and nursing homes.
- Hemsö extended the lease with Kunskapskolan in Nacka by 15 years and, in parallel, expanded the lease with the addition of an extension. The total space let is now 3,600 sqm.
- The Science Based Targets initiative (SBTi) validated Hemsö's emissions-reduction target to achieve net zero emissions throughout the value chain by 2040. Hemsö thus became the first property company in Sweden to receive this validation.

- Hemsö signed a 15-year lease agreement with Academedia related to 4,000 sqm for Odinsskolan in central Gothenburg.
- Hemsö signed a 20-year lease agreement with the City of Turku related to 6,500 sqm for Turku International School.
- Standard & Poor's affirmed Hemsö's credit rating of A- with a stable outlook.
- Hemsö signed a 15-year lease agreement with the Swedish Police for a new police headquarters in Borlänge. The agreement involves the lease of 21,000 sqm at an annual rental value of SEK 45 million.
- Hemsö and Senate Properties renewed a 15-year lease agreement for 31,000 sqm for the judicial administration's existing premises in the Helsinki Court House in Salmisaari, Finland.

# Business environment and strategy

Hemsö's strategy is to own public properties with long-term leases and predominantly public-sector tenants. The value in Hemsö is created through knowledge of property and project development combined with long-term management and letting.

## 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 lease agreements
- Low vacancies
- Low sensitivity to economic fluctuations



Purpose-built



Publicly-funded



Public services



# Strategy and value creation

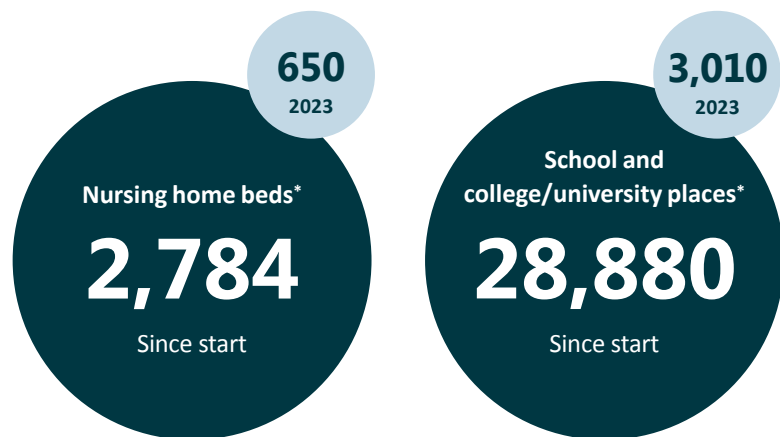
Hemsö's business concept is to sustainably own, manage and develop public properties. By meeting the growing need for social infrastructure, Hemsö is contributing to an important social function and creating sustainable growth for Swedish pension funds.

Demand for public properties is projected to rise in the coming 20-year period due to a demographic shift. The 80+ age group, in particular, will grow sharply and this will create a major need for new nursing homes. At the same time, the public sector is facing a need for the renewal and modernisation of its existing property portfolio, which will also contribute to the substantial need for investment in public properties.

To help municipalities and regions with these challenges, Hemsö has also – in addition to being a long-term property owner and asset manager – built up extensive development project capacity. This means that we can be a professional partner to the public sector throughout the entire life cycle and help with planning, development and property management of new sustainable public properties. Hemsö's core market, Sweden, accounts for two-thirds of the compa-

ny's property portfolio. Hemsö has also had operations in Germany from 2011, and Finland from 2013. All markets have stable economies with strong public finances, and a welfare sector that is mainly financed with public funds. The tenants are state, municipal, regional or private operators, of whom the majority are taxpayer-funded. 95 per cent of Hemsö's rental income is directly or indirectly derived from public funds, ensuring a reliable and predictable cash flow.

Hemsö's operations are characterised by a local presence to ensure a high level of service, as well as efficiency and a strong sustainability focus. We have been driving the development of public properties for fifteen years, which has given us solid experience and specialised expertise in the segment.



\*Number of beds/places that Hemsö has added through completed development projects from 2009 until 31 December 2023.

## Hemsö's markets

Market	Sweden	Germany	Finland
Credit rating, S&P	AAA	AAA	AA+
Public sector share of GDP	48%	50%	53%
GDP growth 2023	-0.2%	-0.3%	-0.7%
Hemsö, market value of properties (%)	65%	18%	17%

Population	Sweden	Germany	Finland
Population 2023	10,550,000	84,700,000	5,600,000
Population 80+	610,000	6,140,000	330,000
Projected population growth, 2040	8%	-4%	0%
Projected population growth for 80+, 2040	48%	25%	77%

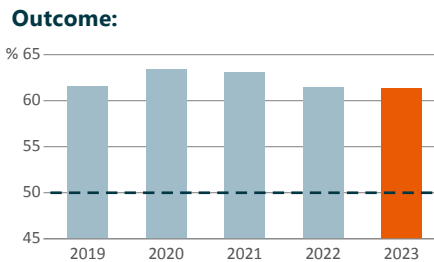
Source: SCB (Statistics Sweden), Statistikcentralen (Statistics Finland) and Destatis.

# Hemsö's property frameworks

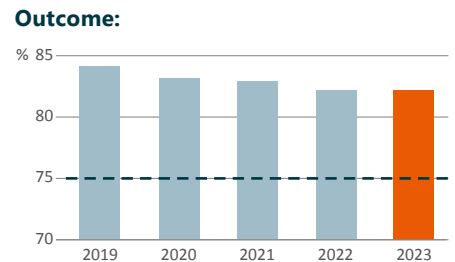
To clarify Hemsö's strategy, the company has four property frameworks. These frameworks aim to ensure a low level of property portfolio risk, and that Hemsö's cash flow remains stable over time.



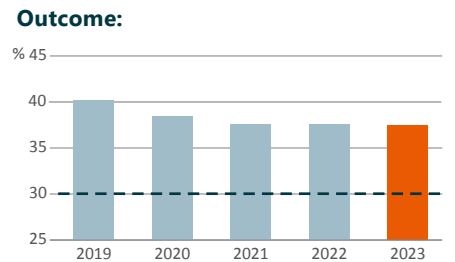
**Public-sector tenants are to account for at least 50 per cent of rental income.** Hemsö's business model is based on taxpayer-funded tenants in an established system with publicly funded welfare services. Hemsö endeavours to receive rental income directly from the state, municipalities or regions. This provides stability since the ability of these tenants to meet their payment obligations is strong.



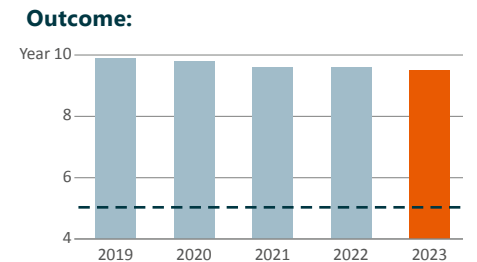
**At least 75 per cent of the property value is to be concentrated to metropolitan areas and large cities.** Demand for public properties is mainly driven by demographics and urbanisation. For this reason, strong long-term demand for Hemsö's properties is secured by concentrating a high percentage of the property holding to metropolitan areas and large cities.



**Nursing homes are to account for at least 30 per cent of rental income.** The nursing homes segment is showing strong, long-term and rising demand, which guarantees stable rental income over time. Demand is directly linked to the demographic trend, where the proportion of people aged 80 and over is setting the tone. Residual value risk is low since nursing homes can be converted into other types of residential facilities.



**The lease duration is to be at least five years.** To ensure stable, predictable and inflation-adjusted income, Hemsö strives for long-term lease agreements. Lease agreements for new development normally have a duration of 15–25 years, with annual rent adjustments to reflect increases in the consumer price index.



# Hemsö's targets

## Target for sustainable business

## Financial policy

### Engagement Index (EI)

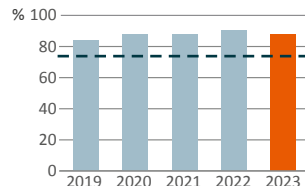
Target  
77%

Outcome  
**88%**

**Target:** The Engagement Index (EI) score should 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 the target for 2023 was achieved.

**Outcome:**



### Loan-to-value ratio

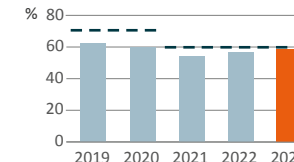
Target  
60%

Outcome  
**58.4%**

**Target:** The loan-to-value ratio should not exceed 60 per cent over the long term.

**Outcome:** In 2023, Hemsö's loan-to-value ratio increased to 58.4 per cent (56.7).

**Outcome:**



### Energy use

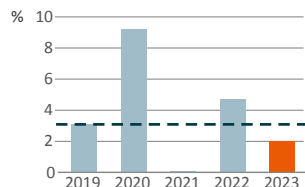
Target  
3.0%

Outcome  
**2.0%**

**Target:** In the comparable portfolio (Sweden), energy savings should be at least 3.0 per cent per year.

**Outcome:** In 2023, energy savings in the comparable portfolio in Sweden were 2.0 per cent.

**Outcome:**



### Interest-coverage ratio

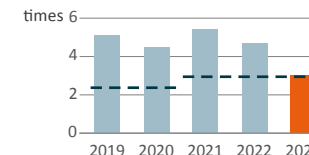
Target  
3.0 times

Outcome  
**3.0 times**

**Target:** An interest-coverage ratio of at least 3.0 times.

**Outcome:** In 2023, the interest-coverage ratio was 3.0 times (4.7).

**Outcome:**



### Return on equity

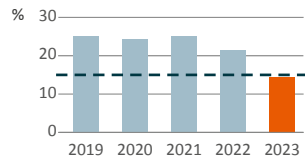
Target  
15%

Outcome  
**14.4%**

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

**Outcome:** At the end of 2023, average return on equity over a five-year period was 14.4 per cent.

**Outcome:**



# Market overview

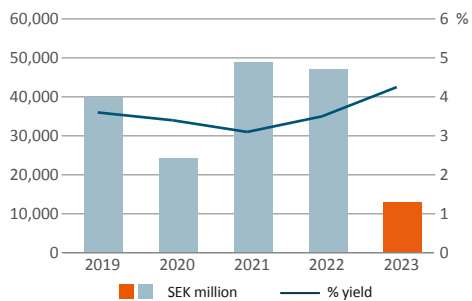
Hemsö is active in Sweden, Finland and Germany. A common denominator for these markets is that public services are mainly financed by municipalities, regions or the state.

## Sweden

Following a period of robust activity in the public property market, interest has declined and the segment's share of the total transaction volume more than halved compared with 2022. This decline reflected the macroeconomic uncertainty that was amplified by the high interest rate level that affected markets during the year. Companies that were previously major net buyers have sold assets, which led to moderate transaction activity in the segment. Overall, very few transactions were completed; NREP's acquisition of 22 properties (mainly nursing homes) from Vectura for nearly SEK 5 billion stood out as the single largest transaction for nursing homes in Sweden.

In 2023, transaction volume for the segment amounted to just over SEK 13 billion and the share of total transaction volume was 12 per cent. Prime yield was 4.25 per cent at the end of 2023.

**Total transaction volume and prime yield for public properties**



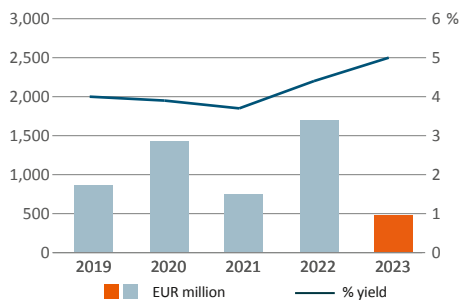
Source: Newsec

## Finland

Following an active transaction market in 2022, interest in the public properties segment declined in 2023. The total transaction volume for public properties amounted to EUR 476 million, down approximately 70 per cent year-on-year. The segment accounted for 19 per cent of the total transaction volume and remains attractive to foreign and Nordic (both Finnish and non-Finnish) investors. Together, these non-Finnish investors accounted for a slight majority of the total transaction volume during the year.

The transaction year was characterised by several smaller transactions though one major transaction of EUR 70 million stood out, and consisted of 24 preschool properties and seven care facilities across the country. The transaction involved one buyer and several individual sellers. Prime yield for public properties continued its upward trend, and was 5.00 per cent at the end of 2023.

**Total transaction volume and prime yield for public properties**



Source: Newsec

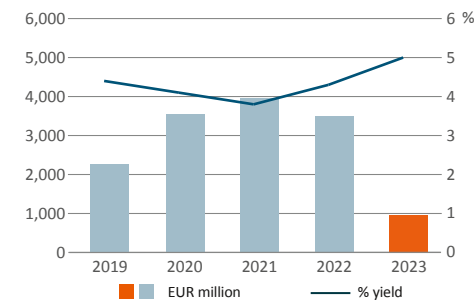
## Germany

In Germany, the public property segment noted falling volumes, as did the other segments, in 2023. During the year, the total transaction volume amounted to approximately EUR 29 billion, of which about 3.5 per cent consisted of transactions in public properties. Volume for the segment amounted to approximately EUR 970 million, down approximately 70 per cent year-on-year.

The segment is still relatively small in Germany compared with Sweden and Finland, but has in recent years reported stable demand, mainly in health care and nursing homes. The growing proportion of elderly people in society is increasing the need for social infrastructure, especially for health care and social care properties. This is expected to lead to stable demand for such properties in the future to meet the needs of the ageing population.

Prime yield for the segment, which includes the most attractive nursing homes, rose by more than 100 points and was 5.00 per cent in 2023.

**Total transaction volume and prime yield for public properties**



Source: Newsec



# Operations

A well-functioning society has motivational learning environments, safe premises for the justice system, and secure nursing homes and hospital beds. These form the backbone of a country's social welfare. Our vision is to strengthen the backbone of society through sustainable ownership, management and development of the public properties that house these activities.

## 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.

# Hemsö as a partner

Hemsö's core business is public properties. Every year, we are developing more schools, nursing homes and other social infrastructure. We have excellent knowledge of the activities that are conducted on our premises and we know the specific requirements that are set to create the best conditions for the people who use our buildings. With core competencies of property development and management, Hemsö is a reliable partner for the public sector.

✓ **Specialist expertise**  
With fifteen years of experience in public properties, we have good knowledge of the activities that are conducted in our premises and their specific requirements.

✓ **Stable and long-term partner**  
Because of our owners, we can grow and meet the changing needs of our customers, regardless of the economic climate. Low business risk combined with financial stability creates security for our tenants.

✓ **Long-term management**  
We take a long term approach and combine development projects with long-term management and letting.

✓ **Access to capital**  
Our financial strength and long-term approach form the basis for owning, managing and developing effective public properties.

✓ **Availability and fast decision-making**  
Our properties are managed locally by our own employees as well as external maintenance contractors. That means we have short and fast decision-making processes, can be accessible and understand our tenants' needs.

✓ **Hemsö's surplus is mainly returned to Swedish pensioners**  
Hemsö is 85-per cent owned by the Third Swedish National Pension Fund.

✓ **Ability to compare**  
By choosing Hemsö as a developer and property owner, municipalities can compare the performance of their own organisation with Hemsö. That inspires both parties to improve.

**7**  
**reasons why municipalities choose Hemsö**



**Hemsö's surplus is mainly returned to Swedish pensioners**



# Tenant with Hemsö – a good deal for everyone

With Hemsö as property owner, our tenants have a stable and reliable partner. We have chosen to focus on what we are good at – developing, owning and managing public properties.

Read more on our website



CASE

## From barracks to Campus

The soldiers have gone and instead there is now space for 2,400 students in the magnificent and newly refurbished premises in Campus Polacksbacken in Uppsala.



CASE

## More sport in S:t Larsparken

Nordic Wellness' new sports centre in Lund is used by six different schools in the area during the day and by private individuals in the evening hours. The sports centre in Lund creates activity in the beautiful S:t Larsparken during a large part of the day.



CASE

## Municipality that chose a leasing solution

Nacka's third swimming centre will be built using the Ekobad concept. Visitors will be able to enjoy a swimming centre that is meticulously designed in every aspect.



CASE

## The city that took strong action to improve energy use

During the year, Hemsö concluded the energy optimisation of Turku University Hospital that had been taking place for two years. Two large geothermal heating systems were installed to replace about half of the hospital's district heating consumption.



CASE

## Innovative residential facilities in Büttelborn

From pioneer to flagship project: the Büttelborn care home is the first of its kind in Germany that Hemsö has developed and built under own management.



# Property portfolio

Hemsö's property portfolio contains properties for nursing homes, education, health care and the justice system in Sweden, Finland and Germany. The portfolio is well-diversified and at year-end, the market value was SEK 82,624 million.



At year-end, the market value of Hemsö's property portfolio was SEK 82.6 billion and comprised 488 properties in four categories: nursing homes, education, health care and the justice system. The lettable area was 2,458 tsqm and contracted annual rent amounted to SEK 4,996 million at the end of the period. Net operating income for 2023 amounted to SEK 3,631 million.

Hemsö owns properties in Sweden, Germany and Finland. At year-end, the Swedish portfolio accounted for 65 per cent of the market value and the foreign property portfolio accounted for 35 per cent.

## Portfolio development

Hemsö is growing through acquisitions, investments in existing properties and by developing new properties.

In 2023, a total of 8 properties were acquired for SEK 351 million. Property acquisitions amounted to SEK 293 million in Sweden and SEK 64 million in Finland. Acquisitions were made in all of Hemsö's property categories, and met our requirements in terms of quality and geographic concentration to regions with demographic growth.

In recent years, Hemsö has built up extensive development project capacity in Sweden. The trend has mainly been driven by the major need of Swedish municipalities to build new schools and nursing homes. Hemsö is also developing more and more new properties in Finland and Germany. In 2023, Hemsö invested SEK 1,933 million in new development and SEK 892 million in existing properties.

We are continuously striving to raise the quality of our property portfolio. This is mainly carried out in development projects,

where modern and sustainable public properties are built in the regions where there is evidence of sustained demand. The investments are also aimed at optimising the portfolio composition, to provide strong and stable returns over the long term.

## Long-term stability

Hemsö's geographic presence should be mostly concentrated to metropolitan areas and large cities, where demand for public properties is greatest. The lease duration is to be at least five years to ensure stable income and long-term relationships. These property frameworks contribute to low risk in the property portfolio and stable cash flow over time.

Our focus on modern public properties with long-term lease agreements with public-sector tenants and concentration in growth regions has not only increased underlying net operating income – the portfolio has also shown favourable value growth.

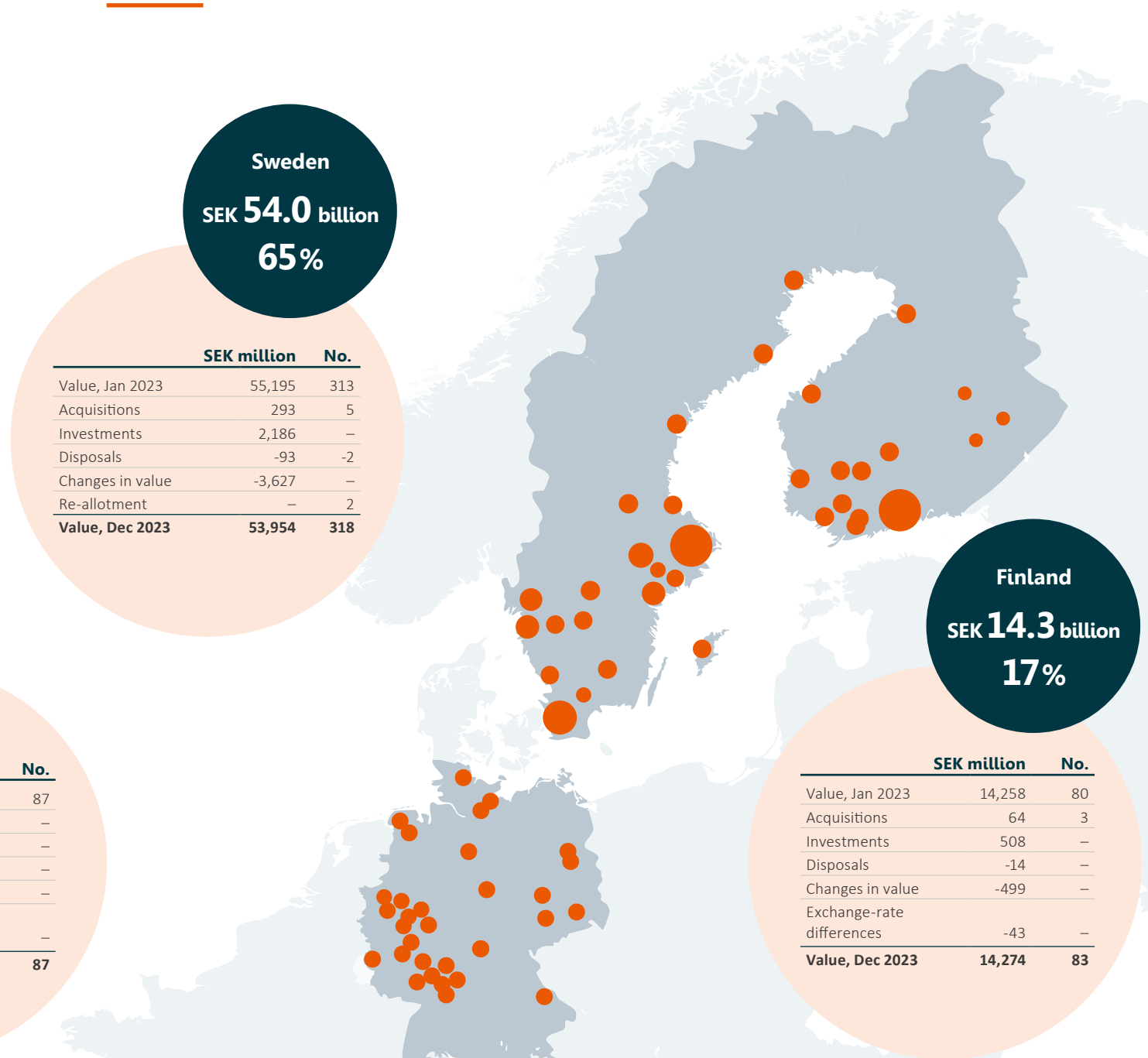
At year-end, the lease duration was 9.5 years, 95 per cent of income was from taxpayer-funded services and 82 per cent of the properties were located in metropolitan areas or large cities.

## Property portfolio in growth regions

City/Region	Population, 1,000 inh.	Market value of properties, SEK million	% of portfolio
Stockholm	2,420	22,400	27
Helsinki	1,550	6,600	8
Malmö	710	5,400	7
Gothenburg	1,070	4,000	5
Västerås	160	3,900	5
Ruhr	5,110	2,700	3
Norrköping	150	2,600	3
Turku	370	2,300	3
Berlin	5,350	2,000	2
Uppsala	320	1,900	2
Frankfurt	2,740	1,300	2
Lahti	120	1,200	1
Eskilstuna	110	1,200	1
Umeå	130	1,100	1
Gävle	100	1,100	1
Växjö	97	1,000	1
Wiesbaden	460	900	1
Pori	80	800	1
Borlänge	50	700	1
Uddevalla	60	700	1
<b>Total 20 largest regions</b>		<b>63,800</b>	<b>77</b>
Other		18,824	23
<b>Total Hemsö</b>		<b>82,624</b>	<b>100</b>

Metropolitan area or large city   
Small city





**Sweden**  
**SEK 54.0 billion**  
**65%**

	SEK million	No.
Value, Jan 2023	55,195	313
Acquisitions	293	5
Investments	2,186	–
Disposals	-93	-2
Changes in value	-3,627	–
Re-allotment	–	2
<b>Value, Dec 2023</b>	<b>53,954</b>	<b>318</b>

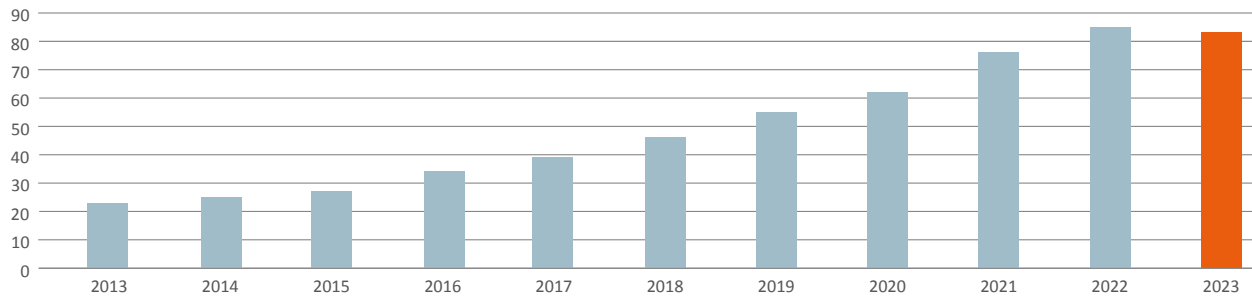
**Germany**  
**SEK 14.4 billion**  
**18%**

	SEK million	No.
Value, Jan 2023	15,426	87
Acquisitions	-6	–
Investments	131	–
Divestments	–	–
Changes in value	-1,143	–
Exchange-rate differences	-11	–
<b>Value, Dec 2023</b>	<b>14,396</b>	<b>87</b>

**Finland**  
**SEK 14.3 billion**  
**17%**

	SEK million	No.
Value, Jan 2023	14,258	80
Acquisitions	64	3
Investments	508	–
Disposals	-14	–
Changes in value	-499	–
Exchange-rate differences	-43	–
<b>Value, Dec 2023</b>	<b>14,274</b>	<b>83</b>

**Market value of properties, SEK billion**

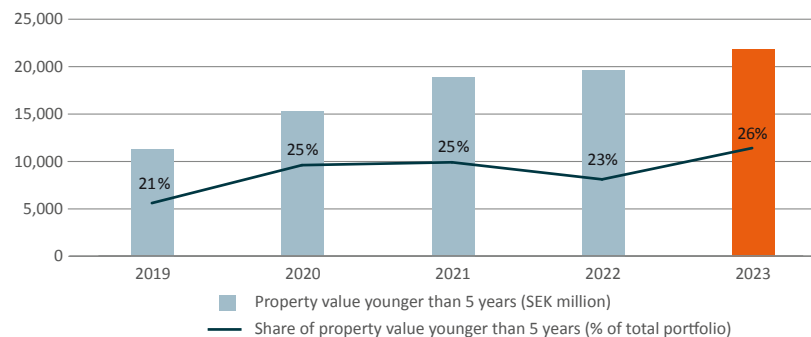


**Property portfolio development 2023**

	SEK million	No.
<b>Market value of properties, opening balance</b>	<b>84,879</b>	<b>480</b>
Acquisitions	351	8
Investments in new construction, extension and re-development	2,825	–
Disposals	-107	-2
Re-allotment	–	2
Exchange-rate fluctuations	-54	–
Unrealised value changes	-5,270	–
<b>Market value of properties, closing balance</b>	<b>82,624</b>	<b>488</b>

**488**  
No. of properties

**Share of property value younger than 5 years**



**82.6**  
Market value of properties, SEK billion

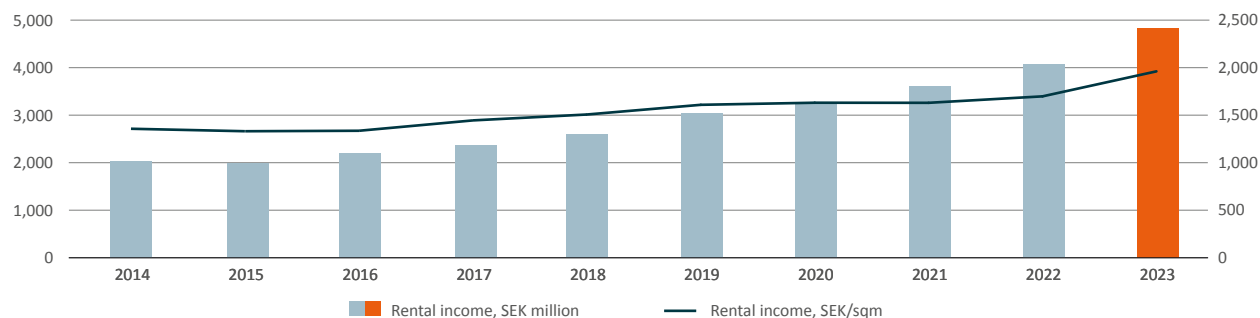


Stavsborgsskolan in Älta, Nacka.



Büttelborn, Germany.

### Rental income



### Key ratios per property category

	Nursing homes	Education	Health care	Justice system	Total
Property value, SEK million	31,421	29,894	12,033	9,276	<b>82,624</b>
Lettable area, tsqm	1,078	823	326	230	<b>2,458</b>
No. of properties	242	154	65	27	<b>488</b>
Value/property, SEK million	130	194	185	344	<b>169</b>
NOI margin, %	74	77	69	77	<b>75</b>
Economic occupancy rate, %	99	98	96	97	<b>98</b>
Lease duration, years	9	11	8	9	<b>10</b>
Share of large cities, %	75	84	95	86	<b>82</b>
Rental income, SEK million	1,814	1,648	765	590	<b>4,818</b>
Rent/sqm, SEK	1,682	2,003	2,345	2,563	<b>1,960</b>
Net operating income, SEK million	1,357	1,280	536	459	<b>3,631</b>
Property yield, %	4.5	4.7	4.7	5.0	<b>4.7</b>

### Tenants

95 per cent of Hemsö's rental income was derived from taxpayer-funded services. The share of contracted annual rent with public-sector tenants was 61 per cent, where lease agreements with municipal operators accounted for 29 per cent, state operators for 18 per cent, regional operators for 12 per cent and federal state operators for 2 per cent. About 5 per cent of Hemsö's tenants are non-profit organisations.

In Germany, privately run operations are funded by both the public health insurance scheme and care-user fees. If the residents are unable to pay for their own expenses, funding is provided through a municipal contribution.

Of Hemsö's 20 largest tenants, 13 were state, municipal or regional operators. Hemsö's five largest tenants are the Swedish Police, Region Stockholm, Academedia, the Wellbeing Services County of Southwest Finland and Attendo.

### Hemsö's 20 largest tenants

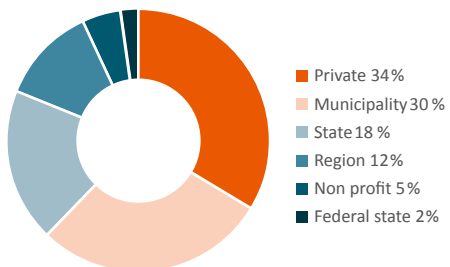
Tenant	Category	Annual rent, SEK million	Annual rent, %	No. of lease agreements
Swedish Police	State	246	5	35
Region Stockholm	Region	236	5	66
Academedia	Private	199	4	23
Wellbeing Services County of Southwest Finland (FIN)	Region	161	3	17
Attendo	Private	161	3	77
Ministry of Justice (FIN)	State	140	3	10
City of Västerås	Municipality	126	3	22
Mälardalen University	State	125	2	3
AWO (GER)	Non-profit	110	2	12
International English School	Private	93	2	11
Ambea	Private	89	2	10
City of Lahti (Fin)	Municipality	87	2	4
Alloheim (GER)	Private	87	2	10
Norrköping Municipality	Municipality	85	2	15
Karolinska Institute	State	76	2	4
Västra Götaland Region	Region	69	1	60
HEWAG (GER)	Private	68	1	9
North Rhine-Westphalia (GER)	Federal state	64	1	1
Uppsala Municipality	Municipality	64	1	22
City of Gothenburg	Municipality	64	1	12
<b>Total</b>		<b>2,351</b>	<b>47%</b>	<b>423</b>

### Rental value – public-sector tenants

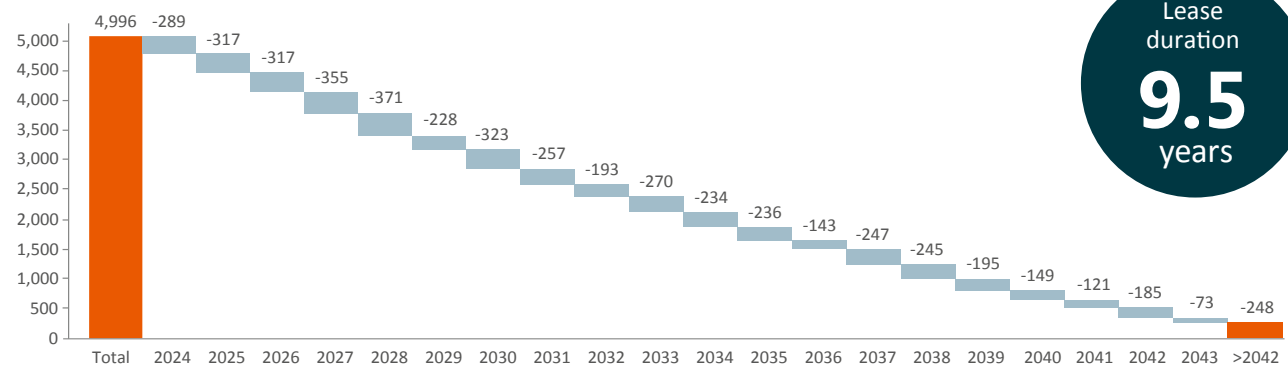
Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish municipalities	1,179	24
Swedish state	573	12
Swedish regions	362	7
Finnish state	271	5
Finnish municipalities	231	5
Finnish regions	228	5
German federal states	85	2
The German state	55	1
German municipalities	52	1
<b>Total</b>	<b>3,037</b>	<b>61</b>



### Contracted rent per category



### Lease maturity, annual rent, SEK million



## Property portfolio – Nursing homes

### Portfolio and tenants

Nursing homes is Hemsö's largest property category and at year-end, accounted for 38 per cent of the property value. In partnership with municipalities and private operators, we contribute sustainable nursing homes so that everyone who works or lives in our properties can feel safe and secure. That perception is just as important for family members and loved ones. Hemsö owns 242 nursing home properties, of which 119 are in Sweden, 45 in Finland and 78 in Germany.

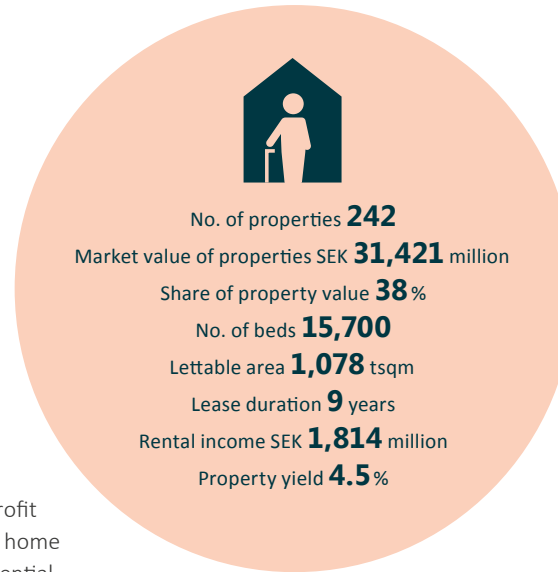
The premises accommodate:

- residential care facilities
- dementia care facilities
- short-stay care facilities
- assisted living/group homes
- residential facilities for people in need of extra support and assistance

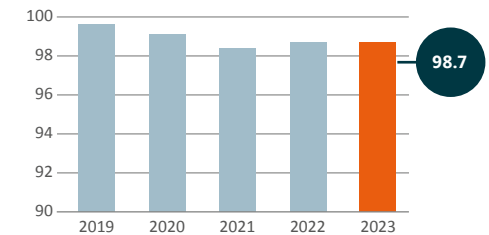
Of the contracted annual rent, public-sector tenants accounted for 43 per cent, and private taxpayer-funded operators for 57 per cent. In Sweden, public-sector tenants accounted for 69 per cent and private-sector tenants for 31 per cent of contracted annual rent. In Finland, public operators accounted for 81 per cent, and private operators for 19 per cent, of contracted annual rent.

In Germany, Hemsö mainly has non-profit and private-sector tenants in the nursing home category, with the exception of one residential facility with a municipal tenant.

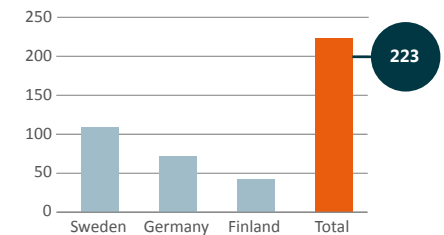
The three largest tenants in this category are AWO (Germany), Attendo and Norrköping Municipality.



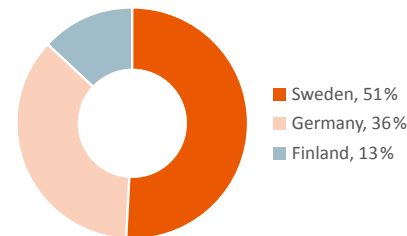
### Economic occupancy rate, %



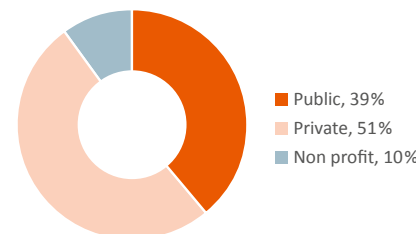
### No. of nursing homes per country



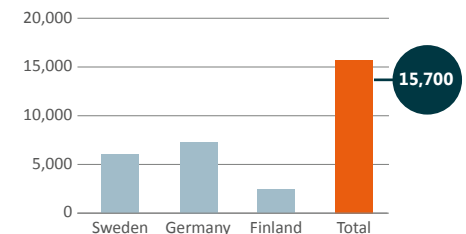
### Market value per country



### Annual rent per customer category



### No. of beds per country



## Property portfolio – Education

### Portfolio and tenants

Education is Hemsö's second-largest property category and at year-end, accounted for 36 per cent of the total property value. Schools are an important place for learning, reflection and physical activity for children and young people. Together with teachers, students and other school staff, we create safe and motivational indoor and outdoor environments according to needs and possibilities, in both existing properties and new developments. Hemsö owns 154 educational properties, of which 131 are in Sweden, 19 in Finland and four in Germany.

The premises accommodate:

- preschools
- elementary schools
- upper-secondary schools
- colleges/universities
- premises for advanced research
- sports centres
- ice centres

Of the total contracted annual rent, public-sector tenants accounted for 66 per cent, and private taxpayer-funded operators for 34 per cent.

In Sweden, public-sector tenants accounted for 54 per cent and private-sector tenants for 46 per cent of contracted annual rent. In principle, all of Hemsö's private-sector tenants in Sweden are taxpayer-funded via school vouchers.

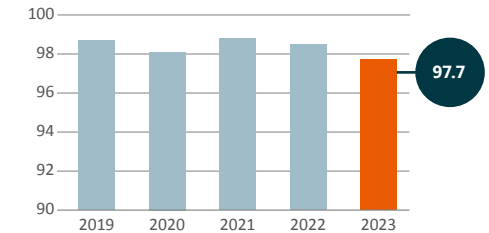
In Finland, public operators accounted for 96 per cent, and private operators for 4 per cent, of contracted annual rent. In Germany, all educational properties are let to public-sector tenants.

The three largest tenants in the category are Mälardalen University, Academedia and the International English School.

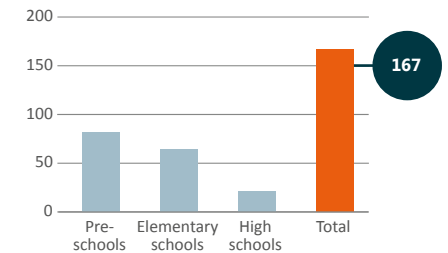


No. of properties **154**  
 Market value of properties SEK **29,894** million  
 Share of property value **36%**  
 No. of students **47,400**  
 Lettable area **823** tsqm  
 Lease duration **11** years  
 Rental income SEK **1,648** million  
 Property yield **4.7%**

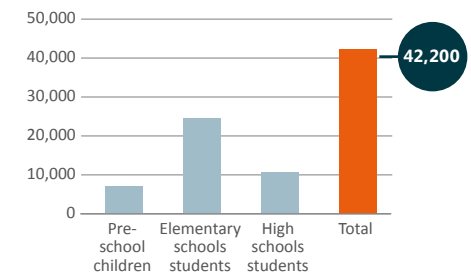
### Economic occupancy rate, %



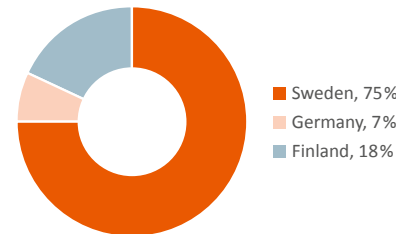
### No. of schools per category, Sweden



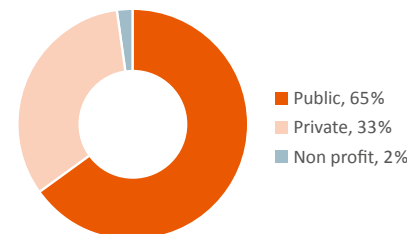
### No. of students per category, Sweden



### Market value per country



### Annual rent per customer category



## Property portfolio – Health care

### Portfolio and tenants

At year-end, health care properties accounted for 15 per cent of Hemsö's total property value. We develop and manage our health care properties with a focus on the operations conducted on the premises.

The buildings should feel safe and accessible for both care receivers and employees. Hemsö owns 65 health care properties, of which 54 are in Sweden and 11 in Finland. The premises accommodate a range of operations, including:

- hospitals
- local hospitals
- medical centres
- dental practices
- pharmacies
- palliative care
- rehab clinics

- child health clinics
- maternity centres
- child and adolescent psychiatry
- emergency centres

Of the contracted annual rent, public-sector tenants accounted for 83 per cent, and private taxpayer-funded operators for 17 per cent.

In Sweden, public-sector tenants accounted for 67 per cent, and private operators for 31 per cent, of the contracted annual rent. In Finland, public operators accounted for 73 per cent, and private operators for 27 per cent, of contracted annual rent.

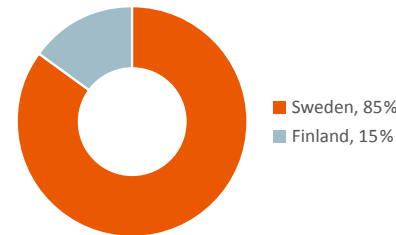
The three largest tenants in the category are Region Stockholm, the Wellbeing Services County of Southwest Finland and the Karolinska Institute.



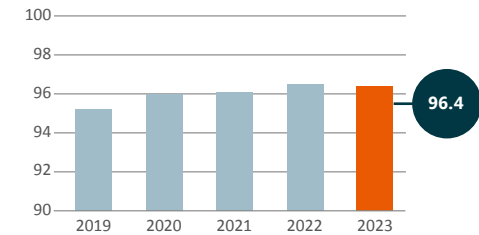
No. of properties **65**  
 Market value of properties SEK **12,033** million  
 Share of property value **15%**  
 Lettable area **326** tsqm  
 Lease duration **8** years  
 Rental income SEK **765** million  
 Property yield **4.7%**



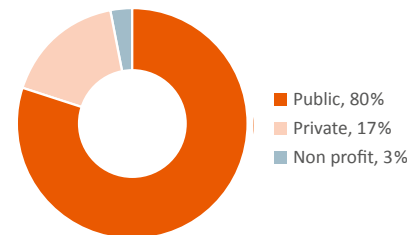
Market value per country



Economic occupancy rate, %



Annual rent per customer category



## Property portfolio – Justice system

### Portfolio and tenants

At year-end, justice system properties accounted for 11 per cent of Hemsö's total property value. This property category is one of the pillars of a well-functioning and sustainable society.

The properties are characterised by a large proportion of purpose-built areas with high security requirements. The tenants often choose to co-locate in legal centres, which can accommodate police stations, prisons and courts.

Hemsö owns 27 justice system properties, of which 14 are in Sweden, eight in Finland and five in Germany.

In addition to adapting the properties to the specific activities, strict security requirements apply for those who work, visit or use the

properties. We strive to create a pleasant and secure environment.

The premises accommodate:

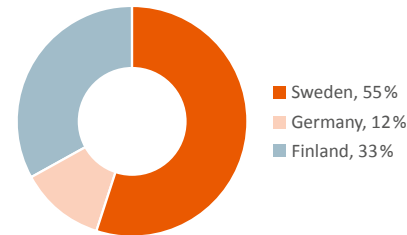
- police stations
- prisons
- courts
- prosecutors
- fire and rescue stations

Of the contracted annual rent, public-sector tenants accounted for nearly 100 per cent in Sweden, Finland and Germany.

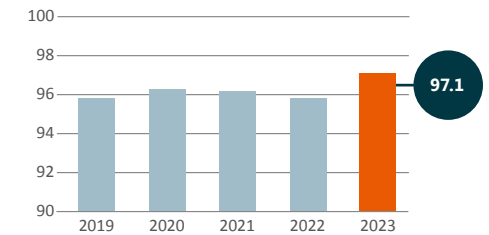
The three largest tenants in the category are the Swedish Police, the Ministry of Justice in Finland and the Swedish Courts.



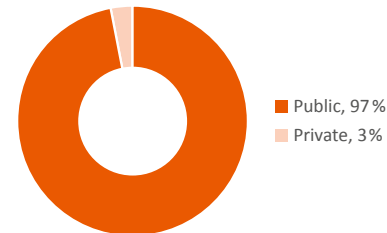
Market value per country



Economic occupancy rate, %



Annual rent per customer category






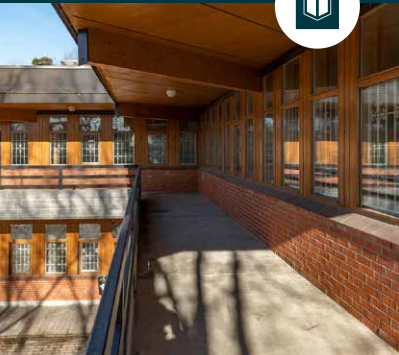
# Development projects

In addition to new development, re-development and extensions are continuously taking place in Hemsö's existing portfolio to meet tenants' ongoing needs. Older properties are converted to modern premises for new purposes. During the year, Hemsö completed 18 major development projects, comprising nine in the nursing home category, eight in education and one in the justice system. In 2023, through completed projects, Hemsö contributed 650 new nursing home places and 3,010 new school places.

Read more about ongoing and completed development projects here





**Campus Tensta**  
**Property category:** Education  
**Country:** Sweden  
**Project type:** Re-development  
**Project area:** 16,800 sqm  
**Construction start:** 2023  
**Largest tenant:** Järva gymnasium  
**Lease duration:** 7 years

**Vänernsberg district court**  
**Property category:** Justice system  
**Country:** Sweden  
**Project type:** New construction  
**Project area:** 7,000 sqm  
**Construction start:** 2023  
**Largest tenant:** Swedish Courts  
**Lease duration:** 15 years






**Novum**  
**Property category:** Health care  
**Country:** Sweden  
**Project type:** Re-development  
**Project area:** 39,400 sqm  
**Construction start:** 2020  
**Largest tenant:** Region Stockholm  
**Lease duration:** n/a

**Nursing home in Bredäng**  
**Property category:** Nursing homes  
**Country:** Sweden  
**Project type:** New construction  
**Project area:** 5,900 sqm  
**Construction start:** 2023  
**Largest tenant:** Attendo  
**Lease duration:** 15 years




**Preschool in Helsinki**  
**Property category:** Education  
**Country:** Finland  
**Project type:** New construction  
**Project area:** 1,900 sqm  
**Construction start:** 2023  
**Largest tenant:** Helsinki Municipality  
**Lease duration:** 25 years

# Sustainability Report

The properties we develop and manage have a significant impact on the local community. We provide social infrastructure through our nursing homes, schools and hospital beds, which is positive for society. However, our development and management of the properties has a negative impact on the environment. Hemsö is working to reduce these negative effects, while increasing our positive impacts across the entire value chain.

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## Governance

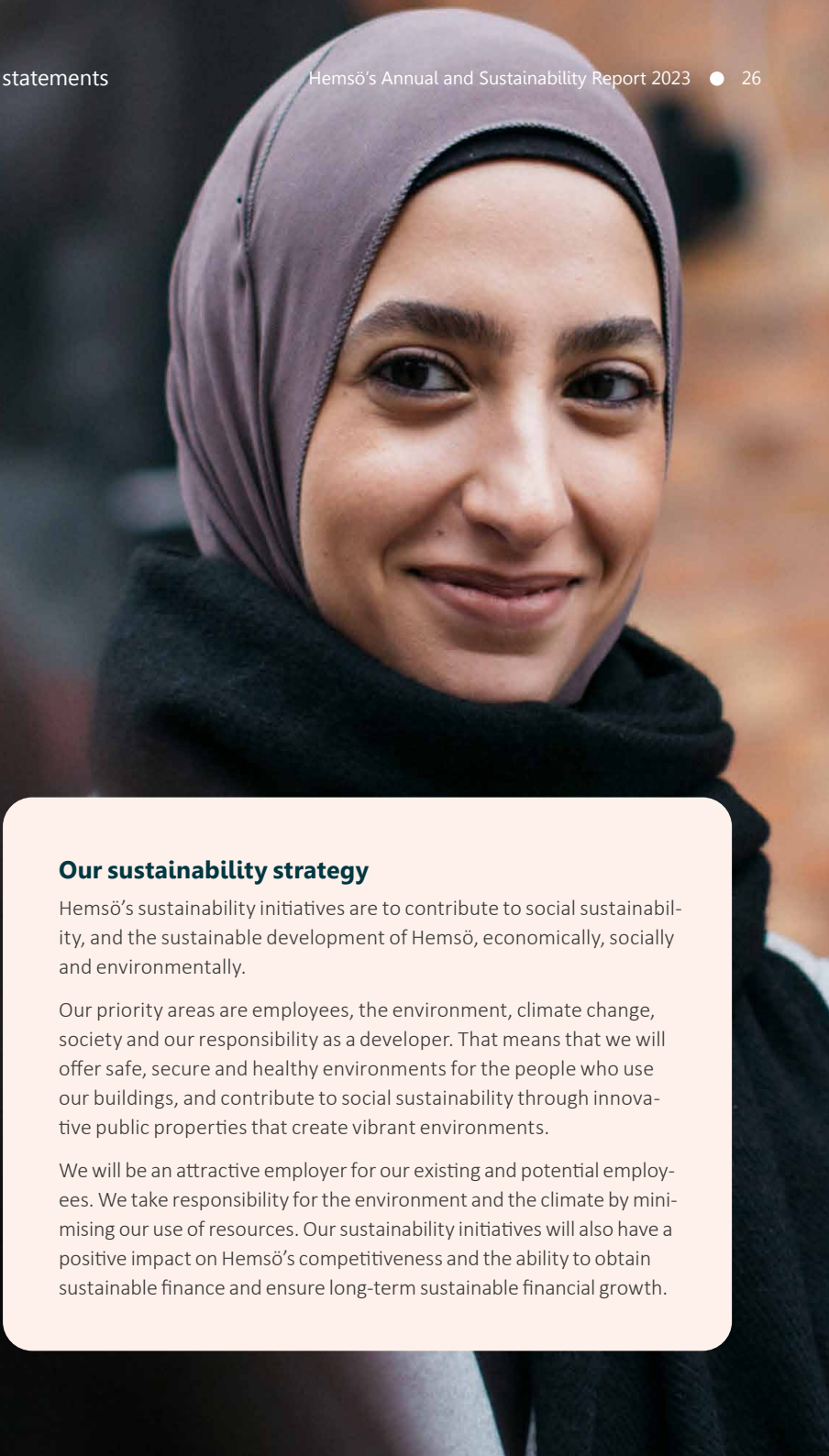
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### Our sustainability strategy

Hemsö's sustainability initiatives are to contribute to social sustainability, and the sustainable development of Hemsö, economically, socially and environmentally.

Our priority areas are employees, the environment, climate change, society and our responsibility as a developer. That means that we will offer safe, secure and healthy environments for the people who use our buildings, and contribute to social sustainability through innovative public properties that create vibrant environments.

We will be an attractive employer for our existing and potential employees. We take responsibility for the environment and the climate by minimising our use of resources. Our sustainability initiatives will also have a positive impact on Hemsö's competitiveness and the ability to obtain sustainable finance and ensure long-term sustainable financial growth.



# Materiality assessment and stakeholder dialogue

Hemsö's key stakeholders have been identified according to the degree they are expected to be impacted by our activities from a financial and sustainability perspective. In open dialogue and close collaboration with our stakeholders, we lay the foundation for functional sustainability initiatives. This enables us to offer sustainable public services.

Hemsö performed a materiality assessment in 2018. During a workshop, key employees at the company identified the most significant issues and dialogue was held with stakeholders. The factors that were rated highest by both internal and external stakeholders are Hemsö's material sustainability topics.

In 2021, key people in the company were interviewed to ensure that we have continued to focus on the right topics. In the following chapter, this work is described in each of the focus areas. In 2024, Hemsö will draft a new sustainability strategy and perform a new materiality assessment as part of this process.

## Hemsö's material topics:

- Financial performance, sustainable economy
- Customer/tenant health and safety
- Customer satisfaction and long-term relationships
- Community engagement and impact
- Diversity, equality and non-discrimination
- Terms of employment
- Competence development and provision
- Materials use
- Energy and emissions
- Compliance
- Supply chain responsibility
- Anti-corruption

Stakeholder/Main forms of dialogue	Stakeholder expectations of Hemsö
<b>Tenants:</b> <ul style="list-style-type: none"> <li>• Regular tenant meetings.</li> <li>• Annual customer survey.</li> <li>• Regular dialogue in connection with management.</li> <li>• Fault management.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term management that offers purpose-built public properties.</li> <li>• Reliable and capable landlord with a focus on customer needs.</li> </ul>
<b>Investors:</b> <ul style="list-style-type: none"> <li>• External website and information material.</li> <li>• Seminars on specific issues.</li> <li>• Individual meetings.</li> <li>• Financial statements.</li> <li>• Capital market presentations.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong financial management and high standard of reporting in accordance with the company's policies, requirements and laws.</li> </ul>
<b>Owners:</b> <ul style="list-style-type: none"> <li>• Board meetings, of which one every year is a strategy meeting.</li> <li>• Annual General Meeting.</li> <li>• Ownership Policy.</li> <li>• Dialogue meetings on sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term stable returns and a sustainability leader in the public properties segment.</li> </ul>
<b>Employees:</b> <ul style="list-style-type: none"> <li>• In day-to-day activities.</li> <li>• Annual performance reviews and monitoring of these, and employee satisfaction survey.</li> <li>• Intranet, conferences.</li> <li>• Trade union forums.</li> </ul>	<ul style="list-style-type: none"> <li>• Stable and long-term employer with good terms of employment, occupational health and safety and development opportunities.</li> <li>• Opportunity to engage in social development.</li> </ul>
<b>Society:</b> <ul style="list-style-type: none"> <li>• Involvement in research projects.</li> <li>• Engagement in stakeholder and professional organisations, and in partnerships with other property companies to promote development.</li> </ul>	<ul style="list-style-type: none"> <li>• Driver of sustainable development in the public properties segment.</li> <li>• Reliable players with expertise in their field.</li> <li>• Systematic efforts to minimise adverse environmental impacts.</li> </ul>
<b>Suppliers:</b> <ul style="list-style-type: none"> <li>• In procurements, orders and supplier meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Clear requirements when contracting, and monitoring compliance with the requirements.</li> <li>• Long-term partner.</li> </ul>
<b>Policy-makers in regions:</b> <ul style="list-style-type: none"> <li>• Regular communication via ads, web and PR</li> <li>• Via financial statements, industry days and trade fairs.</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term action as an owner, in relationships and in property management, with a good understanding of the customer's activities and needs.</li> </ul>

# Sustainability governance

Every year, Hemsö's Board and CEO are evaluated by external, independent consultants based on various areas. When Hemsö elects a new Board member, considerations are made in several areas of expertise, including sustainability. When electing a new Board member, Hemsö strives for an appropriate Board composition, in terms of expertise and from a diversity and equality perspective.

## Sustainability an integral part

Every year, Hemsö's Group Management drafts a proposal for a strategic direction for an upcoming five-year period. The draft is then presented to the Board. The strategic direction, with sustainability as a focus area, is approved every year at a scheduled Board meeting in September. The operative responsibility for sustainability-related issues follows the organisational structure and is an integral part of Hemsö's business operations. The Head of Sustainability is responsible for the Sustainability Department's work and reports to the CEO.

## Annual review

Hemsö's Sustainability Policy is reviewed every year. After any additions or modifications, the policy is sent to the Board for review and presented to the statutory Board meeting in April for a decision. In addition to the Sustainability Policy, there are guidelines in the sustainability area that are revised continuously and decided by the CEO.

Prior to each Board meeting, a business report is compiled describing the company's

organisation, development projects, transaction and rental market, and other current activities. Various departments are responsible for describing developments in their own respective areas. The business report contains a separate section on the company's sustainability initiatives, and a section on incident reports.

For transactions that require approval by the CEO and Board, available sustainability assessments are described. When there are negative aspects, proposals for measures are described. If any particular aspects are discovered as part of due diligence, we take these into consideration in our decision. Hemsö's CEO reports the results of completed development projects/ transactions to the Board at regular intervals.

## Remuneration

Hemsö's Remuneration Policy covers the CEO and Group Management. The aim is to ensure that the company can attract and retain key people. The level of remuneration should be reasonable and well-balanced, as well as market-based and competitive but not market-leading. The level of remuneration should also contribute to high standards of ethics and business culture. Total remuneration is comprised of fixed salary, other benefits and pension. Fixed salary is determined with account for expertise, area of responsibility and performance.

The performance of management is regularly evaluated and the results are used as a basis for the annual salary review. Variable salary is not paid to senior executives. The combined value of other benefits should be limited in relation to total



Drag 4, Norrköping.

remuneration. At present, there is no link between remuneration and results in relation to the company's sustainability targets and development. Discussions are taking place on various ways to increase insight and understanding of Hemsö's governing documents. Hemsö's operational and financial risks linked to our Code of Conduct were recently reviewed. Several construction projects were reviewed, and background checks were carried out in combination with on-site inspections. The reviews confirmed the need for greater control of our sub-contractors and we

are now preparing an action plan proposal with the external supplier that performed the reviews.

## Code of Conduct and whistleblowing system

Hemsö's Code of Conduct and whistleblowing system supports our efforts. The Code of Conduct describes how our values, visions, commitments and expectations guide our everyday actions. Every year, Hemsö arranges a Hemsö School for new employees. During these days,

we take part in exercises and discussions linked to our 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. The whistleblowing system guarantees complete anonymity for all reporters.

### Adopted policies

The Board has adopted 14 policies. These are:

- Rules of procedure for the Board
- Rules of procedure for the CEO
- Dividend Policy
- Information Policy
- Insider Trading Policy
- Financial reporting instructions
- Rules of procedure for the Audit Committee
- Rules of procedure for the Remuneration Committee
- Financing Policy
- Sustainability Policy
- Executive Remuneration Policy
- IT Policy
- Tax Policy
- Valuation Policy

These policies are reviewed annually by the person responsible for each area and then presented to the Board for feedback at the Board meeting in February. Any adoption takes place at the statutory Board meeting in April. All policies, and any other more detailed guidelines linked to these and that are adopted by the CEO, are available on the Intranet.

### External frameworks

Some of the external frameworks and standards underlining Hemsö's sustainability initiatives are the Sustainable Development Goals, the 2030 Agenda, the Paris Agreement, national climate targets and the UN Global Compact. Our sustainability initiatives are guided by these frameworks and governed by a Sustainability

Policy with related guidelines. We perform an annual review of the guidelines.

We work actively to further develop and drive sustainable development in the construction and property industry and to create long-

term partnerships with our customers. By participating in various industry and social projects, we can help to shape a more sustainable society together with other players.

### Membership and partnerships, 2023

All Generation Ventures	A hub for the Nordic real estate industry with a focus on digital development.
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 one of the first fossil-free nations in the world.
DGNB – Building Council Germany	Organisation that promotes sustainable construction and certification.
Green Building Council Finland	Organisation that promotes sustainable construction and urban development.
SGBC – Sweden Green Building Council	Organisation that promotes sustainable construction and urban development.
HS30	Sustainable Stockholm 2030 – a forum to significantly reduce the carbon footprint of the real estate sector, and increase the focus on social sustainability.
LFM30	Roadmap for a carbon-neutral construction industry by 2030 in Malmö. Hemsö has committed to the initiative.
Mentor	Non-profit organisation with volunteer mentors for young people.
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 owners in Finland.
Seniorvärlden	Non-profit association with the aim of communicating knowledge and research for learning and development in the senior area.
Forster Initiative	Foundation that links together property owners, private and non-profit nursing home operators and works to ensure that their interests are heard by politicians and society.
ZIA	Represents the combined interests of the property industry in Germany and fosters dialogue with its members.

# Value chain – Hemsö's impact and responsibility

Via the value chain, we can see how and where our processes can have a positive impact and help to achieve sustainable development for society, and for Hemsö as a company.



## 1 Acquisitions

Hemsö is continuously seeking opportunities in our geographic areas where we can contribute by developing and improving social infrastructure. We identify potential sustainability risks in the acquisition phase, but also opportunities for positive impacts.

### How we can impact:

- Comply with sustainability procedures in acquisitions for a review of the indoor environment, materials, waste, energy, climate-related and environmental risks
- Create procedures for socio-economic aspects, location and future needs.

## 1 Project initiation

When Hemsö's project development receives a new project, we always conduct a feasibility study, regardless of whether the project is a new construction or a refurbishment. The conditions are set here for how the property should look, function for the actual activity, and be constructed. Setting the conditions for sustainable projects at such an early stage has a major impact on the upcoming process.

### How we can impact:

- Choose climate-smart designs and materials. We do this using climate and energy calculations.
- Set a level for environmental certification
- Consider climate-related risks
- Collaborate with municipalities and other stakeholder groups.

## 2 Procurement contracting

Our impact at this stage is mainly by imposing requirements on the contract works regarding environmental certification and energy efficiency as well as good working conditions, respect for human rights, professionalism, objectivity and fair treatment.

### How we can impact:

- Promote human rights, working conditions, anti-corruption, the environment and climate by monitoring compliance with our Code of Conduct for suppliers
- Use fossil-free transportation.

## 3 Refurbishment or new development

We have an impact on the environment when we are constructing a new building or refurbishing, but the impacts of new development are greater. The main causes of emissions in new development are building materials, transportation and materials management.

When we construct and develop our properties, we also have a major impact on people's daily lives – students in schools, elderly people in homes, and employees. Our properties are designed with a focus on user needs. We are also to support the activities of our tenants in the best possible way.



**Refurbishment**

**How we can impact:**

- Environmentally certify existing properties
- Prevent and handle demolition waste sustainably
- Use recycled materials
- Optimise indoor environment in regard to energy use and health
- Create vibrant environments with people in focus.

**New development**

**How we can impact:**

- Environmentally certify new developments
- Prevent and manage construction waste sustainably
- Follow SundaHus requirements for materials and products
- Optimise indoor environment in regard to energy use and health
- Create vibrant environments with people in focus.

**4 Long-term management**

We combine development projects with long-term management and letting. Our portfolio consists of properties in health care, schools, social care and the justice system that are managed by our property management organisation. In daily management routines, there are several areas where we can impact the environment, climate change and the health, safety and security of the building's users.

**How we can impact:**

- Improve the energy efficiency of the properties
- Choose sustainable materials for repairs and refurbishment
- Obtain environmental certification
- Create solutions for waste management and sorting
- Prepare measures on the basis of climate-related risks
- Follow SundaHus requirements for materials and products
- Prevent inconvenience in regard to the indoor environment
- Specify compliance with the Code of Conduct for suppliers
- Ensure the safety, security and health of the users.

**5 Employees**

Our employees are our success factor. We want to be an attractive employer for new employees, while also striving to retain and develop our existing employees.

**How we can impact:**

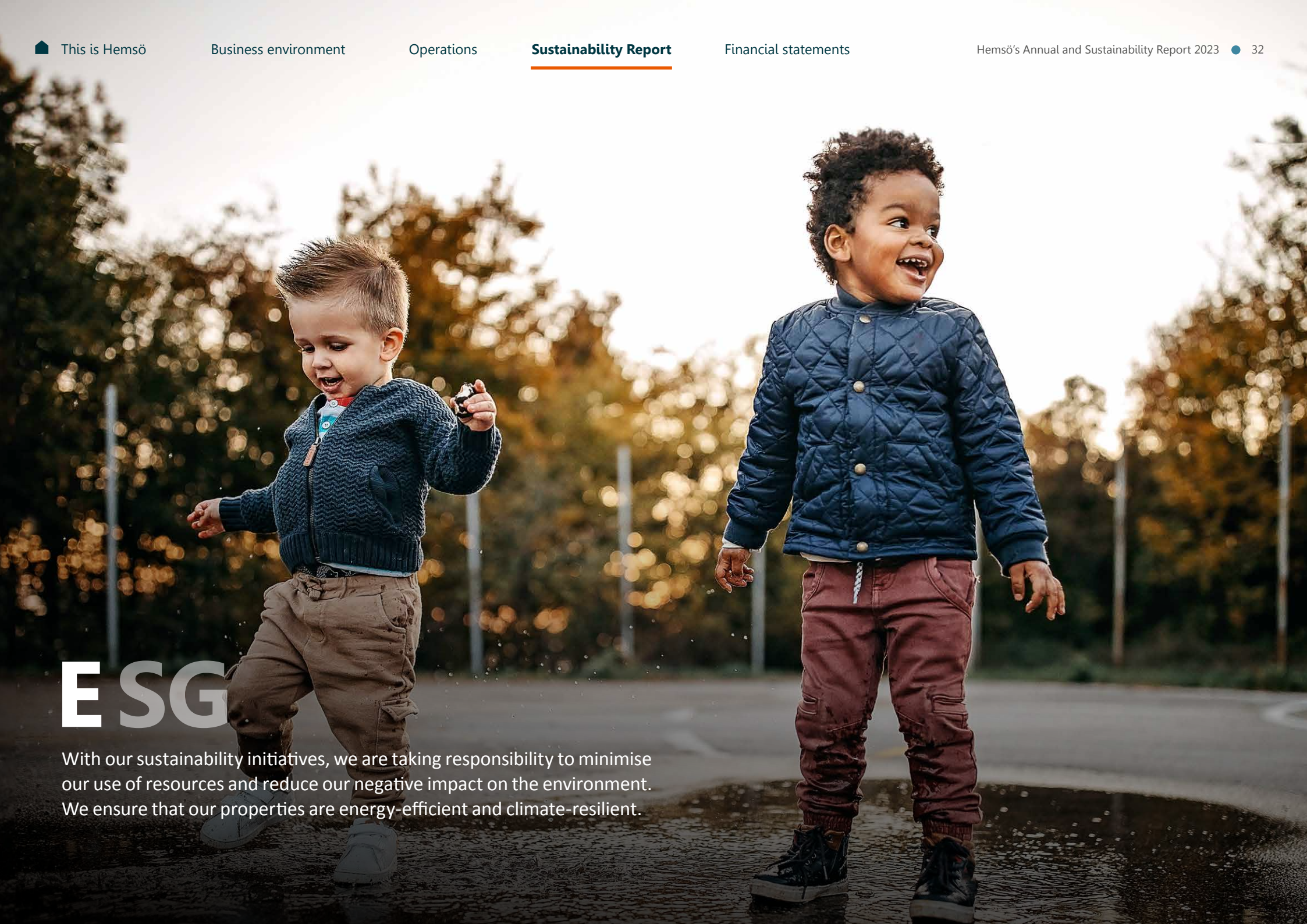
- Work for equality in the workplace with no discrimination
- Prevent harassment with our Code of Conduct
- Create conditions for our employees to develop
- Create workplaces that promote health and safety.

**6 Capital back to Swedish pensioners**

Our profits are mainly returned to Sweden's pensioners via our largest owner, the Third Swedish National Pension Fund. By meeting the growing need for social infrastructure, Hemsö is contributing to an important social function and creating sustainable growth for Swedish pension funds.

**How we can impact:**

- Create long-term and profitable business that creates high returns to the pension fund.



# ESG

With our sustainability initiatives, we are taking responsibility to minimise our use of resources and reduce our negative impact on the environment. We ensure that our properties are energy-efficient and climate-resilient.



# Environment and climate

Our efforts to reduce emissions include the climate-change effects of our business, and how climate change will affect our business.

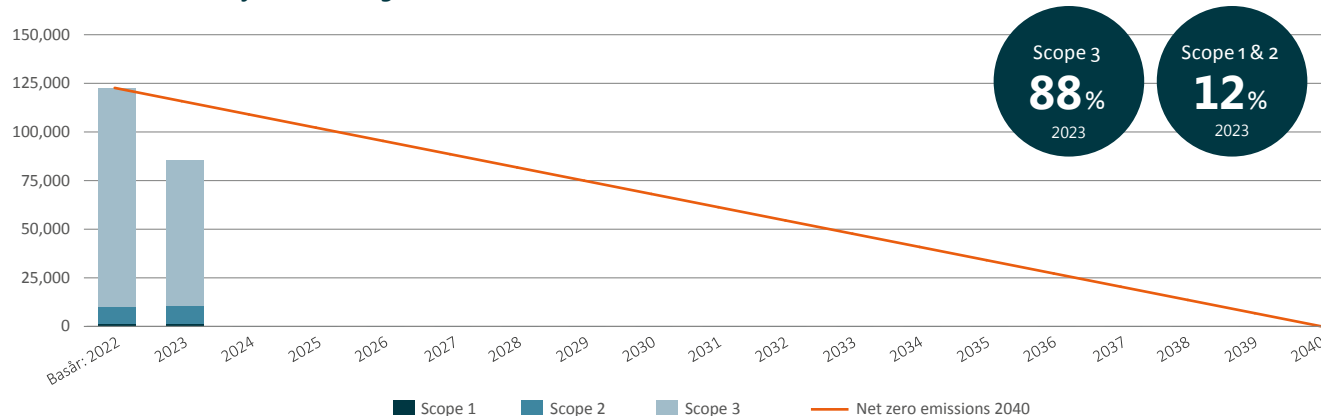
Hemsö's target is net zero emissions by 2040 throughout the value chain. In October, the Science Based Targets initiative (SBTi) validated our climate target based on its Net-Zero Standard. Hemsö thus became the first property company in Sweden to receive this validation.

During the year, we developed a Climate Roadmap that clarifies our commitment and the actions that must be taken to achieve our climate target. In 2024, we will continue to develop the roadmap and review all aspects of our business to create a structured method for everything from contract writing to property management. We will also set targets for several environment and climate-related aspects, and ensure clear governance for that process.

## Taxonomy

Hemsö is not yet covered by the EU Taxonomy Regulation. However, during the year we began aligning with the regulation to ensure that we are equipped for future requests and demands.

## Net zero emissions by 2040 throughout the value chain



## Hemsö's climate-change impacts

The biggest sources of our emissions are energy use in our properties, new construction and re-development projects and transportation.

We manage the effects of our activities throughout the entire process. When we acquire a building or land, we already have procedures in place for controlling energy performance, energy supply and high energy use. We also assess whether the location of the property entails any specific risk from climate-change effects, such as flooding or landslides. The results are included in the decision-making process for a potential acquisition.

The main causes of emissions in construction are building materials, transportation and materials management. New development has a considerably greater climate impact than re-development. The main causes of emissions from completed buildings are energy systems, and the design, location and construction of the building. Our sustainability requirements for development

## Climate-change impacts of construction

Development projects completed in 2023	Building type	A1-A5 (kgCO <sub>2</sub> /m <sup>2</sup> GIA)
Fridhem preschool <sup>1)</sup>	Education	309
Gyllegården <sup>1)</sup>	Nursing homes	412
Kornknarren preschool <sup>1)</sup>	Education	313
Kristiansborgsbadet <sup>1)</sup>	Education	120
Ljungs-Hälle preschool <sup>1)</sup>	Education	417
Paavola Campus 3 <sup>1)</sup>	Education	170
Raksila fire and rescue station <sup>1)</sup>	Justice system	454
Stavsborgsskolan <sup>1)</sup>	Education	475
Växthuset sports centre <sup>1)</sup>	Education	328
Büttelborn <sup>2)</sup>	Nursing homes	375
Hoivamme H3 <sup>2)</sup>	Nursing homes	375
Hoivamme N43 <sup>2)</sup>	Nursing homes	375
Hoivamme V6 <sup>2)</sup>	Nursing homes	375
Hoivamme G19 <sup>2)</sup>	Nursing homes	375
Hoivamme L1 <sup>2)</sup>	Nursing homes	375
Kleinmachnow <sup>2)</sup>	Nursing homes	375
Klostergården 2:9 <sup>2)</sup>	Education	39
Norrskén <sup>2)</sup>	Nursing homes	375

The table shows the embodied carbon calculation for the construction process stage of development projects completed in 2023. The calculations comprise the product and construction process stages – modules A1–A5, according to SS-EN 15978 or according to Finnish legislation on LCA calculations.

<sup>1)</sup> These development projects have climate declarations verified by a third party. Since the methods and life cycle stages vary, it is not possible to compare the projects with each other.

<sup>2)</sup> These development projects do not have a climate declaration. They are calculated using templates based on an average of climate declarations for the building type.

projects regulate how we can reduce our emissions in the construction stage.

Once a building has been completed and handed over to property management, this is mainly achieved through improving energy efficiency. For more information about this process, refer to Energy use. Re-developments and refurbishment also take place in property management. As in project development, property management uses SundaHus Material Data to ensure that sustainable materials are chosen.

In 2023, our total emissions decreased from 122,654 tCO<sub>2</sub>e to 85,833 tCO<sub>2</sub>e, a reduction of roughly 30 per cent. The reduction was primarily due to the use of more accurate emission factors for some parts of the purchased goods and services item. Another reason for the reduction is that few projects were completed during the year compared with 2022 and this impacted the capital goods item.

### Measures to reduce emissions

Embodied carbon calculations provide us with knowledge of how material choices affect greenhouse gas emissions and help us to make choices that reduce emissions. Since 2019, we have been making embodied carbon calculations in the implementation phase of new constructions and since 2022 also in early stages.

To ensure the materials we use do not contain environmentally harmful substances, in Sweden we have SundaHus Material Data – a tool for assessing the products used by the construction and property industry.

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. In 2023, 84 per cent (88) of estimated materials in completed development projects were levels A and B. We can also document our product choices for a specific development project to use as support for future refurbishments.

Hemsö uses environmental certifications as a tool for developing buildings that are both environmentally and socially sustainable. Environmental certification is based on a clear framework and includes a third party audit. Hemsö requires certification of all new developments and the aim is that 100 per cent are to be certified.

At the end of 2023, 22 per cent of the property portfolio had been certified, based on area.

### Partnerships to share knowledge and influence

Collaboration is a key element of our approach to climate change and we have joined Fossil Free Sweden, Roadmap Malmö 2030 (LFM30), Sustainable Stockholm 2030 (HS30), Sweden Green Building Council (SGBC) and Green Building Council Finland (FIGBC) in order to share best practices with other players who also have high climate ambitions.



### GHG emissions

Direct and indirect GHG emissions, Scopes 1–3	2023	2022*
<b>Direct (Scope 1) GHG emissions, tCO<sub>2</sub>e</b>	<b>1,084<sup>1)</sup></b>	<b>1,166<sup>1)</sup></b>
Leased cars	161	132
Refrigerants	210	483
Stationary combustion	713	551
<b>Indirect (Scope 2) GHG emissions, tCO<sub>2</sub>e – Market-based</b>	<b>9,176<sup>1)</sup></b>	<b>8,921<sup>1)</sup></b>
Indirect (Scope 2) GHG emissions, tCO <sub>2</sub> e – Location-based	10,301	10,032
Electricity – market-based	0	0
Electricity – location-based	1,125	1,111
District heating	9,056	8,758
District cooling	93	113
Company vehicles – Electric/PHEV	27	50
<b>Other direct (Scope 3) GHG emissions, tCO<sub>2</sub>e</b>	<b>75,573<sup>2)</sup></b>	<b>112,566<sup>3)</sup></b>
Purchased goods and services	22,815	52,013
<b>Capital goods – Total</b>	<b>28,335</b>	<b>39,218</b>
Capital goods: A1-A3	24,271	–
Capital goods: A4-A5	4,064	–
Fuel and energy-related activities	2,096	1,183
Waste	12	11
Business travel	70	52
Employee commuting	0	0
Downstream leased assets	22,244	45,281
<b>Total – market-based</b>	<b>85,833</b>	<b>148,296</b>
Total – location-based	86,958	148,296

\* Figures from 2022 have been updated. Certain calculations had been incorrectly linked in our platform: Tenant electricity use in Scope 2 and Scope 3 was added to category 3 emissions. Additionally, location-based and market-based emissions were totalled.

<sup>1)</sup> 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 for 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 calculations for Scopes 1 and 2. The figures for 2023 also include emissions from the combustion of fuel by leased cars in the Scope 1 calculations.

<sup>2)</sup> Figures for the year include more climate declarations that comprise the product and construction process stages – modules A1–A5, according to SS-EN 15978. We also included LCA calculations from Finland that comply with Finnish legislation concerning the scope of the system. Part of our calculations are still based on templates. The templates are calculated using an average of actual value from the climate declaration performed by a third party. In this year's report, we were also able to separate the A1–A3 and A4–A5 categories; in the calculated reports from a third party the percentage is an estimate and in the templates the estimate is based on the baseline from Boverket (the Swedish Board of Housing, Building and Planning) "Referensvärden för klimatpåverkan vid uppförande av byggnader (version 2)". Malmqvist, et. al. 2023. Boverket. The template values are based on square metres present in our projects and not on gross area. The calculations contains completed development projects for the entire Hemsö Group. The purchased goods and services item includes goods and services purchased by the entire Group. Calculations are based on the income statement for 2023 (1 January–31 December) and on spending. The emission factors for purchased goods and services were updated for two of the items (water, gas and electricity and other social consulting services). These items were analysed and more reliable emission factors chosen. The waste item refers to the entire Group and was based on spend calculations in 2023. The business travel item includes data from our travel agency, and expenses via Hemsö's payroll system. Expenses were standardised using data from the travel agency. Employee commuting is based on a questionnaire from 2022 with responses from the Swedish operations. The results were standardised for the entire Hemsö Group.

<sup>3)</sup> In the report for 2022, we included emissions data for construction processes, construction materials and construction transport partly obtained from climate declarations compiled on behalf of Hemsö. As well as standardisations based on Boverket's baselines [https://www.boverket.se/contentassets/3537859bcf24e83b0073b1dbb512247/referensvarde-for-klimat-paverkan-vid-uppforande-av-byggnader\\_kth-2021.pdf](https://www.boverket.se/contentassets/3537859bcf24e83b0073b1dbb512247/referensvarde-for-klimat-paverkan-vid-uppforande-av-byggnader_kth-2021.pdf). Since the calculation method is different, we have not been able to divide the figures into categories A1–A5. The calculations contains completed development projects for the entire Hemsö Group. Purchased goods and services include goods and services purchased by the entire Group. Calculations are based on the income statement for 2022 (1 January–31 December) and on spending. Data for tenant waste is included in downstream leased assets and standardised based on waste figures for 2021 including new data for certain properties. The calculations contain data for Hemsö's operations in Sweden, Finland and Germany. Employee commuting is based on a questionnaire with responses from the Swedish operations. The results were standardised for the entire Hemsö Group. Emissions data for business travel includes data from our travel agency, and expenses via Hemsö's payroll system. Expenses were standardised using data from the travel agency.

## TCFD – Climate-related risks and opportunities

Understanding the impact of climate change has become increasingly urgent for companies 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 where we identified risks and opportunities. This will make us better prepared for the future.

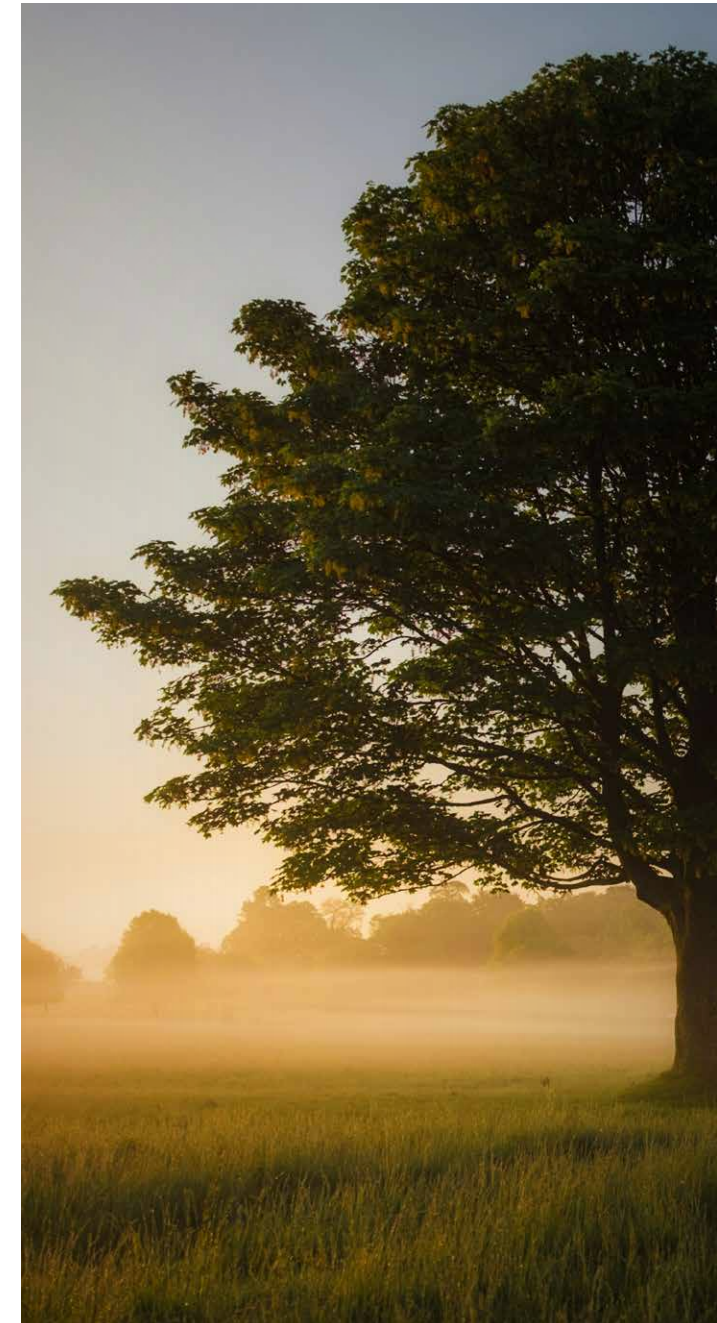
### Climate-change scenarios

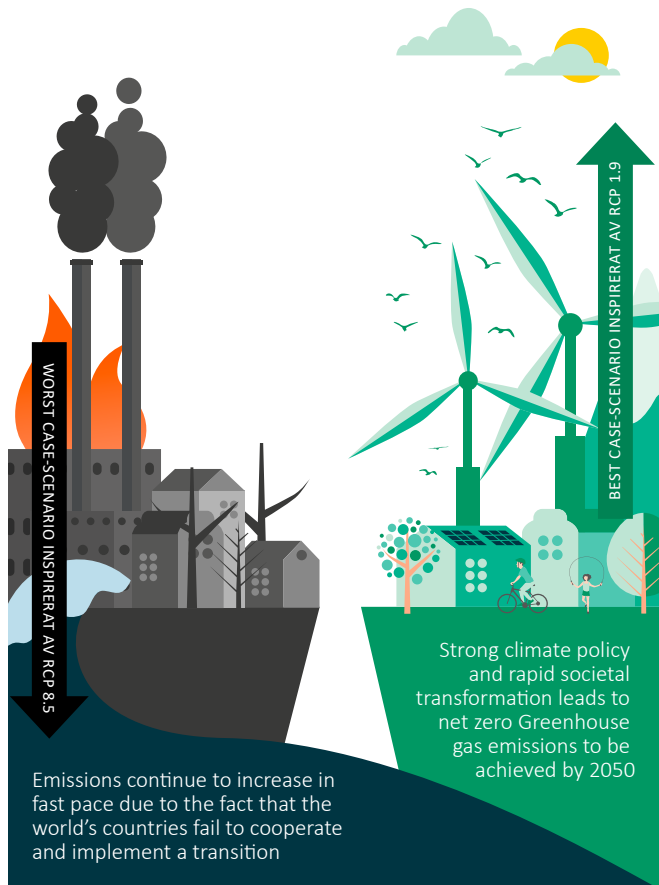
As a basis for the identification of potential risks and opportunities, two climate-change scenarios were used for 2050, RPC 8.5 and 1.9, both based on scenarios created by the UN Intergovernmental Panel on Climate Change (IPCC). RPC 8.5 is a worst-case scenario where CO<sub>2</sub> levels continue to rise sharply and global warming is expected to rise. RPC 1.9 is a best-case scenario with a rapid transition to a lower-carbon economy, reduced emissions and limited global warming. We have analysed the potential impacts on our operations based on the each of the scenarios. We have added transition risks (i.e. political and regulatory risks) as well as physical risks (i.e. rising sea levels and drought). In the coming years, we will further develop the process to see how we could be impacted financially by the identified risks and opportunities.

WORST-CASE scenario, inspired by RCP 8.5	BEST-CASE scenario, inspired by RCP 1.9
Emissions continue to rise rapidly due to the failure of nations to collaborate and deliver a transition	Powerful climate policy and rapid transition leads to the achievement of net-zero emissions by 2050
<b>Climate</b>	
<ul style="list-style-type: none"> <li>• Temperature increase in Europe is approximately 2–5° C</li> <li>• Rising sea levels of about 0.5 metres<sup>1)</sup></li> <li>• Extreme weather with rain, storms, heat and drought becomes more common</li> <li>• More flooding, especially in connection with the 100-year storm estimate</li> <li>• Reduced snowfall</li> </ul>	<ul style="list-style-type: none"> <li>• Temperature increase in Europe is limited to about 1.5–4° C</li> <li>• The sea-level rise is limited to a few decimetres<sup>1)</sup></li> <li>• Slightly higher risk of extreme weather events</li> <li>• Slightly higher risk of flooding</li> </ul>
<b>Society</b>	
<ul style="list-style-type: none"> <li>• Continued dependence on fossil fuels</li> <li>• Nations fail to agree on joint initiatives and action</li> <li>• No tough demands or regulations</li> <li>• No major changes in the behaviour of people or companies</li> <li>• Continued high energy intensity</li> <li>• Global population growth reaches about 12 billion by 2100</li> <li>• Climate refugees</li> <li>• Increased global polarisation</li> </ul>	<ul style="list-style-type: none"> <li>• Nations collaborate and deliver a transition</li> <li>• Renewable energy has replaced fossil fuels</li> <li>• Policy decisions, legal regulations and instruments have been introduced to reduce CO<sub>2</sub> emissions</li> <li>• Rapid transition of society, infrastructure and buildings has taken place</li> <li>• Sharp increase in new technologies and digitisation</li> <li>• Low energy intensity has been achieved</li> <li>• Customers, investors and authorities impose stringent requirements on climate change adaptation</li> <li>• Global population growth reaches about 9 billion by 2100</li> </ul>
<b>Hemsö</b>	
<ul style="list-style-type: none"> <li>• Hemsö fails to achieve collaboration on emissions reduction with the company's partners</li> </ul>	<ul style="list-style-type: none"> <li>• Hemsö and our partners succeed in collaboration to accelerate the low-carbon transition</li> </ul>

<sup>1)</sup> Reference point Malmö, with account for land uplift.

WORST-CASE scenario, identified risks and opportunities	BEST-CASE scenario, identified risks and opportunities
<b>Physical risks:</b>	
<ul style="list-style-type: none"> <li>• Heavy rain, flooding and rising sea levels risks cause damage to Hemsö's properties and the surrounding environment and infrastructure.</li> <li>• More frequent heat waves could mean that current properties do not meet air conditioning and ventilation requirements.</li> <li>• Erosion could damage the environment around the properties.</li> <li>• Supply chain problems could arise due to, for example, a shortage of natural resources, materials, energy and raw materials needed for the operations.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• More frequent heavy rainfall events could damage the properties.</li> <li>• A slightly higher mean temperature increases the need for air conditioning and ventilation systems in the properties.</li> <li>• Raised sea levels could affect parts of the property portfolio.</li> </ul>
<b>Transition risks:</b>	
<ul style="list-style-type: none"> <li>• If cities and/or properties need to be relocated due to rising sea levels, this could make existing properties obsolete.</li> </ul>	<ul style="list-style-type: none"> <li>• Tougher requirements from, for example, customers, politicians and the capital market on Hemsö's climate-change adaptation and the standard of properties.</li> <li>• 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.</li> <li>• Risk that our public properties are located in areas where people do not want to live or work.</li> <li>• Lack of in-house expertise in the company for meeting the new and tougher requirements.</li> </ul>
<b>Opportunities:</b>	
<ul style="list-style-type: none"> <li>• Acquiring, developing and offering climate-resilient and resource-efficient public properties in areas at lower risk of climate-change impacts.</li> <li>• Energy and resource-efficient construction reduces costs.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Climate-proof the property portfolio by developing a strategy and making investments to ensure the resilience of existing properties to climate change.</li> <li>• Include criteria for climate adaptation in new acquisitions and new construction to ensure that future properties are climate-change resilient and located in low-risk areas.</li> <li>• Use materials and resources more efficiently.</li> <li>• Take advantage of opportunities to obtain green financing.</li> </ul>





**WORST-CASE scenario, identified risks and opportunities**

**BEST-CASE scenario, identified risks and opportunities**

**Potential impacts 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.

- The potential negative impact on Hemsö's financial results is deemed low in the short term, but some investments in re-development 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:**

- 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 climate-change resilient.
- 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.

- 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 within the organisation and with stakeholders.

## Energy use

Hemsö is working to minimise our emissions by reducing energy use – in the construction stage with sustainable materials and structures, and in property management with energy-saving measures in the properties.

Energy-efficient buildings are also a prerequisite for Hemsö's ability to obtain 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, and where we therefore have comparable data. This currently applies to Sweden and we are working to create a Group-wide target.

### Focus on energy-saving measures

When we acquire a property, we examine it from an energy perspective. When we develop a new property, we look at the best way to develop and manage it from an energy perspective. The building's structure affects energy use, and we therefore ensure that the building is designed for durability with an energy-efficient building envelope. We also make a long-term assessment of the investment and equip the building with well-adapted and energy-efficient systems.

### Inventory to optimise operations

We conducted an inventory of energy use in our current portfolio. Efforts to reduce energy use began in properties where the measures were considered to have had the greatest effect. For example, we switched to heat

pump systems, upgraded ventilation systems and installed energy-efficient lighting. To reduce energy use, we also introduced smart sensors for heating and ventilation.

During the year, we ran a project where we installed sensors in nursing homes and schools in order to increase operational efficiency and improve the indoor environment. We are continuing our optimisation efforts by installing sensors in selected properties.

In Finland, energy renovations are being carried out in existing properties, including the Helsinki Court House, where CO<sub>2</sub> and temperature sensors have been installed. This resulted in better energy efficiency and healthier air. We also optimised automated property management and

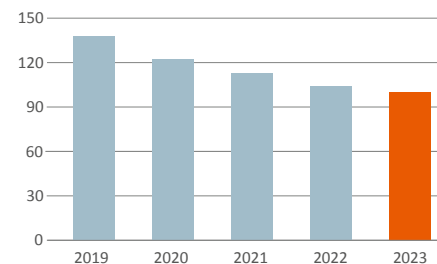
installed new ventilation fans. These measures are expected to reduce annual emissions from district heating consumption by at least 15 per cent (compared with the base year of 2020).

As part of our climate transition, we are continuing to equip properties with the right conditions in the form of PV systems. Currently, we have about 101 properties with rooftop PV systems. The total installed capacity is 8,434 kWp.

The expected annual output from the systems corresponds to 7,254 MWh.

In Sweden, Hemsö is responsible for energy use. In Finland, responsibility lies centrally with Hemsö and in some cases with the tenant. In Germany, Hemsö controls the property's shell through a double net lease, which means the tenants are responsible for anything relating to fixtures and energy use.

Energy use in Sweden kWh/m<sup>2</sup> A-temp



Klostergården in Lund.



Ektorps school in Nacka.

### 3 per cent reduction target

Electricity is procured centrally in Sweden and Hemsö only purchases hydropower with a guarantee of origin. Finland procures wind-generated electricity and in Germany, tenants are responsible for procurement.

According to our sustainability target, we are to reduce energy use by 3 per cent in the comparable portfolio. In Sweden, energy reduction was 2 per cent in the comparable portfolio in 2023.

Energy use was 100 kWh/m<sup>2</sup> Atemp compared with 105 kWh/m<sup>2</sup> Atemp in 2022.

In Finland, the energy reduction was 3.7 per cent in the comparable portfolio in 2023. Energy use was 205 kWh/m<sup>2</sup> Atemp compared with 213 kWh/m<sup>2</sup> Atemp in 2023.

In Germany, we have obtained energy data for 80 per cent of the portfolio. In 2024, we will analyse the data in order to set a clearer strategy for how we are going to approach the issue of

### Energy use in the organisation

The reporting period is 1 January–31 December 2023.

MWh	2023	2022	2021
Electricity, renewable	82,511	78,497	95,990
District heating, renewable	128,196 <sup>2)</sup>	98,198 <sup>1)</sup>	116,261
District cooling, renewable	6,929	6,712	7,331
<b>Total, renewable</b>	<b>217,636</b>	<b>183,406</b>	<b>219,582</b>
District heating, fossil	22,321	49,354	58,433
Electricity, fossil	–	–	–
Oil	200	–	440
Natural gas	1,021	1,153	1,411
Biogas	–	–	1,287
<b>Total, non-renewable</b>	<b>23,542</b>	<b>50,507</b>	<b>61,571</b>
<b>Total</b>	<b>241,179</b>	<b>233,914</b>	<b>281,153</b>

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

<sup>1)</sup> The proportion of renewable and non-renewable district heating is based on the distribution of district heating from figures for 2021.

<sup>2)</sup> The proportion of renewable district heating for Sweden is based on data from district heating companies. The proportion of renewable district heating in Finland is based on national data as regards proportion produced and proportion renewable.

energy. However, tenants are responsible for their energy use and associated data in Germany, which is a challenge for us as property owner.

Project Sustainability Requirements governs the energy requirements for new developments. Environmental certification is used to support energy-related issues in construction projects.

## Circularity

In Hemsö's Climate Roadmap, we highlighted circular processes as a significant factor for reducing our emissions.

Circularity is partly about re-using materials. It is also about creating processes where we design a building in the project stage considering future re-use, such as constructing a building with flexibility for new uses should the need for premises change and developing a building for dismantling and re-using some of its parts. In re-development, we perform an inventory to review the possibility of using recycled materials.

### Re-use reduces emissions

Hemsö has initiated a project focused on the re-use and recycling of building materials in re-development processes. Sub-stage 1 of Campus Polacksbacken in Uppsala, Lundellska School, was completed by autumn term 2023. This development project is an ambitious re-use project with the aim of having the lowest carbon footprint for the construction of a Swedish school. Re-use permeated the entire process, and resulted in an 85 per cent reduction in the climate-change impact compared with building a completely new school.

During the ongoing refurbishment of Campus Tensta, we are also re-using materials. The building is blue-listed and we are refurbishing it carefully. The entire frame is being retained and as much as possible of the interior. Mouldings, linings and window sill channels on the walls and ceilings, and the existing insulation in interior

walls are being re-used. New insulation is being installed in the exterior walls to meet energy requirements. Sheet metal sound absorption panels will be re-used in some parts of the building, as well as stainless steel sinks and mirrors. We have re-used refrigerators, freezers and worktops from other buildings. Stavsborgsskolan in Nacka was completed for the autumn school term of 2023. Before demolishing the old school, we performed an inventory of the building together with the design and architectural firm Torstensson Art & Design. For example, banisters, pipes and glass were re-used in art-work in the new school. Students at the school were involved in the creative process.

### Waste

Waste management is important for circularity. New construction, re-development and tenant adaptations, in particular, produce large volumes of waste. In addition, waste is generated by the everyday use of the buildings and our tenants' activities. We are primarily working to reduce the amount of waste generated, but otherwise to manage the waste that does arise as resource-efficiently as possible.

Both Hemsö and the contractor are responsible for handling the waste. We specify the environmental and sustainability requirements that apply in the contract procurement process. Prior

to a re-development or demolition, we make an inventory of hazardous materials. When a project is completed, the contractor must provide us with complete waste statistics with a summary of all waste fractions.

Waste in the property management stage is mainly attributable to tenants. Waste and waste

sorting is important area for both us and our tenants. It should be possible for residents, employees and other people who use the premises to sort their waste, both indoors and in a separate recycling room. Waste management is also followed up regularly at tenant meetings and in our customer surveys.



Recycled art at Stavsborgsskolan in Nacka – Älta 14:97.



## Biodiversity

Creating conditions for biodiversity is one of the greatest global challenges.

We address this issue by striving to reduce toxic chemicals in building materials. The outdoor environments that we create around our properties play an important role in promoting biodiversity. We are also working to increase the amount of greenery and variation of species in our outdoor environments in new development projects and in the Skolgårdslyftet project, where we are developing the school playgrounds in our portfolio.

Biodiversity can be influenced already at the planning stage. In our property management, we take care of and maintain the green environ-

ments that are a prerequisite for biodiversity. In Finland, we conducted a study to investigate the effects of construction on biodiversity. This enabled us to determine whether and how we can work with ecological compensation. This means that exploitation and land-use changes that cause adverse effects on biodiversity are offset by providing new values in another area. The study showed that ecological compensation should be the last resort. The preferred option should always be to retain existing biodiversity. The next step is to prepare metrics we can follow in the area.

## Water use

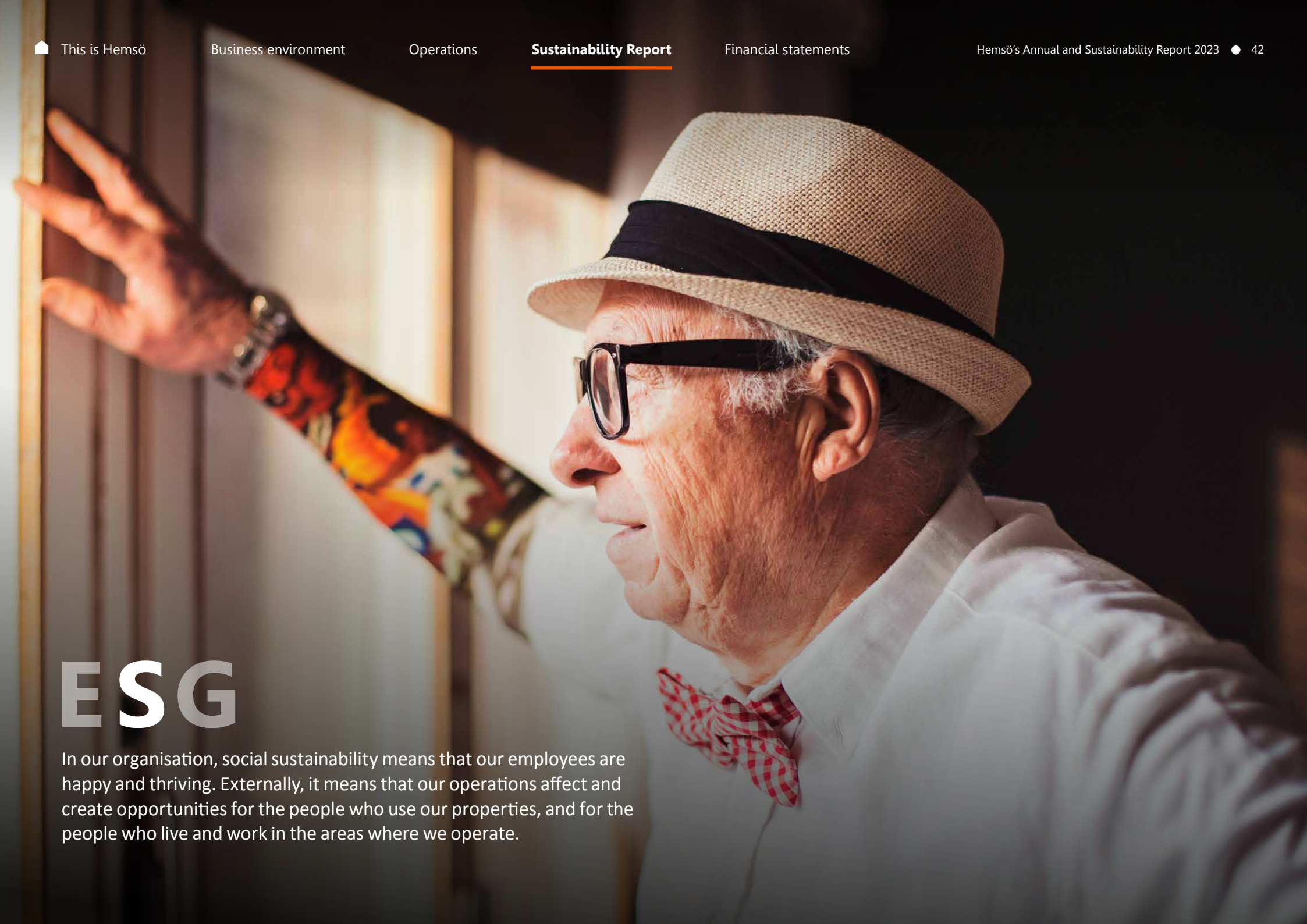
Water is an important resource for social development. Water is essential for ecosystems, as well as energy generation, industry and households. Water shortages have become increasingly common in recent years.

We used monitoring systems to map monthly use of water in our properties to follow consumption patterns and irregularities. These were mostly due to leaks, but also to tenants' routines. We took immediate action where we identified

acute problems. We are also implementing measures to ultimately reduce water use in our properties. In the construction stage, this could include low-flow taps and toilets, as well as flow control regulators.



Beekeeping at one of our properties in southern Sweden.



# ESG

In our organisation, social sustainability means that our employees are happy and thriving. Externally, it means that our operations affect and create opportunities for the people who use our properties, and for the people who live and work in the areas where we operate.

# Social sustainability

For Hemsö, social sustainability means helping to develop a society that puts human needs and welfare first. We work to ensure that our buildings and outdoor environments are safe, healthy and stimulating.

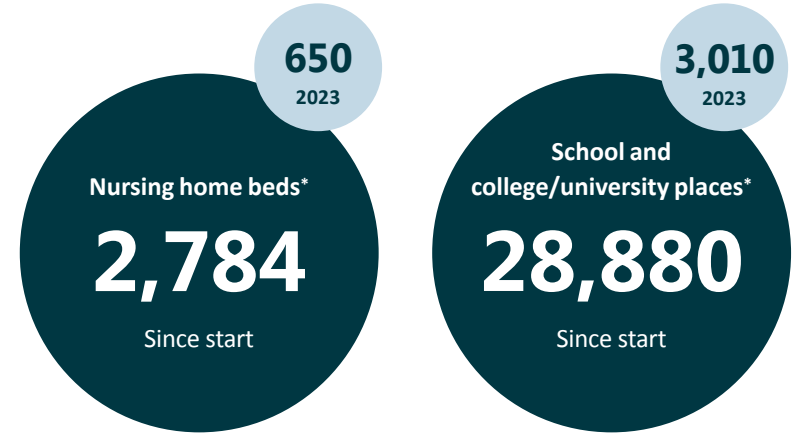
In our role as a property owner, we help to maintain and develop social infrastructure. We do this together with municipalities and regions and private operators in health care, social care and education. The locations where Hemsö owns and manages properties are strengthened by our presence. We create value for people – not only for the people who visit and work in our premises, but also for the people who live in the area.

In 2023, we initiated development projects that will add 650 new nursing home beds and 3,010 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.

## Sustainable finance

To ensure good access to capital, sustainable finance is essential for Hemsö. Financing comprises sustainability-linked bonds and loans. Hemsö's sustainable framework describes the development projects that can be financed and comprise social sustainability aspects and investments in addition to environmental sustainability. Read more on pages 113–114.



\*Number of beds/places that Hemsö has added through completed development projects from 2009 until 31 December 2023.

## Substantial community engagement

Through our collaboration with various organisations, we contribute to a more inclusive society. In 2023, we were a proud partner to Järva Week in Stockholm and the Frihamnsdagarna democracy festival in Gothenburg, and entered into a partnership with En frisk generation, which offers inspiring and free exercise for children and their families in Tensta.

We also have the Hemsö Gift, which is intended for those who use our properties and aimed at simplifying and enriching their day-to-day life. In 2023, the Hemsö Gift was awarded to 11 different educational activities, ranging from educational outdoor toys to materials for greenhouses.

## Satisfied customers and long-term relationships

We safeguard our customer relationships and work every day to build trust. Through CSI surveys, we find out whether we are living up to our customers' expectations. Customer responses are followed up by the responsible property

manager and good examples are highlighted in Hemsö's customer group to create a standard for our customer service. This helps us to continuously improve our operations, our customer relationships and our offering.

The most recent CSI survey in Sweden was conducted in January 2023 using an online questionnaire and phone interviews, and the result was 73.4 of 100. The highest rating was given for issues concerning cooperation with Hemsö, where customers consider us flexible and willing to listen.

Areas with potential for improvement are fault reports and service reports, mainly relating to feedback. Hemsö's target is a CSI score of 75 points (on a 100-point scale) within a five-year period.

In 2022, a customer satisfaction survey was conducted in Finland, and the total score was 3.92 on a 1–5 scale. No general customer satisfaction survey is carried out in Germany at present but every year, customers are interviewed at length and tenants are engaged in close dialogue.



Hemsö participated in the Järva Week 2023 as a partner.



**A focus on people**

We work to ensure that our buildings and outdoor environments are safe, healthy and stimulating. As a property owner, our aim is to ensure that no accidents occur, to contribute to more socially sustainable environments and to improve conditions for our tenants' operations, all of which are pillars of social sustainability.

Our work also includes making demands on conditions in the supply chain and ensuring compliance with the guidelines and policies that safeguard human rights and living wages.

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.

In early 2024, the Tryggare Sverige foundation published the PluggaTryggt handbook with checklists and guidelines to help operators to develop safe learning environments. Hemsö has contributed knowledge and experience together with Växjö Municipality and the City of Västerås. Using Tryggare Sverige's handbook, we can increase knowledge levels internally at Hemsö and among our clients.

**Health and safety of our tenants**

As part of our responsibilities as a property owner, we ensure the environment in our properties has no negative impact on the health of our tenants. In connection with new construction projects, we use environmental certification to ensure the quality of the indoor environ-

ment, including the sizing of ventilation systems, air quality, natural light and materials. In completed buildings, our property managers are responsible for maintaining the quality of the indoor environment and preventing issues such as damp, mould, radon and noise.

We also use smart technology to further optimise the indoor environment. The sensors provide Hemsö's property management systems with information about temperature, CO<sub>2</sub> levels and relative humidity in the premises.

Hemsö has a zero accident vision for its properties. We conduct preventive safety rounds and inspections of all properties at established intervals to check fire safety, fall protection and lifts. 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. We work preventively in Finland, to train our tenants to cope with emergencies, such as evacuation and first aid.

If an accident due to property owner negligence occurs, we have a clear plan of action based on our crisis management process. Our operations and maintenance service providers are on duty around the clock, with emergency services.

In 2023, we had two accidents linked to the properties. One incident and one accident was related to façades.



# Employees

Hemsö's mission is to make our employees and customers proud. We want to be an attractive employer for new talent and existing employees. All of Hemsö's employees are important for our ability to live up to our requirements, expectations and visions. To succeed together, we must ensure that our employees have the right conditions in their work.

## Our employees are our success factor

The company culture is the key to success. Our core values are integral to our operations. We have a permissive culture that allows employees to test their ideas in practise and dare to make mistakes. This allow employees to make fast decisions and influence their work. The Hemsö School plays a key role in building a common set of values. In this school, new employees complete practical and theoretical exercises in order to understand and embrace Hemsö's value words.

Effective leadership is also a success factor. Our leadership philosophy is strong leaders who can motivate, develop and support their colleagues. Management days with a focus on leadership are held every year. When recruiting new managers, our leadership competencies guide the selection of candidates.

## Monitoring and feedback

Employee feedback is obtained in employee satisfaction surveys, follow-up interviews, after new recruitments and in exit interviews. The results are evaluated and measures implemented.

The employee survey conducted in 2023 showed that Hemsö remains above the high-performance benchmark, which is a comparison with the absolute top companies (top 10) in terms of the Engagement Index (EI) and management, team efficiency and organisational and social work environment. The leadership index increased for the third consecutive year and is now an impressive score of 86. The percentage of ambassadors is high; Hemsö's Employee Net Promotor Score (eNPS) is 70, a score that is far above the high-performance benchmark (54) and the global average (14).

## Career company

Again in 2023, we were chosen as one of Sweden's best career companies. The award is a Swedish stamp of quality for those employers with the highest standard of employer branding and that offer unique career and development opportunities to their employees.

## Brilliant Awards

We secured first place in the Brilliant Awards Employee Experience, which is based on the annual employee satisfaction survey, meaning the responses from our employees in Sweden, Germany and Finland.

## Excellent employer

We were ranked in the top 10 per cent of best employers in the Nyckeltalsinstitutet survey in 2023.

## Health and work-life balance

We aim to be a health leader by taking a proactive approach to health and well-being at work. We promote a work-life balance, opportunities for exercise and a long-term focus on health. All employees are offered health and well-being subsidies and regular health checks. Hemsö's Workplace Handbook guides the handling of occupational health and safety (OHS) issues. In 2023, our employee attendance rate was 99.1 per cent and there were zero work-related accidents or fatalities.



Employees at Hemsö in Helsinki, Finland.

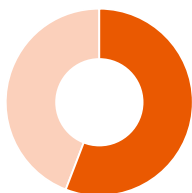
### Diversity, equality and non-discrimination

We see great value in employing people with diverse backgrounds and experiences. This helps to broaden the company's knowledge base and create a more dynamic work environment. Variation in terms of gender, age and background is important for Hemsö's development and competitiveness. Hemsö also works 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, also at senior management level. According to the 2023 salary survey, there are no gender pay gaps. Hemsö has a zero tolerance approach to harassment and takes clear preventive measures. We measure and monitor these issues regularly in, for example, the employee survey. Our Code of Conduct describes how our values, visions and obligations guide our everyday actions, and also provide guidance for other stakeholders. All new employees undergo training in Hemsö's Code of Conduct.

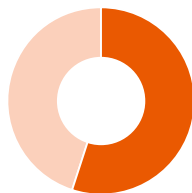
### Age and gender balance

Gender balance total



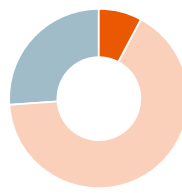
Men, 56%  
Women, 44%

Gender balance, management



Men, 55%  
Women, 45%

Age balance total



<29 years, 8%  
30-49 years, 66%  
>50 years, 26%

## Results and metrics, employees

	Women/men, %	<29 years	30-49 years	>50 years
<b>2023</b>				
Board	50/50	0%	17%	83%
Management	45/55	0%	45%	55%
All employees	44/56	8%	66%	26%
<b>2022</b>				
Board	50/50	0%	17%	83%
Management	33/67	0%	33%	67%
All employees	47/53	12%	58%	30%
<b>2021</b>				
Board	50/50	0%	17%	83%
Management	40/60	0%	40%	60%
All employees	47/53	11%	61%	28%

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

### New employee hires and employee turnover

Employee turnover, %	2023	2022	2021
Total	7.3	17.2	7.6
Men	4.5	13.3	13.6
Women	10.7	21.8	3.1

The number of new employees in 2023 was 23 (32 in 2022, 28 in 2021). Hemsö does not report age group or region due to too few employees. Calculation uses the formula: lowest number of employees started or ended, respectively/average number of employees. Comprises Sweden, Finland and Germany. The 2022 figures are updated as the calculation model has been changed from average number of employees in the total to average men/women.

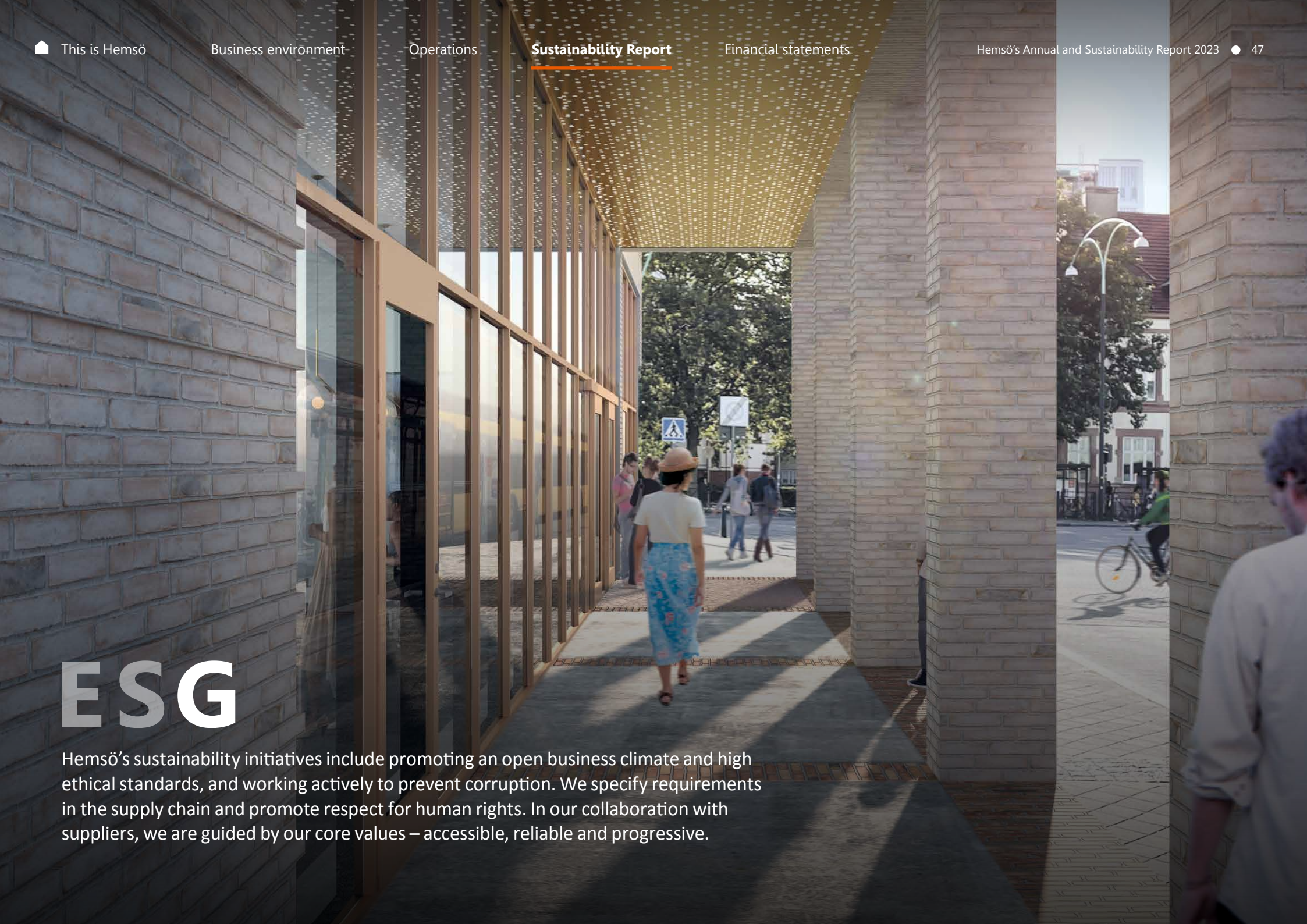
### Employment contract type

No. of employees per employment contract	2023	2022	2021
Total no. of employees	169	158	153
Permanent employees	166	156	151
Temporary employees	3	2	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 2023 and comprise Sweden, Finland and Germany.

# ESG

Hemsö's sustainability initiatives include promoting an open business climate and high ethical standards, and working actively to prevent corruption. We specify requirements in the supply chain and promote respect for human rights. In our collaboration with suppliers, we are guided by our core values – accessible, reliable and progressive.



# Responsible business

The most significant laws and regulations for Hemsö are mainly in the areas of tax, financial reporting, environment and reporting, employer responsibilities, property owner responsibilities and in the role of developer. We use internal procedures, quality control and external audits to ensure compliance with these laws and regulations.

Hemsö has a clear delegation of responsibilities within the company for obligations that are statutory and provides regular training for the people concerned. Our principle for delegation of responsibilities is based on fields of expertise and the employee's ability to take responsibility for their own areas. Regulatory and legal changes that 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 2023, Hemsö was not subject to any legal action due to non-compliance with laws or regulations.

## Anti-corruption and business ethics

Hemsö strives to maintain high standards of business ethics where we work to combat corruption. We are committed to the safety and respect of all people affected by our operations. All new employees undergo training in Hemsö's Code of Conduct, where anti-corruption is a key element. In 2023, 32 people participated in the Hemsö School – an introduction and training course for new employees that includes the

Code of Conduct.

Everyone can use our whistleblowing system to anonymously report suspected cases of serious misconduct or irregularities. To ensure the reporter's anonymity, the system is managed by a third party – WhistleB Whistleblowing Centre. When a case is reported, it is addressed immediately by Hemsö's team, consisting of the Head of HR and the Chief Legal Counsel.

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 2023, no cases of corruption were reported.

## Responsible relationships across the entire supply chain

Central guidelines and processes provide the basis for our responsible purchasing ambitions. The high demands we make on ourselves and our suppliers are specified in our Code of Conduct for Suppliers, which is attached to our agreements. We completed seven central procurements during the year where our suppliers were required to sign Hemsö's Code of Conduct,

which is based on the Ten Principles of the UN Global Compact in the areas of human rights, labour, environment and anti-corruption. These requirements apply to all of our suppliers as well as sub-contractors.

Creating responsible relationships requires transparency at every level of the supply chain. Transparent and industry-wide cooperation is needed to ensure responsible business and purchasing. We see this as a strategic and long-term process where we welcome new regulations such as the Mandatory Human Rights Due Diligence Directive and the Corporate Sustainability Reporting Directive (CSRD), which can provide support for this process.

We have an ongoing dialogue with our suppliers and perform comprehensive follow-ups of strategic projects and suppliers. In 2023, we conducted a major review of the sub-contractors that work with our new development to identify operational and financial risks. Based on this, work began during the year to develop the way we work for monitoring of supplier compliance, including sub-contracting chains.



The includes the creation of central targets with related process control. The ambition is to complete this work in 2024.

Human rights is at the top of the agenda for us. This is also the case for our principal owner the Third Swedish National Pension Fund, which works to ensure that human rights associated with the activities of its portfolio companies are respected, upheld and strengthened, if necessary. The property companies in the Third Swedish National Pension Fund have cooperation groups for sharing experience and competence development in the area. Hemsö is a participating partner in this cooperation, which will be intensified in the coming year.



# Targets and strategies to support achievement of the SDGs



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.



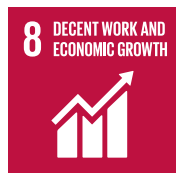
### Goal 4 – Quality education

Hemsö works to create and manage sustainable, inclusive and safe learning environments through, for example, the Hemsö Apple concept. In the Skolgårdslyftet 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 developments. 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 operation 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 resilient construction.



### 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 NollCO<sub>2</sub>, Roadmap 2045 and Local Roadmap for a Carbon-Neutral Building & Construction Industry in Malmö 2030 (LFM30).

# GRI Content Index

General Disclosures			Page	Comments
<b>GRI 2: General Disclosures 2021</b>	2	Organisational details	2	Hemsö Fastighets AB. The address of the head office is Linnégatan 2, Stockholm, Sweden.
	2-2	Entities included in the organisation's sustainability reporting	2	Subsidiaries are entities over which the Parent Company has a controlling interest. Any boundaries are presented continuously in the report.
	2-3	Reporting period, frequency and contact point	40, 104	Contact point for the report is Karolina Brick, Head of Sustainability, karolina.brick@hemso.se
	2-4	Restatements of information	34	Climate figures for 2022 are recalculated
	2-5	External assurance	53	
	2-6	Activities, value chain and other business relationships	4,17,30-32	
	2-7	Employees	46	We do not report employee figures according to region.
	2-8	Workers who are not employees		We have no information at the present time about those who work with our project employees or contracted by our sub-contractors. In line with our plan to transition to CSRD, we are reviewing processes to see how we can include these in the future.
	2-9	Governance	76-78	
	2-10	Nomination and selection of the highest governance body	28-29, 76-78	
	2-11	Chair of the highest governance body	76-78	
	2-12	Role of the highest governance body in overseeing the management of impacts	28-29	
	2-13	Delegation of responsibility for managing impacts	28-29, 76-79	
	2-14	Role of the highest governance body in sustainability reporting	28-29, 76-79	
	2-15	Conflicts of interest	28-29, 76-79	We use external consultants to evaluate the Board's performance and composition, where issues related to governance are evaluated. Hemsö is 85-per cent owned by The Third Swedish National Pension Fund, and 15 per cent of Sagax. They make up Hemsö's Board.
	2-16	Communication of critical concerns	28-29, 48	
	2-17	Collective knowledge of the highest governance body	28-29	During the year, management was given training in the new CSRD, CSDDD, Taxonomy and basic climate education.
	2-18	Evaluation of the performance of the highest governance body	76-79	
	2-19	Remuneration policies	28-29	The Board's remuneration is not linked to sustainability.
	2-20	Process to determine remuneration	76-79	The Board's remuneration is not linked to sustainability.
	2-21	Annual total compensation ratio		The mean salary is SEK 58,300. The highest paid employee relative to the mean salary is 9. The highest paid employee's salary increase relative to the mean salary increase percentage is 231 per cent.
	2-22	Statement on sustainable development strategy	5	
	2-23	Policy commitments	29	
	2-24	Embedding policy commitments	29	Our policies are linked to Hemsö's sustainability strategy. They are embedded and therefore followed-up annually.
	2-25	Processes to remediate negative impacts	28-29, 35-37, 67	We have no clear process for evaluating negative impacts in our value chain. In some areas, such as climate change, we have commenced a process that is presented in our TCFD disclosures. In 2023, work began on double materiality in accordance with CSRD whereby negative impact is part of the identification process. In 2024, we also employed a quality control officer tasked with preparing processes and coordinating risk management at Hemsö.
	2-26	Mechanisms for seeking advice and raising concerns	28-29	
	2-27	Compliance with laws and regulations	28-29	
	2-28	Membership associations	29	
	2-29	Stakeholder engagement	27	
	2-30	Collective bargaining agreements		Hemsö's employees in Sweden, corresponding to 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 to match salary terms using an HR/payroll 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.

Material topics			Page	Comments
<b>GRI 3: Material Topics 2021</b>	3–1	Process to determine material topics	27	
	3–2	List of material topics	26–27	
<b>Economic performance</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	4, 9, 67–72	
<b>GRI 201: Economic Performance 2016</b>	201–1	Direct economic value generated and distributed	52	
<b>Anti-corruption</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	29–30, 48, 67, 72	
	205–2	Communication and training about anti-corruption policies and procedures	48	All of our new employees (which also includes Group Management) are informed about our Code of Conduct, including business ethics when employed.
	205–3	Confirmed incidents of corruption and actions taken	48	
<b>Materials and chemicals</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	30–31, 34, 67, 71	
<b>Own</b>	Hemsö–1	Materials in new development that meet Hemsö's environmental and health requirements		Proportion of products in development projects that meet the criteria for levels A and B in the SundaHus Material Data system.
<b>Energy</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	10–11, 31, 38–39, 67, 71	
<b>GRI 302: Energy 2016</b>	302–1	Energy use within the organisation	39	
	302–4	Reduction of energy consumption	39	
<b>Emissions</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	33–37, 67, 71	
<b>GRI 305: Emissions 2016</b>	305–1	Direct (Scope 1) GHG emissions	34	
	305–2	Energy indirect (Scope 2) GHG emissions	34	
	305–3	Other indirect (Scope 3) GHG emissions	34	
<b>Supplier environmental assessment</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	28–29, 48, 67, 72	Since 2024, the purchasing function is included in sustainability. The ambition is to integrate sustainability matters more clearly into our purchasing processes
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308–1	New suppliers that were screened using environmental criteria	48	Hemsö defines suppliers as those included in central procurements.
<b>Employment</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	45–46, 67, 71	
<b>GRI 401: Employment 2016</b>	401–1	New employee hires and employee turnover	46	We do not report age category or region, since we do not present employee turnover internally according to these. Hemsö has only 169 employees – 12 in Germany, 16 in Finland and 141 in Sweden
<b>Training and education</b>				
<b>GRI 3: Material Topics 2021</b>	3–3	Management of material topics	45–46, 67, 71	All employees are able to influence their own role as well as the business. That lays the foundation for engaged and motivated employees. As a basis for professional development, all employees have an individual development plan that is established together at their annual performance review. Through our own training courses, the Social School and the Hemsö School, we focus on internal competence development and the creation of shared values. Many employees have unique expertise and to disseminate that knowledge, we established Samhällsskolan (the Social School) a few years ago, an internal training programme where we learn from each other. Our leadership philosophy is strong leaders who can motivate, develop and support their colleagues. Every year, we hold management days with a focus on leadership and all managers at Hemsö complete a leadership development programme. To encourage our employees to move upwards in the organisation, we announce vacant positions internally first.
<b>GRI 404: Training and Education 2016</b>	Hemsö–2	Percentage of employees who are satisfied with their opportunities for competence development.		Every year, we measure employees' perception of their competence development. In the latest employee survey, 88 per cent responded positively and 11 per cent neutrally to the question 'Are you able to develop in your role?'
	404–3	Percentage of employees receiving regular performance and career development reviews		100 per cent of employees through performance reviews

Material topics			Page	Comments
<b>Diversity, equality and non-discrimination</b>				
GRI 3: Material Topics 2021	3–3	Management of material topics	45–46, 67, 71	
GRI 405: Diversity and Equal Opportunity 2016	405–1	Diversity of governance bodies and employees	46	
	406–1	Ratio of basic salary and remuneration of women to men	46	
<b>Local communities</b>				
GRI 3: Material Topics 2021	3–3	Management of material topics	4, 9, 43–44	
Own	Hemsö–5	Completed place availability	9	
<b>Supplier social assessment</b>				
GRI 3: Material Topics 2021	3–3	Management of material topics	28–29, 48, 67, 72	Since 2024, the purchasing function is included in sustainability. The ambition is to integrate sustainability matters more clearly into our purchasing processes.
GRI 414: Supplier Social Assessment 2016	414–1	New suppliers that were screened using environmental criteria	48	Hemsö defines suppliers as those included in central procurements. Our Code of Conduct considers both social and environmental aspects
<b>Customer health and safety</b>				
GRI 3: Material Topics 2021	3–3	Management of material topics	31, 34, 44, 67, 71	
GRI 416: Customer Health and Safety 2016	416–1	Assessment of the health and safety impacts of product and service categories	34	
Own	Hemsö–3	Reported accidents and incidents in Hemsö's properties during the reporting period	44	
<b>Product and service labelling</b>				
GRI 3: Material Topics 2021	3–3	Management of material topics	30–31, 34, 67, 71	
GRI 417: Marketing and Labelling 2016	CRE8	Sustainability certifications and ranking of the property portfolio	34	
<b>Customer satisfaction</b>				
GRI 3: Material Topics 2021	3–3	Management of material topics	43–44	
Own	Hemsö–4	Results of customer satisfaction surveys	43	We conduct customer surveys every second year. The latest survey took place in 2022.

## Annual Accounts Act table

Area	Disclosure	Reference
Overall	Business model	4, 8, 10–11
Environment	Policy and environmental issues	
	Risks and risk management related to environmental issues	28–29, 33–41, 67, 71
	Targets and results related to environmental issues	
Employees and social conditions	Policy and social issues	
	Risks and risk management related to social issues	28–29, 43–46, 67, 71
	Targets and results related to social issues	
Human rights	Policy and social issues	
	Risks and risk management related to social issues	28–29, 48, 67, 72
	Targets and results related to social issues	
Anti-corruption	Anti-corruption policy and approach	
	Risks and risk management related to anti-corruption	
	Targets and results related to anti-corruption	28–29, 48, 67, 72

## Economic value generated and distributed

SEK million	2023	2022	2021	Share, %
<b>Direct economic value generated</b>				
Property income	4,859	4,097	3,639	
<b>Total income</b>	<b>4,859</b>	<b>4,097</b>	<b>3,639</b>	
<b>Economic value distributed</b>				
Employees	-228	-215	-198	-4.7
Interest	-1,154	-613	-486	-23.8
Dividends	-1,155	-1,072	-905	-23.8
Operations	-998	-861	-724	-20.5
Tax	-109	-264	-173	-2.3
<b>Economic value retained</b>	<b>1,214</b>	<b>1,071</b>	<b>1,153</b>	<b>25.0</b>

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

To Hemsö Fastighets AB, Corp. id. 556779-8169

## Introduction

We have been engaged by the Board of Directors and the Chief Executive Officer of Hemsö Fastighets AB to undertake a limited assurance engagement of Hemsö Fastighets AB's Sustainability Report for the year 2023. Hemsö Fastighets AB has defined the scope of the Sustainability Report and the Statutory Sustainability Report on pages 2 and 52 in this document.

## Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 2 in the Sustainability Report, and are part 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.

## Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our responsibility is limited to the historical information reported and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (Revised) Assurance engagements other than audits or reviews of financial information. 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 regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality

management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Hemsö Fastighets AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

## Conclusions

Based on the limited assurance procedures 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.

A Statutory Sustainability Report has been prepared.

Stockholm date according by our electronic signature.

KPMG AB

### Peter Dahllöf

*Authorized Public Accountant*

### Torbjörn Westman

*Specialist member of FAR*

# Financial statements

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# Directors' Report

The Board of Directors and Chief Executive Officer of Hemsö Fastighets AB, Corp. Reg. No. 556779-8169 hereby present the 2023 Annual Report for the Group and the Parent Company.

## About the operations

Hemsö is the largest private owners of public properties in Sweden. Hemsö owns, manages and develops properties for nursing homes, education, health care and the justice system. The operations are characterised by a long-term and sustainable approach. Due to its size and geographic presence, Hemsö is well-positioned to meet the changing needs of its tenants over time. Hemsö has a credit rating of A+ from Fitch Ratings and A- from Standard & Poor's.

At 31 December 2023, Hemsö owned 488 properties with a market value of SEK 82.6 billion. The properties are located in Sweden, Finland and Germany. Tenants are mostly state, municipal and regional operators. In addition, Hemsö also has tenants that are private operators but provide taxpayer-funded services. The Third Swedish National Pension Fund is the majority owner and holds, directly and indirectly, 85 per cent of Hemsö. Hemsö presents some performance measures in the Annual Report that are not IFRS-defined measures. Calculations and definitions of these alternative performance measures (APMs) can be found on page 111.

## Income

In 2023, rental income amounted to SEK 4,818 million (4,073), up 18 per cent. The increase was a result of implemented acquisitions, completed

development projects and investments in the existing portfolio. Rental income in the comparable portfolio rose SEK 417 million (178), corresponding to 11 per cent (5). Exchange rate fluctuations had a positive impact of SEK 119 million on rental income in the comparable portfolio. At year-end, the economic occupancy rate was 97.8 per cent (97.9) and economic vacancies amounted to SEK 112 million (98). At period-end, contracted annual rent amounted to SEK 4,996 million (4,620) before rent reductions. Hemsö's lease agreements typically include a Consumer Price Index (CPI) clause, enabling inflation-related adjustments. The lease duration was 9.5 years (9.6). The high credit scores of tenants reduce the risk of credit losses.

## Costs

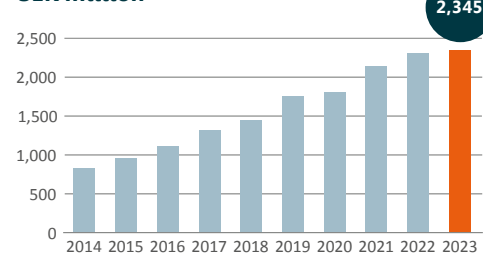
Hemsö's property costs largely comprise operating costs such as maintenance, heating, electricity and water, and the cost of routine and planned maintenance. Property costs amounted to SEK 1,228 million (1,065), up SEK 163 million or 15 per cent. The increase was due to a larger property portfolio and increased operating costs mainly on account of higher energy costs.

Costs in the comparable portfolio increased SEK 102 million, or 11 per cent, of which exchange-rate fluctuations had a negative impact on costs of SEK 24 million.

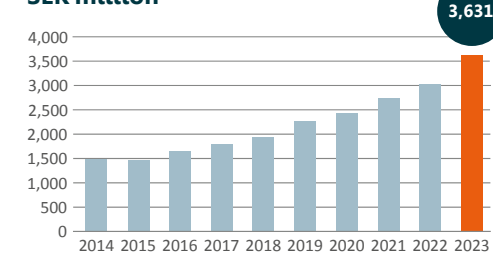
## Profit from property management

SEK million	2023	2022	Δ%
Rental income	4,818	4,073	18.3
Other income	41	23	76.1
Property costs	-1,228	-1,065	15.3
<b>Net operating income</b>	<b>3,631</b>	<b>3,032</b>	<b>19.8</b>
Central administrative expenses	-196	-183	7.1
Profit from participations in joint ventures	-14	82	-117.0
<b>Operating profit</b>	<b>3,421</b>	<b>2,931</b>	<b>16.7</b>
Net interest income	-1,154	-613	88.2
<b>Profit after net interest income</b>	<b>2,267</b>	<b>2,317</b>	<b>-2.2</b>
<b>- of which Profit from property management</b>	<b>2,345</b>	<b>2,309</b>	<b>1.6</b>
Operating cash flow	2,329	2,160	7.8
NOI margin	74.7%	74.0%	0.7
Operating margin	70.4%	71.5%	-1.1

Profit from property management, SEK million



Net operating income, SEK million



### Net operating income

Net operating income rose SEK 599 million to SEK 3,631 million (3,032), up 20 per cent. The increase was primarily attributable to completed development projects and indexation. The NOI margin increased to 74.7 per cent (74.0). The property portfolio's valuation yield, excluding development properties, was 4.7 per cent (4.1).

In the comparable portfolio, net operating income increased 12 per cent to SEK 3,147 million (2,818). The increase was mainly due to rising rental income due to indexation and a positive impact of exchange rate changes.

### Net interest income/expense

Net interest expense amounted to SEK -1,154 million (-613). The change in net interest was attributable to higher market rates and margin requirements for new loans, and an increase in interest-bearing liabilities. At year-end, the average interest rate was 2.3 per cent (1.8), mainly an effect of the higher market interest rates. The fixed-rate period was 5.0 years (5.6) and interest-bearing liabilities increased to SEK 50,823 million (49,567). Net interest comprised interest expense of SEK -1,093 million (-546), other financial expenses of SEK -59 million (-53), interest income of SEK 36 million (18) and interest expense of SEK -39 million (-31) on ground leases and leasehold properties.

### Profit from property management

Profit from property management amounted to SEK 2,345 million (2,309), up 2 per cent. Profit from property management was positively impacted by an increase in net operating

income of SEK 599 million and was burdened with an increase in interest expense of SEK 547 million. Exchange-rate fluctuations had a positive impact of SEK 78 million on profit from property management.

### Change in value of properties

During the year, changes in the value of investment properties amounted to SEK -5,287 million (589), of which unrealised changes amounted to SEK -5,270 million (603). This corresponds to a decrease of -6 per cent (1). Value change attributable to property management and development projects was SEK 3,936 million (4,336), or 4.6 per cent (6.0). Indexed rents and new leases had a positive impact on value change from property management. Value change related to market factors amounted to SEK -9,205 million (-3,733), corresponding to a change of SEK -10.8 per cent (-5.0) attributable to an upward adjustment of valuation yield in all of Hemsö's market segments. The weighted yield used in the valuation of Hemsö's property portfolio was 5.1 per cent (4.5).

At the end of 2023, the transaction volume in the property market in Sweden, Germany and Finland remained low, even though there are signs of a recovery in individual property segments. The number of completed transactions for public properties has been very low since summer 2022 but for the transactions noted it is clear that the willingness to pay is lower than previously.

### Comparable portfolio

	31 Dec 2023	31 Dec 2022	Change, %
No. of properties	377	377	–
Market value of properties, SEK million	66,819	70,334	-5.0
Property yield, %	4.6	4.1	0.6

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Change, %
Rental income	4,159	3,743	11.1
Other income	35	21	69.5
Operating costs	-708	-637	11.1
Maintenance costs	-257	-224	14.7
Other costs	-83	-85	-2.1
<b>Net operating income</b>	<b>3,147</b>	<b>2,818</b>	<b>11.7</b>

Pertains to properties owned and held for the entire period from 1 January 2022 until 31 December 2023 (excluding 97 development properties).

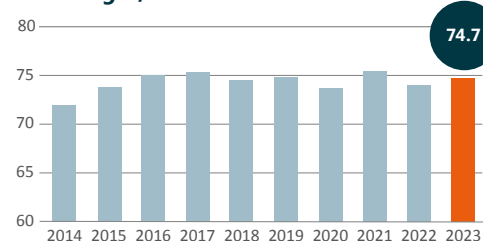
### Net operating income per geographic market

	Sweden	Finland	Germany	Total
Property income, SEK million	3,022	1,027	810	4,859
Property costs, SEK million	-858	-249	-120	-1,228
<b>Net operating income, SEK million</b>	<b>2,164</b>	<b>778</b>	<b>689</b>	<b>3,631</b>

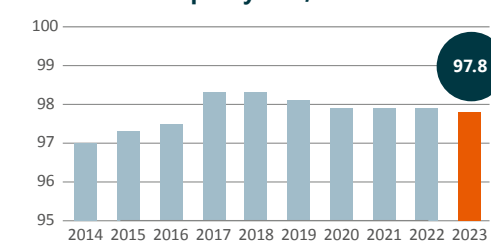
### Key ratios

Share of NOI, %	60	21	19	100
NOI margin, %	71.6	75.7	85.1	74.7

### NOI margin, %



### Economic occupancy rate, %





The weighted yield used in the valuation of Hemsö's property portfolio was 5.1 per cent (4.5). The valuation yield was 5.0 per cent (4.4) in Sweden, 5.7 per cent (5.2) in Finland and 4.8 per cent (4.2) in Germany.

### Value change, financial instruments

Changes in the value of financial instruments had an impact of SEK -225 million (251) on profit. Changes in the value of interest-rate derivatives had an impact of SEK -38 million (27) on profit. Derivatives attributable to currency risk management had an impact of SEK -187 million (224) on profit.

### Tax

Recognised tax for the period amounted to SEK 524 million (-594), of which current tax accounted for SEK -23 million (-190), and deferred tax for SEK 547 million (-403).

### Profit/loss for the year

Profit/loss for the year after tax declined to SEK -2,721 million (2,563). The decline was mainly attributable to negative changes in the value of investment properties.

### Profitability

Return on equity was -9.4 per cent (8.8). The total yield was -1.9 per cent (4.5).

### Investments

Investments pertain to new development and investments in existing properties. Investments in existing properties usually take place in

conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the year SEK 2,825 million (3,809) was invested, of which SEK 1,933 million (2,998) pertained to new construction, extension and re-development, and SEK 892 million (811) to improvements and new lettings.

### Cash flow

Hemsö's operating cash flow rose 8 per cent to SEK 2,329 million (2,160). The increase was mainly attributable to higher dividends from joint ventures and lower tax paid. Cash flow from operating activities before changes in working capital was SEK 2,329 million (2,175). The change in working capital was SEK -381 million (335). Investing activities had an impact of SEK -3,222 million (-6,467) on cash flow, while borrowings, loan repayments, shareholder contributions received and dividends had an impact of SEK 2,349 million (3,816) on cash flow from financing activities. The overall change in cash and cash equivalents was SEK 1,076 million (-142) during the period.

### Parent Company

Parent Company sales amounted to SEK 121 million (118) and consisted of fees for services to the subsidiaries. Administrative expenses increased to SEK -246 million (-223), mainly attributable to more employees, but also to higher consultancy costs due to the ongoing digitisation projects. Financial items amounted to SEK 380 million (-192). Financial items include interest income of SEK 1,058 million (722), interest expense of SEK -1,357 million (-623), profit of SEK 322 million

### Balance sheet

SEK million	2023	2022	2021	2020	2019
Investment properties	82,624	84,879	75,737	62,240	55,027
Right-of-use assets	988	932	759	605	582
Derivatives	–	247	161	–	–
Other assets	4,026	2,864	2,164	1,457	1,348
Cash and cash equivalents	1,593	526	687	891	988
<b>Assets</b>	<b>89,231</b>	<b>89,447</b>	<b>79,508</b>	<b>65,193</b>	<b>57,945</b>
Equity	28,156	30,028	28,350	20,082	16,714
Interest-bearing liabilities	50,823	49,567	42,498	38,652	35,542
Derivatives	187	–	–	231	211
Lease liabilities	988	932	759	605	582
Deferred tax	5,954	6,557	6,082	4,270	3,600
Other liabilities	3,123	2,363	1,819	1,353	1,296
<b>Equity and liabilities</b>	<b>89,231</b>	<b>89,447</b>	<b>79,508</b>	<b>65,193</b>	<b>57,945</b>
<b>Payment to shareholders</b>					
Dividend, SEK million	1,155	1,072	905	860	721
<b>Financial resilience</b>					
Equity, SEK million	28,156	30,028	28,350	20,082	16,714
Equity/assets ratio, %	31.6	33.6	35.7	30.8	28.8
Net asset value, SEK million <sup>1)</sup>	34,149	36,586	34,466	24,608	20,525
Adjusted equity/assets ratio, %	38.3	40.9	43.3	37.7	35.4

<sup>1)</sup> The definitions of net asset value and adjusted equity/assets ratio were updated in 2021 and now include interest-rate derivatives only. The figures for 2020 have been restated.

(423) from participations in Group companies, and exchange-rate differences of SEK 358 million (-714). Change in value of derivatives amounted to SEK -156 million (-75) and profit for the year totalled SEK 103 million (518).

### Employees

At year-end, Hemsö had 169 (158) employees of whom 75 (74) were women. Of all employees, 141 (132) were employed in Sweden, 12 (10) in Germany and 16 (16) in Finland.

### Sustainability performance

The sustainability reporting comprises Hemsö's statutory Sustainability Report pursuant to the Swedish Annual Accounts Act and consists of pages 26–52.

### Future trends

Tenant demand remains substantial in all of our market segments, indicating that Hemsö's vacancies are expected to remain stay low. Hemsö has many new construction projects that will contribute rental income on completion. Rent is also adjusted based on inflation while operating costs are not rising at the same rate, which is expected to lead to good forecast growth in net operating income. Hemsö continues to have good access to the bank and capital markets and the loan maturity is five years. 77 per cent of the interest-bearing liabilities are interest-rate hedged and the average fixed-rate period is 5.5 years. This will ensure low refinancing risk and stable net financial items.

### Statement by the Board of Directors regarding the proposed dividend

Due to the Board's proposed dividend, the Board and the CEO hereby issue the following statement, based on the Swedish Companies Act, Chapter 18, Section 4.

The total number of shares in the company amounts to 100,001,000. The proposed dividend of SEK 11.73 per share is based on the accounts for 2023, which will be presented for adoption on 24 April 2024, with consideration for the company's investment and liquidity requirements. After the dividend, the equity/assets ratio would be considered satisfactory in light of the continued profitability of the operations conducted by the Parent Company and the Group. Access to liquidity for both the Parent Company and the Group is expected to remain favourable. The Board's view is that the proposed dividend will not prevent the company, or any other Group companies, from meeting their short-term or long-term obligations, or from completing any necessary investments.

The proposed dividend can thereby be justified by reference to the provisions of the Swedish Companies Act, Chapter 17, Section 3, items 2–3 (the prudence concept).

### Dividend Policy

Hemsö's dividend policy is that dividends shall amount to half of the total profit from property management. When determining the dividend proposal, the Board accounts for such factors as the company's investment plans, consolidation needs and financial position in general.

### Proposed appropriation of profits

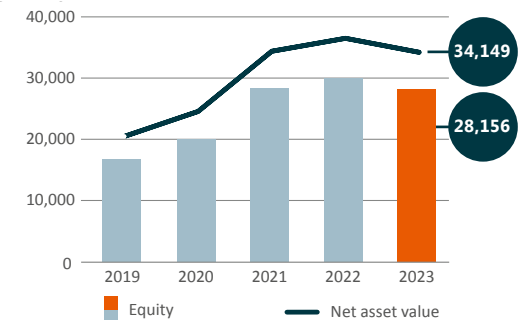
#### Unappropriated earnings available for distribution by the Annual General Meeting, SEK:

Retained earnings	4,288,204,825
Share premium reserve	1,000,000,000
Profit for the year	102,641,445
<b>Total</b>	<b>5,390,846,271</b>

#### The Board proposes that the profits be appropriated as follows, SEK:

To shareholders	1,173,000,000
To be carried forward:	
Share premium reserve	1,000,000,000
Retained earnings	3,217,846,271
<b>Total</b>	<b>5,390,846,271</b>

### Development of equity, SEK million



# Project

## Ongoing development projects

Hemsö has many ongoing development projects, particularly new schools and nursing homes. Hemsö's ongoing development projects exceeding SEK 100 million comprise a total investment of SEK 4,716 million, of which the remaining investment amount is SEK 3,270 million. The total volume of ongoing new construction and re-development projects amounted to SEK 5,746 million, of which the remaining investment amount was SEK 3,691 million.



Hemsö is developing a new pre- and elementary school in Ektorp, Nacka

## Hemsö's ongoing new construction and re-development projects exceeding SEK 100 million

Project	Municipality	Category	Lease duration	Area, sqm	Total investment, SEK million	Remaining investment, SEK million	Rental value increase, SEK million	Occupancy rate, %	Completion, year
Police station	Borlänge	Justice system	15	21,600	883	859	46	100	2026
Kristiansborg	Västerås	Education	20	9,900	498	227	26	100	2024
Herkules hotel & town hall	Trelleborg	Other	21	10,300	455	356	29	100	2025
Ektorp School	Nacka	Education	25	9,900	399	308	26	100	2025
Novum <sup>1) 2)</sup>	Huddinge	Health care	–	39,400	390	68	n/a	n/a	2024
Campus Tensta <sup>1)</sup>	Stockholm	Education	7	16,800	351	248	29	32	2024–2026
Ängegärde	Kungälv	Nursing homes	15	8,400	320	260	16	100	2025
District court	Vänersborg	Justice system	15	7,000	305	256	18	100	2026
Campus Kronåsen <sup>1) 3)</sup>	Uppsala	Education	10	16,200	268	25	41	100	2024
Tempelriddarorden	Stockholm	Nursing homes	15	5,900	239	147	15	100	2025
Stauderstrasse	Essen	Nursing homes	20	5,900	212	179	11	100	2025
Vallgraven Arenaområdet	Ystad	Education	10	3,000	137	124	8	30	2025
Sarvträsk	Nacka	Nursing homes	15	4,800	132	111	13	100	2025
Körsbärsdalen preschool	Helsinki	Education	25	1,900	127	101	7	100	2025
<b>Total</b>				<b>161,000</b>	<b>4,716</b>	<b>3,270</b>	<b>284</b>		

<sup>1)</sup> Re-development.

<sup>2)</sup> Investment in maintenance, modernisation and energy optimisation of the property.

<sup>3)</sup> Phase 1 completed, phase 2 will be completed in Q3 2024.

Public-sector tenant Private-sector tenant



Stavsborgsskolan,  
Nacka



Kristiansborgsbadet  
in Västerås

### Major completed development projects, 2023

Project	Municipality	Category	Certification	Area, sqm	Investment, SEK million	Lease duration, years	Rental value increase, SEK million	Occupancy rate <sup>1)</sup> , %
Norrskén	Östersund	Nursing homes	Miljöbyggnad	6,100	218	20	14	100
Kleinmachnow	Potsdam-Mittelmark	Nursing homes	–	7,600	214	20	11	100
Hoivamme V6	Nurmijärvi	Nursing homes	BREEAM	1,600	71	15	4	100
Stavsborgsskolan	Nacka	Education	Miljöbyggnad	13,000	305	25	33	100
Gyllegården <sup>2)</sup>	Borlänge	Nursing homes	Miljöbyggnad	7,700	286	20	17	77
Büttelborn	Groß-Gerau	Nursing homes	–	6,200	210	25	11	100
Paavola Campus <sup>3)</sup>	Lahti	Education	–	6,500	176	20	17	100
Växthuset sports centre	Lund	Education	Miljöbyggnad	4,700	122	10	8	100
Raksila fire and rescue station	Oulu	Justice system	BREEAM	2,300	104	25	7	100
Ljungs-Hälle preschool	Uddevalla	Education	Nordic Swan	1,500	59	20	4	100
Hoivamme H3	Tusby	Nursing homes	BREEAM	1,200	56	15	3	100
Hoivamme N43	Högfors	Nursing homes	BREEAM	1,200	51	17	3	100
Kornknarren preschool	Västerås	Education	Miljöbyggnad	1,100	51	15	3	100
Kristiansborgsbadet	Västerås	Education	–	7,500	160	13	4	100
Fridhem preschool	Kungälv	Education	Nordic Swan	1,600	66	15	4	100
Hoivamme G19	Sibbo	Nursing homes	BREEAM	2,000	90	15	5	100
Hoivamme L1	Sjundeå	Nursing homes	BREEAM	1,300	56	17	3	100
Klostergården 2:9	Lund	Education	–	1,300	40	7	3	100
<b>Total</b>				<b>74,400</b>	<b>2,335</b>	<b>20</b>	<b>153</b>	

<sup>1)</sup> Occupancy rate on completion.

<sup>2)</sup> The vacancy is attributable to co-housing units. Letting is in progress and the occupancy rate was 83 per cent in Q4.

<sup>3)</sup> 5 of 5 projects are completed. The final development project was completed in Q2 2023.

Public-sector tenant Private-sector tenant

### Completed place availability

Year	Number of development projects	Place availability schools	Place availability universities	Place availability nursing homes
2018	7	750	0	171
2019	12	1,490	5,100	312
2020	7	520	0	258
2021	14	3,710	0	192
2022	31	7,140	0	700
2023	22	2,830	180	676
<b>Since start</b>	<b>98</b>	<b>21,750</b>	<b>7,130</b>	<b>2,810</b>

# Financing

Hemsö's financing aims to maintain a stable capital structure and low financing costs over time. Despite an occasionally turbulent financial market, Hemsö experienced good access to capital during the year. Hemsö continued to diversify its financing by taking out financing from both the capital market and banks. Hemsö also worked pro-actively to maintain the company's loan maturity and fixed-rate periods in order to reduce risk and secure stable cash flows.

## Debt management

Hemsö's Treasury Department is responsible for ensuring the company's long-term financing and for minimising costs based on identified risk constraints. To achieve this goal, Hemsö works actively to broaden the company's financing to reduce the need for single creditors and markets. Hemsö owns properties in Sweden, Finland and Germany, which means that the company has an underlying need for financing in both SEK and EUR.

## Good access to capital

The fixed-income market has been volatile in the past year, initially due to high inflation that fell sharply during the autumn. After the summer,

the fixed-income market priced-in higher rates for an extended period. At the end of September, the Swedish five-year swap rate peaked at 3.7 per cent but as inflation fell and relevant central banks refrained from further raises to their policy rates, the market began to expect sharp rate reductions in 2024/2025. Long-term interest rates have therefore declined substantially at the end of 2023, and the Swedish five-year rate ended the year at 2.38 per cent, a fall of more than 1 per cent since the peak in September. Despite the turbulence, Hemsö had good access to finance during the year and did not therefore need to draw on its existing credit facilities. In 2023, Hemsö issued bonds with a value of SEK 4.3 billion. In addition to bonds, a four-year

secured bank loan of SEK 1 billion was also taken out with Handelsbanken. Furthermore, an agreement was signed in June for a new loan of EUR 22 million from the Council of Europe Development Bank (CEB). The loan is unsecured and extends for eight years. The loan will be used for Campus Tensta, and half of the loan was disbursed in November 2023, with disbursement of the other half planned for 2024.

framework. In addition, Hemsö utilised half of a loan agreement of EUR 22 million with CEB. The total amount of Hemsö's outstanding sustainable finance is SEK 16,708 million (13,097).

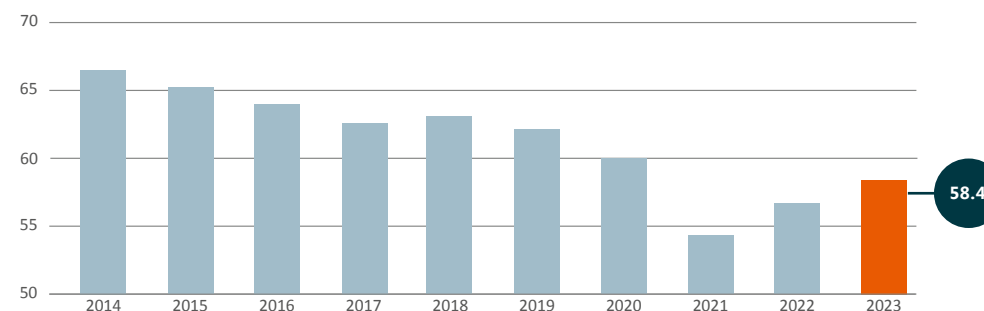
## Hemsö's credit rating

Hemsö has a long-term credit rating of 'A+' from Fitch Ratings and 'A-' from Standard and Poor's, with a stable outlook affirmed by both agencies. To increase transparency and comply with the capital market's requests, Hemsö is currently evaluated by two credit rating agencies. This helps to create a better understanding of the company's business model and financial risk profile.

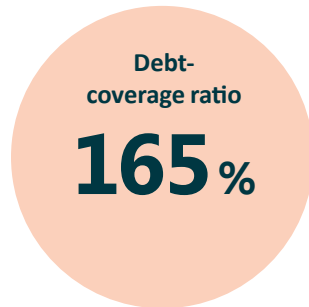
## Capital structure

SEK million	2023	2022
Interest-bearing liabilities	50,823	49,567
Cash and cash equivalents	1,593	526
<b>Net debt</b>	<b>49,230</b>	<b>49,041</b>
Market value of properties	82,624	84,879
Investments in joint ventures	1,631	1,665
<b>Property assets</b>	<b>84,255</b>	<b>86,544</b>
Loan-to-value ratio, %	58.4	56.7
Share of secured debt, %	1.2	0.0

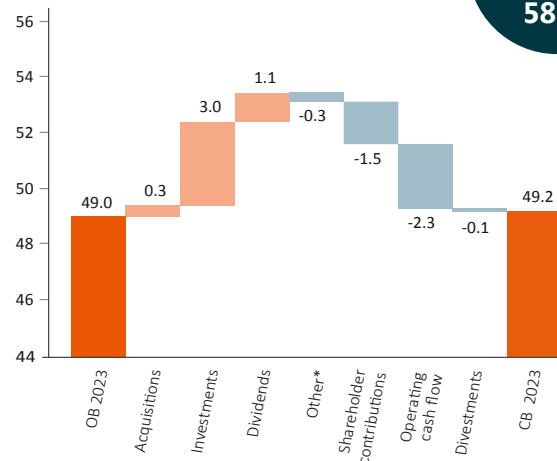
## Loan-to-value ratio, %



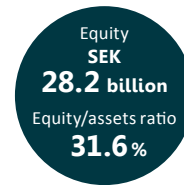
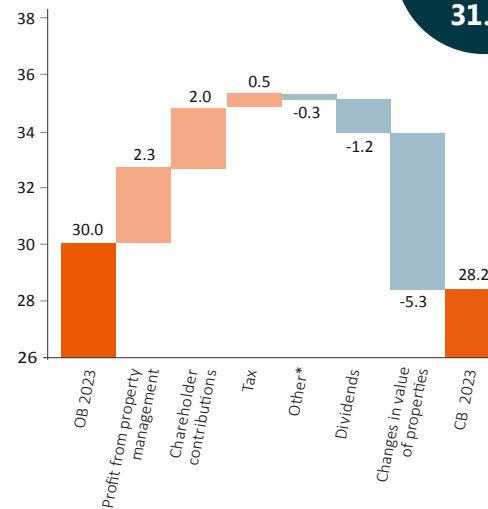
## Capital structure



### Change in net debt, SEK billion



### Change in equity, SEK billion



\* Exchange differences, derivatives, capital gains and changes in working capital.

\* Translation reserve, minority share, adjustment of joint ventures and derivatives.

### Committed credit facilities and underwriting commitments

SEK million	2023	2022
Banks	7,500	7,500
Third Swedish National Pension Fund	6,000	6,000
Council of Europe Development Bank	123	–
<b>Total</b>	<b>13,623</b>	<b>13,500</b>
Cash and cash equivalents	1,593	526
<b>Available liquidity</b>	<b>15,216</b>	<b>14,026</b>
Short-term borrowings	9,216	8,503
Debt-coverage ratio, %	165	165

### Sources of funding

SEK million	2023	2022
Bonds, SEK	15,133	14,938
Bonds, EUR	19,357	19,404
Bonds, NOK	2,103	2,072
Bonds, USD	1,205	1,252
Bonds, JPY	1,065	792
Bonds, AUD	341	354
<b>Total bonds</b>	<b>39,203</b>	<b>38,813</b>
<i>Of which sustainability bonds</i>	<i>11,671</i>	<i>8,173</i>
Commercial papers	4,751	4,996
Council of Europe Development Bank	123	–
European Investment Bank	4,114	4,123
Nordic Investment Bank	800	800
Schuldschein	832	835
Secured loans	1,000	–
<b>Interest-bearing liabilities</b>	<b>50,823</b>	<b>49,567</b>
<i>Of which sustainable finance</i>	<i>16,708</i>	<i>13,097</i>

### Capital structure

At year-end, the value of the property portfolio amounted to SEK 82,624 million (84,879). Hemsö financed its operations with equity of SEK 28,156 million (30,028), interest-bearing liabilities of SEK 50,823 million (49,567), deferred tax liabilities of SEK 5,954 million (6,557) and other liabilities of SEK 3,310 million (2,363). The interest-bearing liabilities comprised uncovered bonds of SEK 39,203 million (38,813), Schuldschein of SEK 832 million (835), commercial papers of SEK 4,751 million (4,996), and unsecured loans of SEK 5,037 million (4,923) from

CEB, EIB and NIB, as well as secured bank loans of SEK 1,000 million (–). At year-end, Hemsö's loan-to-value ratio was 58.4 per cent (56.7).

### Diversified funding sources

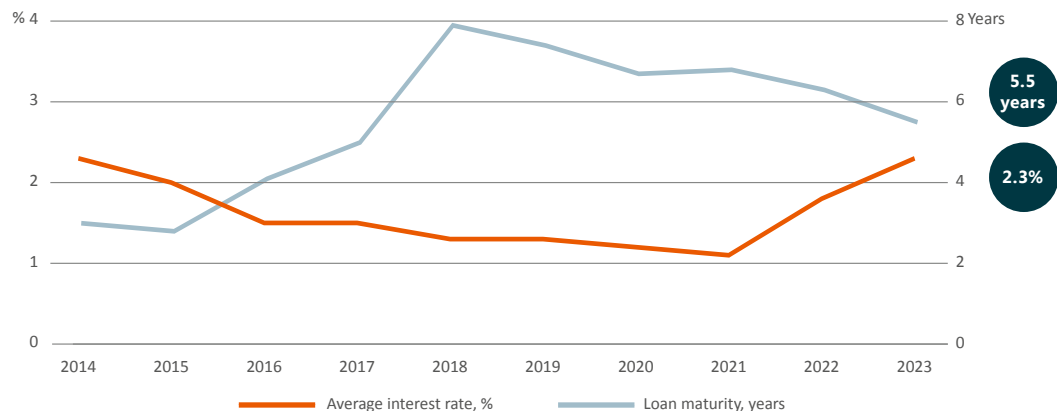
Hemsö is an established issuer in the Swedish and European bond markets. At year-end, Hemsö had outstanding bonds of SEK 15,133 million (14,938) in the Swedish capital market, making the company one of the largest corporate bond issuers in Sweden. Hemsö has been issuing bonds in the European market since September 2016 and at year-end, the total issuance of

outstanding EUR-denominated bonds corresponded to SEK 19,357 million (19,404), making Hemsö an established name among European investors. In recent years, Hemsö has continued to diversify its funding with bond loans from Asian investors and by raising loans in the German Schuldschein market. Hemsö has previously issued bonds in AUD, NOK, JPY and USD and at year-end, had the equivalent of SEK 341 million (354) in Australian bonds, SEK 2,103 million (2,072) in Norwegian bonds, SEK 1,065 million (792) in Japanese bonds and SEK 1,205 million (1,252) in US bonds.

### Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	A+	F1+	Stable	29 Mar 2023
Standard & Poor's	A-	A-2	Stable	8 Sep 2023

### Average interest rate and loan maturity



### Secure borrower with credit ratings from Standard & Poor's and Fitch Ratings

Hemsö was assigned a credit rating from Standard and Poor's in 2015, and from Fitch in 2020. The rating from S&P is 'A-' with a stable outlook and 'A+' from Fitch since March 2021. The official credit ratings meet the needs of more investors and increase the number of potential buyers of the company's bonds, which has helped to attract new foreign investors in recent years.

**S&P Global**  
Ratings

**Fitch**Ratings

**Focus on stable cash flows**

Hemsö works pro-actively to secure stable and predictable cash flows for the company. Through access to European capital markets and a well-planned borrowing strategy, the company had both a long fixed-rate period and a long-term loan maturity. At year-end, the fixed-rate period amounted to 5.0 years (5.6), and loan maturity to 5.5 years (6.3). At year-end, Hemsö's average interest rate was 2.3 per cent (1.8).

**Interest-bearing liabilities**

At year-end, Hemsö had interest-bearing liabilities of SEK 50,823 million (49,567), representing a loan-to-value ratio of 58.4 per cent (56.7). Of Hemsö's interest-bearing liabilities, SEK 43,298 million (43,117) carries fixed rates and SEK 7,525 million (6,450) variable rates. Of Hemsö's liabili-

ties, 77 per cent had a fixed-rate period of more than one year.

**Bonds**

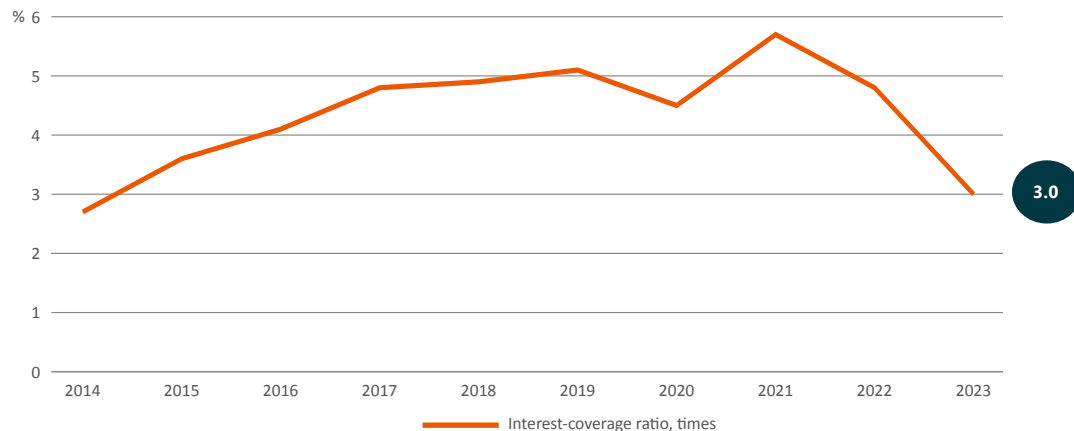
Hemsö has an EMTN programme with a ceiling of EUR 6,000 million. In 2023, Hemsö issued bonds with a total nominal value of SEK 4,277 million. At 31 December 2023, the bond volume amounted to SEK 39,203 million (38,813), of which SEK 11,671 million (8,173) consisted of 23 sustainability bonds. The EMTN bonds are traded on Euronext Dublin.

**Commercial papers**

Hemsö has a commercial paper programme with a ceiling of SEK 12,000 million. At 31 December 2023, Hemsö had SEK 4,751 million (4,996) in commercial paper outstanding. To reduce the

company's liquidity and refinancing risk, Hemsö has committed credit facilities. Committed credit facilities can be drawn to refinance bonds, commercial papers or other debts due. They can also be used to finance the operations. At 31 December 2023, Hemsö's undrawn committed credit facilities totalled SEK 13,623 million (13,500), comprising an underwriting commitment of SEK 6,000 million (6,000) from the Third Swedish National Pension Fund, committed credit facilities of SEK 7,500 million (7,500) from banks, as well as SEK 123 million (–) in committed credit facilities from the Council of Europe Development Bank (CEB). At year-end, cash and cash equivalents amounted to SEK 1,593 million (526), bringing available liquidity to SEK 15,216 million (14,026).

**Interest-coverage ratio, times**



Interest-coverage ratio

**3.0 times**

Interest-bearing liabilities

**SEK 51 billion**

Average interest rate

**2.3%**



### Interest-rate derivatives and foreign exchange swaps

Hemsö uses interest-rate derivatives and foreign exchange and cross currency swaps to manage interest rate and currency risk. Interest-rate derivatives are used to manage the length of the fixed-rate period and thereby adjust the interest-rate risk to the desired level. Foreign exchange and cross currency swaps are used to manage and reduce the currency risk. At year-end, the deficit of Hemsö's derivatives portfolio was SEK 187 million (surplus value: 247). The nominal value of interest-rate derivatives amounted to SEK 3,175 million (0) at year-end. The value of cross currency swaps corresponded to SEK 7,043 million (8,071).

### Changes in value

Changes in the value of financial instruments had a negative impact of SEK -225 million (251)

on profit. Changes in the value of interest-rate derivatives had a negative impact of SEK -38 million (27) on profit. Derivatives attributable to currency risk management had a negative impact of SEK -187 million (224) on profit.

### Currency exposure

Exposure in currency is defined as the difference between the value of the company's assets in EUR (property value and cash and cash equivalents) and liabilities in the same currency. To minimise currency risk, Hemsö's assets in EUR will largely be financed with liabilities in EUR. Hemsö can also use foreign exchange and cross currency swaps to manage the currency exposure. At 31 December 2023, net exposure defined as property assets and cash including currency hedging less interest-bearing liabilities amounted to EUR 38.1 million, corresponding to SEK 423 million. The amount represents 1.5 per cent of consolidated equity.

### Currency exposure

SEK million	31 Dec 2023	31 Dec 2022
Properties, EUR	28,671	29,684
Joint ventures, EUR	1,409	1,463
Cash and cash equivalents, EUR	613	665
<b>Assets, EUR</b>	<b>30,692</b>	<b>31,812</b>
Debt, EUR	23,626	23,562
Currency swaps, EUR	6,643	8,020
<b>Exposure, EUR</b>	<b>423</b>	<b>230</b>
Debt, NOK, USD, JPY, SEK and AUD	7,043	8,071
Currency swaps, NOK, USD, JPY, SEK and AUD	-7,043	-8,071
<b>Exposure, NOK, USD, JPY, SEK and AUD</b>	<b>0</b>	<b>0</b>
Currency hedging	-	-
<b>Currency exposure</b>	<b>423</b>	<b>230</b>
Equity	28,156	30,028
<b>Currency exposure, %</b>	<b>1.5</b>	<b>0.8</b>



Siltasaarenpenger, Helsinki.

### Financial Policy

Hemsö's Financial Policy is decided annually by the Board and provides frameworks for financing activities. The policy describes the company's approach to financial risk management by regulating the distribution of responsibilities and risk management mandates, and establishing reporting, monitoring and control principles. The overall objective is to secure a stable, long-term and cost-efficient capital structure within the risk management mandates set by the Board.

### Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 60%	58.4%
Loan maturity	At least 3 years	5.5 years
Debt-coverage ratio	At least 125%	165%
Share of secured debt	Max. 20%	1.2%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 3.0 times	3.0 times
Fixed-rate period	3–8 years	5.0 years
Fixed-rate maturity	Max. 40% < 1 year	23%
<b>Counterparty risk</b>		
Financial instruments	A- (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Max. 20%	1.5%



### Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreements, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2024	4,465	4,465	9	11,566	23
2025	16,405	5,405	11	3,687	7
2026	8,389	7,389	15	6,604	13
2027	3,400	3,400	7	1,991	4
2028	8,378	6,878	14	7,098	14
2029	4,443	4,443	9	5,501	11
2030	2,471	2,471	5	2,780	5
2031	1,328	1,328	3	1,217	2
2032	1,278	1,155	2	1,155	2
2033	1,664	1,664	3	1,686	3
2034	1,110	1,110	2	1,110	2
2035	1,496	1,496	3	1,497	3
2036	–	–	–	–	–
2037	1,049	1,049	2	1,049	2
2038-	3,820	3,820	8	3,882	8
<b>Total</b>	<b>59,696</b>	<b>46,072</b>	<b>91</b>	<b>50,823</b>	<b>100</b>
Commercial papers		4,751	9		
<b>Total</b>		<b>50,823</b>	<b>100</b>		

# Risk management

Hemsö is exposed to various risks that may affect the company's operations, costs and results. Risks and opportunities are continuously identified and managed within the operations. The Board is ultimately responsible for the company's risk management.

Hemsö defines risk as a conceivable event that could affect the company's achievement of its targets. Risks and uncertainties do not necessarily have a negative impact. They may also have the potential to become a business opportunity.

Higher interest rates and inflation have created major challenges for many municipalities and regions in Hemsö's markets. Despite a

fragile market, Hemsö maintained continuous good access to capital markets, albeit at higher borrowing costs.

Hemsö a long loan maturity and fixed-rate period, which creates stability. At 31 December 2023, 77 per cent of the loan portfolio was hedged against rising rates and 23 per cent carried variable interest rates, which means that

net interest income was impacted by changes in market rates. Access to building materials, increased costs and delayed deliveries also affected Hemsö's project activities.

## Strategic risks



### Change in value of properties

#### Risk

Hemsö recognises properties at fair value, which is equal to their market value. Changes in value affect Hemsö's income statement, financial position and loan-to-value ratio. Changes in value may arise due to macroeconomic changes, but also for market or property-specific reasons.

The value of properties is also affected by Hemsö's contract and tenant structure, and by Hemsö's ability to optimise and develop the properties. There is also a risk that individual properties are incorrectly valued.

#### Management

Hemsö's portfolio of public properties with stable cash flows are mainly concentrated to geographic markets with population growth, economic growth and a highly liquid market for transaction settlements.

Hemsö's Board has adopted a valuation policy that governs Hemsö's valuation process. The property portfolio has a wide geographical spread in three countries, which balances the risk profile. Hemsö performs continuous market analyses and assessments of the property portfolio's value. The market value of all properties is determined each quarter. The market values are established using externally procured valuations and Hemsö's internal calculation model.

## Strategic risks, cont.



### Income and vacancy risk

#### Risk

Risk factors for Hemsö's rental income and vacancy rate include cyclical fluctuations and the market's need for public properties which, in turn, depends on the demographic trend.

#### Management

Most of Hemsö's tenants conduct operations that are directly or indirectly publicly funded, have long-term lease agreements and high creditworthiness. Income-loss risk and vacancies are therefore considered low. The risk of bad debt loss is limited because Hemsö always performs credit assessments before signing new lease agreements, and continuously monitors the creditworthiness of its tenants. The vast

majority of Hemsö's tenants are state, municipal and regional operators with high creditworthiness, which also limits the risk. The occupancy rate is high and will remain stable over time.

In 2023, the occupancy rate was 97.8 per cent. Hemsö's target is an average remaining lease duration of at least five years. In 2023, it was 9.5 years.



### Political and macro-economic risk

#### Risk

Macroeconomic risks are risks related to overall economic demand, inflation and a general lack of access to financing. Political risk is risk associated with changed conditions due to policy decisions that affect Hemsö.

#### Management

Hemsö performs ongoing macroeconomic monitoring and analysis to update the risk register. Hemsö also maintains ongoing dialogue with shareholders and other stakeholders. Macroeconomic factors, credit markets and Hemsö's other markets, as well as transactions, are

regularly monitored by Hemsö's business council and finance council.



### Composition of the property portfolio

#### Risk

When acquiring existing properties or land on which Hemsö intends to construct new buildings (through development projects), there is a risk that the property is situated in a sub-market, city or location that may be unfavourable in relation to future growth and the need for premises.

There is also a risk that Hemsö holds obsolete properties, meaning properties that do not meet technical standards, or customer requirements and expectations.

#### Management

As one of Sweden's largest public property owners, Hemsö develops economies of scale and expertise in order to provide purpose-built premises for its tenants. Hemsö works continuously with macroanalyses and analyses of its sub-markets' conditions, including demographic trends, the rental market and so forth.

Hemsö regularly reviews the portfolio and its exposure in various sub-markets and segments. Hemsö also maintains regular contact and dialogue with stakeholders, including municipalities, and ongoing dialogue with customers to achieve a better understanding of their current and future needs.

## Operational risks



### Property costs

#### Risk

Hemsö's property costs are mainly derived from operating costs related to heating, electricity, maintenance, property tax and ground rent. Unless offset by higher rental income, increased or unexpected property costs could have a negative impact on Hemsö's earnings.

#### Management

Hemsö works intentionally to reduce property costs by maintaining an efficient organisation with specialised expertise, a structured purchasing process and procurements in order to limit costs and seek economies of scale wherever possible. Hemsö works continuously to reduce its energy use by conducting energy projects and operational optimisation.

Hemsö hedges most of the electricity consumed. In most cases, tenants are charged for costs related to electricity and heating. Unforeseen damage and repairs could have a negative impact on earnings and are prevented through proactive and long-term maintenance.



### Liability risk

#### Risk

Liability risk is primarily risk related to damages to Hemsö's properties, and accidents or incidents that cause personal injury or damage to property for which Hemsö is held liable. It also includes responsibility for minimising the risk of violations of human rights and working conditions in our supply chain.

#### Management

The risks are limited through Hemsö's full value insurance for all properties. Hemsö is also covered by property damage liability insurance. Hemsö also reduces this risk by performing self-assessments and working preventively to prevent injuries, and by specifying requirements in supplier contracts. Prior to acquisitions, and within the due diligence framework, an environmental inventory is carried out to identify any interior or exterior environmental liabilities

and rectify environmental risks if necessary, and a technical investigation is carried out to identify any maintenance liabilities.

The risk of human rights violations in the supply chain is prevented through central governing documents such as Hemsö's purchasing process and by specifying supplier requirements through, for example, Hemsö's Code of Conduct for Suppliers.



### Property acquisitions

#### Risk

Risks associated with acquisitions mainly comprise misjudgements of market yield requirements, rental levels, vacancies, the ability of tenants to pay, the acquired company's obligations, environmental conditions and technical liability.

#### Management

Acquisition risk is reduced by quality-assured and standardised internal processes and tools. Hemsö always performs a prior due diligence and analysis of the micro-market (such as the geographical location), economics, agreements and the property's technical conditions and

appropriateness with the assistance of internal and external specialists. All acquisitions are carried out with the intention of long-term ownership and management. Completed acquisitions are followed up internally.

## Operational risks, cont.



### Tax

#### Risk

Changes in the rules for corporate tax, property tax and VAT could have either a positive or negative effect on Hemsö's earnings. The regulations have also become more complex with enhanced disclosure requirements. One risk is that Hemsö does not comply with current tax legislation.

#### Management

To ensure that Hemsö manages tax in accordance with applicable laws and regulations, Hemsö has procedures for effective internal control. Correct management is ensured through both internal and external quality assurance, established procedures and regular training for employees. Hemsö's Board has adopted a Tax Policy for Hemsö's tax management.

Hemsö maintains a commercial approach to tax expense, but also applies the prudence concept in line with Hemsö's core values of acting sustainably and reliably. Hemsö continually monitors proposed legal and regulatory changes in order to respond early, establish procedures and thereby adapt the operations.



### Project risk

#### Risk

New construction, extension and re-development entails a risk that customer needs and expectations are not met, that regulatory permits are not granted, or that the cost of a project increases due to delays or project failure.

#### Management

The risks are limited by only investing in projects in markets where Hemsö has good market knowledge, and where demand is favourable for Hemsö's premises. Hemsö focuses on growth areas in all countries. The risk is also limited by using turnkey contracts for most development

projects and, in general, by not starting construction until the property is fully let. Hemsö quality-assures its development projects with standardised internal processes, a high level of internal project competence and creditworthy contractors and partners.



### Crises

#### Risk

Crises can include external events including terrorist and cyber attacks, extreme weather events, pandemics, environmental disasters and serious accidents, information leaks, negative branding and business disruptions. Crises can also arise internally, such as non-compliance

with procurement directives, bribery and embezzlement, unethical conduct and leaks of inside information. Outages or errors in critical systems can have a negative impact on Hemsö, primarily in relation to business continuity and financial reporting.

#### Management

Hemsö works actively with crisis prevention. Hemsö has an established crisis organisation, guidelines for crisis management and an IT continuity plan. Hemsö also works continuously to improve internal processes and procedures to prevent crises from arising, and to reduce any damage that may arise.

## Operational risks, cont.



### Environment and climate

#### Risk

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. Environmental impacts occur from both construction and the daily operation of properties.

Changed legislation, regulatory requirements and growing customer demands may entail a risk of higher costs and financial losses. Climate change entails transition, political and regulatory risks, as well as physical risks such as rising sea levels and increased precipitation.

#### Management

Hemsö works to achieve a good indoor environment, energy efficiencies and renewable energy, sustainable material choices as well as safe handling of chemicals and waste in our properties. This includes environmental certification of all newly developed buildings. Large existing properties are also certified.

For new development, Hemsö chooses materials based on SundaHus Material Data assessments to protect human health and the environment. 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, we adopted a climate strategy focused on managing climate-related risk for the operations. Based on the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), risks and opportunities are identified and documented in order to improve resilience to climate change.

The focus for sustainability initiatives is determined in agreement with stakeholders and is reviewed annually to capture any changes in needs or requirements. These efforts are followed-up and communicated to stakeholders in the annual sustainability report. Management is based on a Sustainability Policy and sustainability guidelines.



### Employees

#### Risk

Employee risk mainly relates to Hemsö's inability to meet its own needs for competence, and the risks associated with employee health. If we are unable to attract competent and qualified staff, or if key employees leave us, 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.

#### Management

Hemsö works with competence development and health. We are a reliable employer and strive for an open work environment based on our values.

Hemsö's OHS management has targets that are monitored annually. We work preventively with employee wellness, which includes regular health checks and wellness activities for all employees. Employee surveys are conducted every year to monitor the results, and one metric is the Net Promoter Score (NPS). We work

continuously to maintain a pipeline of talented employees through internal training programmes. All managers at Hemsö undergo a leadership development programme. Succession planning is in place for key people and senior positions.

Hemsö's internal Code of Conduct contains a number of principles that describe how we are expected to act in our professional roles. We are to act in an ethical and professional manner and treat everyone with respect.

## Changed regulations and regulatory compliance as well as the supply chain



### Changed regulations

#### Risk

Changes in laws, rules and regulations can impact Hemsö in the form of higher costs and impairment of Hemsö's reputation and brand.

Most of our tenants conduct taxpayer-funded operations on behalf of the state, a municipality or a region.

These activities are largely dependent on state policy and regulatory requirements in regard to property ownership, letting, rent levels and premise requirements.

New or amended laws and regulations could have an adverse effect on Hemsö's operations and financial results.

#### Management

Hemsö monitors proposed legal and regulatory changes in order to respond early and adapt the operations. We participate actively in matters of public debate that affect us and submit responses to proposed legislative changes.



### Human rights, regulatory compliance as well as fraud and corruption

#### Risk

Risks related to human rights, regulatory compliance, fraud and corruption may be present internally and among suppliers or partners. Failure in these areas could lead to economic loss and sanctions, as well as impairment of Hemsö's reputation and brand.

#### Management

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, we have guidelines and procedures for purchasing and authorisation.

Hemsö has an internal Code of Conduct for the company, and one for suppliers. We also have a whistleblowing system for internal use as well as for suppliers and external stakeholders.



## Financial risks



### Financing

#### Risk

Financing risk is the risk of not being able to access the capital required by Hemsö's operations, or that financing can only be obtained at a significantly higher cost. A large proportion of Hemsö's capital is raised on capital markets, mainly supplied by bonds and commercial papers. As these loans mature, they must be repaid or refinanced.

#### Management

Hemsö has diversified sources of funding, a well-balanced maturity spread and a long-term loan maturity. At year-end, the loan maturity was 5.5 years. Short-term debt mainly comprises commercial papers, but also maturing bonds. To further reduce financing risk and manage its short-term debt, Hemsö has undrawn commit-

ted credit facilities. At 31 December 2023, these amounted to SEK 13,623 million and were issued by several Nordic banks, the Council of Europe Development Bank (CEB) and Hemsö's owner.

Hemsö's Financial Policy regulates the distribution of responsibilities and risk mandates, and establishes principles for reporting, monitoring and internal control.



### Interest

#### Risk

Interest-rate risk is the risk that market-rate fluctuations and credit margins will have a negative impact on Hemsö's cash flow, or on the fair value of financial assets and liabilities. Interest expense is Hemsö's single largest cost item.

#### Management

To manage its interest-rate risk, Hemsö issues fixed-rate bonds or extends variable-rate loans using interest-rate derivatives with different maturities. Hemsö's average fixed-rate period should range from three to eight years, and no more than 40 per cent of the interest should be due within 12 months.

At 31 December 2023, Hemsö's average fixed-rate period was 5.0 years, and 23 per cent was due within 12 months.



### Counterparty

#### Risk

Derivatives, long and short-term credit agreements and investments of temporary surplus liquidity entail the risk that a financial counterparty is unable to fulfil all or some of their obligations.

#### Management

Hemsö only enters into financial transactions with counterparties with high credit ratings. Derivatives are only contracted with bank counterparties with a minimum credit rating of A-/A3 (S&P/Moody's), or if collateral can be provided. Excess liquidity is only invested in instruments with a rating equal to or higher than Investment Grade.

## Financial risks, cont.



### Currency

#### Risk

In addition to Hemsö's property portfolio in Sweden, Hemsö owns properties in Finland and Germany. We therefore have income, expenses, assets and liabilities in EUR and are therefore exposed to the risk of exchange-rate fluctuations affecting our income statement and balance sheet.

#### Management

Hemsö's currency risk is limited to EUR. The foreign properties are financed with external financing in EUR, which minimises risk. Currency exposures must not exceed 20 per cent of consolidated equity without currency hedging.

At 31 December 2023, Hemsö's currency exposure in EUR corresponded to SEK 423 million, representing 1.5 per cent of consolidated equity.



### Liquidity

#### Risk

Liquidity risk is the risk of not having access to cash and cash equivalents. Hemsö's payment commitments mainly comprise the ongoing costs of operation and maintenance, investments and interest expense. Loan maturities account for the largest payment obligations.

#### Management

Hemsö's business model is based on a stable and predictable cash flow. We make regular liquidity forecasts to increase predictability and ensure sufficient funds to meet loan maturities and other major payment commitments.

Hemsö should also maintain an adequate liquidity buffer. The debt/equity ratio (available liquidity in relation to short-term borrowings) should be at least 125 per cent. At year-end, the ratio was 165 per cent.

## Sensitivity analysis

	Change	Earnings effect before tax, SEK million
Rental income	+/- 1%	+/- 48
Economic occupancy rate	+/- 1 percentage point	+/- 51
Property costs	+/- 1%	-/+ 12
Interest rates, market	+/- 1 percentage point	-/+ 144
Valuation yield, change in value of properties	+/- 0.5 percentage points	-8,540/+10,766
EUR/SEK (effect on profit from property management)	+/- 10%	+/- 101



CHAIRMAN STATEMENT

# Strengths in the storm: Hemsö's long-term approach and financial stability are key factors

One question on our lips today is whether the worst is now behind us in the property market. My answer is 'to some extent'. The financing situation has become substantially brighter but there is still some way to go for new construction, particularly for residential. Events to date have not triggered the panic in the property market and domino effect for the whole economy that has been a common recurring theme in assessments of the Swedish economy over the past two years.

The crisis that many feared when monetary policy tightened and interest rates rose dramatically has failed to materialise. It is good that the worst is probably behind us, though a crisis is not always a bad thing. Hemsö is a good example of this. Hemsö was established as a consequence of the major financial crisis in 2008. Many operators faced difficulties at that time and were compelled to act in haste. This was when the Third Swedish National Pension Fund (AP3) offered to buy half of the property com-

pany Kungsleden's public properties and form a new property company together. This was Hemsö. I was then CEO of AP3 and had the opportunity to complete this transaction. However, AP3 was interested in increasing its holding and a few years later bought out Kungsleden and the well-managed property company Sagax became a minority owner instead.

Since then, it has been a very rewarding journey to be part of. Today, Hemsö is a company that owns, manages and develops important social infrastructure for what people really need: health care, social care and school properties. Over the years, Hemsö has created – in Sweden, Finland and Germany – a profound expertise in how to develop and manage these types of property to make them as well adapted as possible and create a sustainable environment where users can feel comfortable and safe.

Hemsö is a long-term partner to the public sector and stands firm in both good and bad times. There are numerous examples of long and successful municipal collaborations. Nacka Municipality is one of these. Hemsö has developed several schools and nursing homes in Nacka and I would like to highlight one of the schools that is close to my heart. In the late 1970s, I worked for a while as a substitute

teacher at Stavsborgsskolan in Älta. The old building has been replaced with a new, modern school that is adapted to future needs in terms of size and functionality, though without losing contact with its roots from the 1970s. The materials from the old school have been used to create recycled art for the outdoor and indoor environments. Some of the pieces were created by pupils at Stavsborgsskolan. The works of art link together the past and the future in a beautiful and dignified manner.

Hemsö has a strong internal culture that is distinguished by the important social mission of which Hemsö is a part. Today, Hemsö is the obvious choice for a professional and long-term stable owner of public properties.

I retired as CEO of AP3 in 2022. When I was then asked by the owners if I was interested in becoming Chairman of Hemsö it was an easy decision to say 'yes'. Hemsö's operations are not only essential to society, and the return from these contributes to the state pension, Hemsö also has a strong management and Board, which is demonstrated in our annual evaluation.

Naturally, even a strong company faces challenges and 2023 was tough. The sharp increase in interest rates and concerns about elevated risks in the property market resulted in high

financing costs. In parallel, yield requirements gradually rose and there has been considerable uncertainty about where these will stabilise. This led to poorer key ratios for the property sector and increasingly greater demands have been placed in order to defend a strong creditworthiness. In this environment, Hemsö's strengths can be more clearly observed. In addition to its broad experience of public properties, Hemsö's long-term and financially strong principal owner, AP3, is very significant. It is important that a public property operator can stand strong even when the winds blow hard.

Hemsö has shown this. Internal efforts have focused on further improvements to efficiency in property management and financing while the owners have offered the support required on account of the macroeconomic conditions. Hemsö has continued to meet a growing need in society for health care, social care and school properties and to develop this important social infrastructure despite the challenges in the financial markets and in parts of the economy. It is the combination of these factors that enables Hemsö to defend its role to strengthen the backbone of society.

Kerstin Hessius, Chairman of the Board

# Corporate governance

Corporate governance refers to the rules and structure established to efficiently and systematically control and direct the operations of a limited company. Corporate governance in Hemsö is based on the Swedish Companies Act, the Articles of Association, the rule book for issuers of interest-bearing instruments in the marketplaces where Hemsö is listed, policies, internal regulations and guidelines.

The Swedish Corporate Governance Code ("the Code") is applied by all companies whose shares or depositary receipts are traded on a regulated market. With only bonds listed on Nasdaq Stockholm, Hemsö is not required to apply the Code.

## Shares and ownership

At year-end, Hemsö's share capital was SEK 1,000,010, divided between a total of 100,001,000 shares. The company's shares carry one vote per share and entitle the holder to a corresponding proportion of the company's assets and dividends. The Annual General Meeting resolves on dividends.

Hemsö's owners are the Third Swedish National Pension Fund (70 per cent of the share capital and votes) and Hemsö Intressenter AB (30 per cent of the share capital and votes). Hemsö Intressenter AB is 50 per cent owned by both the Third Swedish National Pension Fund and AB Sagax.

## Annual General Meeting

The Annual General Meeting (AGM) is the company's highest decision-making body. All shareholders registered in the share register by the record date and who have notified their participation in time are entitled to participate in the Meeting. Decisions at the AGM are normally made by simple majority.

Under the Swedish Companies Act, some decisions, such as amendment of the Articles of Association, require a qualified majority. The AGM is to be held within six months of the end of the financial year. Issues addressed at the AGM include dividends, adoption of the income statement and balance sheet, discharge

from liability for Board members and the CEO, the election of Board members, Board Chairman and auditors, and fees to Board members and auditors. The Articles of Association contain no restrictions on the number of votes any one shareholder may cast at the AGM.

## 2023 Annual General Meeting

The 2023 AGM was held on 27 April 2023 in Stockholm. All shares were represented. The 2022 financial statements were adopted and the Board members and CEO were granted discharge from liability. Decisions were also made regarding the election of Board members, Chairman of the Board and auditors, the fees paid to Board and Committee members and auditors. Decisions were made to elect Kerstin Hessius as the new Chairman of the Board and to elect Staffan Hansén as new ordinary Board member. The AGM did not grant the Board authorisation to issue new shares or repurchase own shares.



### Board of Directors

The duties of the Board of Directors include determination of the company's overall objectives and strategies, business plan and budget, to submit interim reports and financial statements and to adopt policies. The Board is also to monitor the financial performance, assure the quality of the financial reporting and internal control and evaluate the company's operations based on the objectives and policies adopted by the Board. Finally, the Board also makes decisions on major investments, and on organisational and operational changes in the company. The Board's work is regulated by the Swedish Companies Act, the Articles of Association and Board terms of reference. The Board's overall responsibilities cannot be delegated, but the Board may appoint a committee to prepare and evaluate matters for decision by the Board. Every year, the Board adopts terms of reference for its work to ensure that the company's operational processes and the company's financial circumstances are controlled in a satisfactory manner. The Board's terms of reference and instructions for the division of duties between the Board and the CEO are reviewed and adopted at least once per year.

### Board work

Board work mainly follows an annual cycle of regular meetings on specific dates, adapted to the Board's assignment of assuring the financial reporting. At regular meetings, the CEO also provides general information about the business operations, such as important events in the operations, business plan follow-ups, the Group's economic and financial position, major ongoing development projects and transactions and, if necessary, the Group's financing. In addition to regular Board meetings, extra meetings are also held when needed, such as when a business decision requires the Board's approval. In 2023, eight scheduled Board meetings, including the statutory Board meeting, and two extra Board meetings were held.

### Chairman of the Board

The Chairman of the Board is to work closely with the CEO to monitor the company's performance, and to chair Board meetings. The

Chairman is responsible for ensuring that other members receive sufficient information to carry out their duties efficiently. The Chairman is also responsible for evaluating both the Board and the CEO.

### The Board's evaluation

The performance of the Board and the CEO is evaluated annually in a systematic and structured process. This is conducted with the assistance of an external consultant and the results are presented to the Board.

### Committees

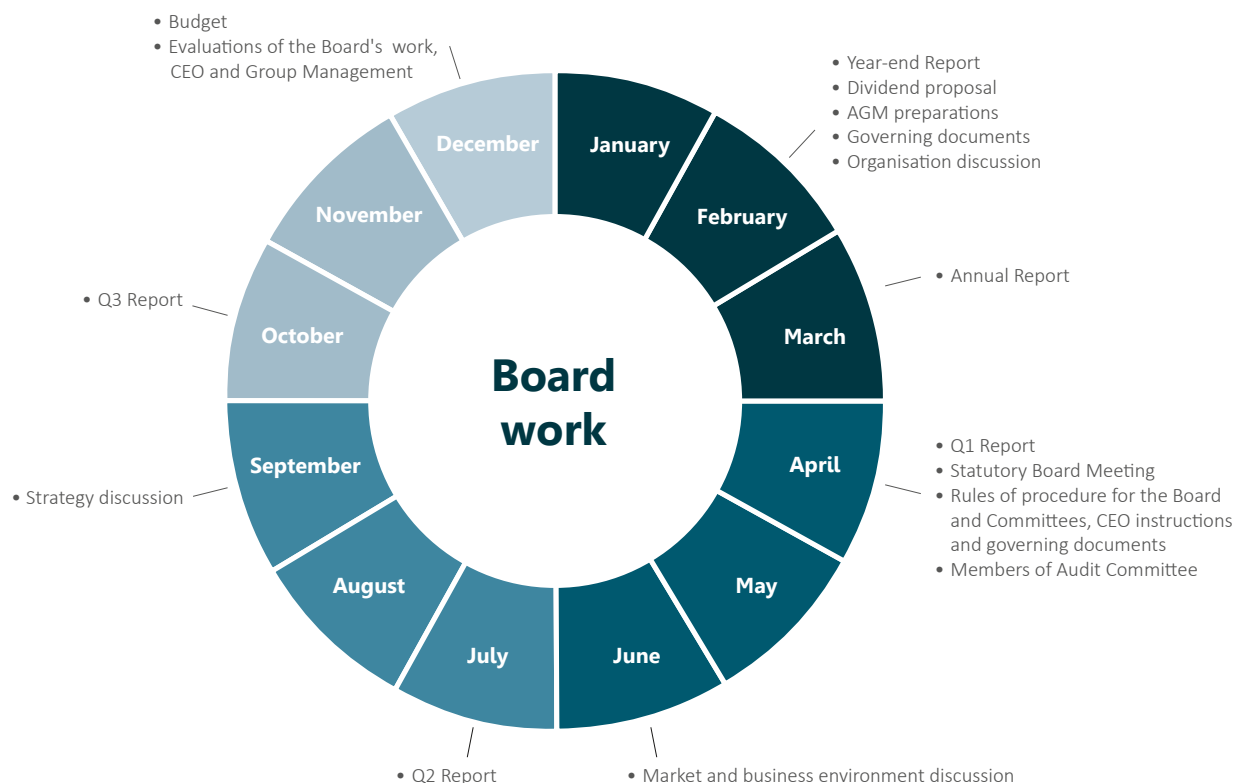
The Board has established a preparatory committee from within its own ranks, the Audit Committee. The committee has no

independent decision-making authority. In 2022, the Board decided to discontinue the Remuneration Committee and incorporate the committee's duties into regular Board work.

### Audit Committee

The Audit Committee has been assigned by the Board to continuously monitor and evaluate the auditors' work. The Audit Committee is also to make recommendations to the Board on the election of auditors and fees, the company's accounts and internal control, risk management, external audit and financial information.

The Audit Committee held four meetings during the year. The Committee members are Johan Thorell (Chair), Maria Björklund and David Mindus.



### Composition of the Board

According to the Articles of Association, Hemsö's Board is to consist of at least three and at most eight AGM-elected members for a term extending until the end of the next AGM. The 2023 AGM elected six ordinary Board members. There is no representative of Group Management on the Board and no employee representatives or deputies have been appointed to the Board. The Board is presented on page 80.

### Remuneration of the Board and Committees

The AGM resolves on remuneration of the Board. No Board or Committee fees are paid to members who are employed by any of the company's owners. Staffan Hansén and Maria Björklund are employed by the Third Swedish National Pension Fund, and David Mindus is employed by AB Sagax. The 2023 AGM resolved that fees of SEK 575,000 (525,000) would be paid to the Chairman of the Board, and SEK 275,000 (250,000) to each of the other Board members. In addition, the AGM resolved that remuneration of SEK 140,000 (125,000) for committee work would be paid to the Chairman of the Audit Committee and SEK 70,000 (65,000) to each of the Committee's other members.

### CEO and Group Management

The CEO is responsible for the company's ongoing management and daily operations. The division of work between the Board and the CEO is set out in the Board's terms of reference the CEO's instructions. The CEO is also responsible for preparing reports and compiling information from management prior to Board meetings, and for presenting the material at Board meetings. According to the financial reporting instructions, the CEO is responsible for Hemsö's financial reporting and must therefore ensure that the Board regularly receives enough information to make an assessment of the Group's financial situation. The CEO should also ensure that the Board remains continuously informed about Hemsö's operations, earnings and financial position. The CEO is also to ensure that the Board receives information about important operational matters, including acquisitions and divestments, approved investments, marketing activities and other strategic initiatives. The CEO and other senior executives are presented on page 81.

### Auditors

The auditor's task is to review the company's annual report and accounts, and the management of the Board and the CEO. The auditor participates in the Board meeting that addresses the annual accounts and consolidated financial statements. At the Board meeting, the auditor presents the financial information and discusses the audit with Board members without the attendance of the CEO and other senior executives. The company's auditor performs an annual review of the internal control relevant to the company's presentation of its financial statements. In addition, an in-depth review of material areas is conducted. The 2023 AGM elected KPMG AB as auditor, with Peter Dahllöf as Auditor-In-Charge. The company's current auditors attended one Board meeting, and two Audit Committee meetings.

### Internal control

Under the Swedish Companies Act, the Board is responsible for the company's internal control. The objective of internal control is to

achieve operational effectiveness and efficiency, and to ensure the reliability of financial reporting and information about the operations, and compliance with applicable laws, regulations, policy and guidelines. Hemsö's organisation consists of 169 employees in three countries. All of these people are employed in the Parent Company, except for 28 employees in Hemsö Development AB, 12 employees in Germany and 16 in Finland.

All property operations are conducted in six segments (East, Central, North and South in Sweden, and Germany and Finland) and through the property-owning subsidiaries. Financing activities are conducted by the Parent Company. This means that the finance function serves as the controller function for Property Management in Sweden, Germany and Finland, and for the Treasury Department. The CFO and Director of Finance also report directly to the Audit Committee in matters related to observations and measures related to regulatory compliance. Against this background, the Board does not consider there is any need to establish a separate internal audit function.

### Composition of the Board

Name	Year of election	Independent of the company	Independent of major shareholders	Meeting attendance in 2023	
				Board of Directors	Audit Committee
Kerstin Hessius	2009	Yes	Yes	10/10	
David Mindus	2009	Yes	No	10/10	4/4
Pär Nuder*	2013	Yes	Yes	3/10	
Johan Thorell	2013	Yes	Yes	10/10	4/4
Maria Björklund	2021	Yes	No	10/10	4/4
Johanna Skogestig	2022	Yes	Yes	10/10	
Staffan Hansén**	2023	Yes	No	7/10	

\* Pär Nuder resigned on 27 April 2023 \*\* Staffan Hansén took over on 27 April 2023

### Control environment

The Board has appointed an Audit Committee to present recommendations in regard to internal control over financial reporting. The internal control system is based on documented policies, guidelines, process descriptions, delegation of responsibilities and duties including the Board's terms of reference, the CEO's instructions with related delegation lists and authorisation instructions, Financial Policy and financial reporting instructions. Compliance is continuously monitored and evaluated. The risk of errors in financial reporting is continuously identified, analysed and eliminated through new or revised guidelines for internal control.

### Risk management

Risk assessment and management is an integral part of the company's processes. Various methods are used to evaluate risks and to ensure that the relevant risks for Hemsö are managed in accordance with established policies and guidelines.

### Control activities

The Board monitors and evaluates the effectiveness of internal control over financial reporting through the CEO's instructions, and by addressing the Audit Committee's reports, recommendations and proposals for decisions and actions. The Audit Committee receives regular status reports of the Group's internal control over financial reporting and accounting policies.

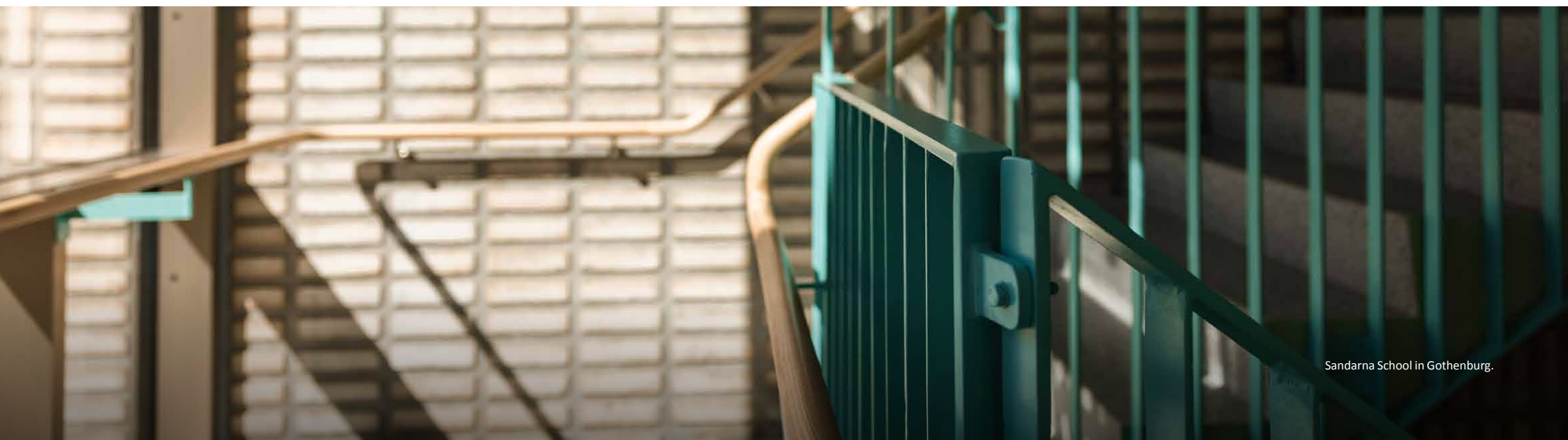
### Information and communication

Hemsö's Information Policy sets out the framework for how Hemsö's communication activities should be conducted, and the overall delegation of responsibilities in regard to the company's internal and external information. The Information Policy is designed to comply with Swedish legislation, Nasdaq Stockholm's Rule Book for Issuers and Euronext Dublin.

### Management and monitoring

Continuous monitoring of activities and results takes place at several levels of the company, both property and Group level. The results are analysed by the people responsible within property management and staff functions. These results are reported to the CEO, management and Board.

In connection with interim reports, the Board monitors the financial trend in relation to the business plan and budget and whether approved investments are progressing as planned.



# Board of Directors



**Kerstin Hessius** born 1958

Chairman of the Board since 2023. Previously, Board member since 2009.

**Education and professional experience:** MBA. CEO of the Third Swedish National Pension Fund, President and Chief Executive Officer of the Stockholm Stock Exchange, Deputy Governor of the Swedish Riksbank.

**Other current assignments:** Board member of Svenska Handelsbanken AB, Monterro Fund Management AB and Lumera AB.



**David Mindus** born 1972

Board member since 2009. Member of the Audit Committee.

**Education and professional experience:** MBA. Management positions in property companies since 2000.

**Other current assignments:** CEO and Board member of AB Sagax (publ). Board member of Söderport Holding AB, all companies in the Mindustri Group, Torslanda Property Investment AB and Nyfosa AB (publ). Chairman of the Board of Hemsö Intressenter AB.



**Maria Björklund** born 1970

Board member since 2021. Member of the Audit Committee.

**Education and professional experience:** Master of Economics. Portfolio Manager AMF alternative investments, Portfolio Manager for private equity, real estate and infrastructure at Postens Pensionsstiftelse.

**Other current assignments:** Head of Alternative Investments at the Third Swedish National Pension Fund. Board member of Fastighets AB Regio, Trophi Fastighets AB, Polhem Infra AB, 4 to 1 Investments AB as well as Hemsö Intressenter AB.



**Johanna Skogestig** born 1974

Board member since 2022.

**Education and professional experience:** Master of Science degree. Active in several property companies in roles within the framework of property transactions, including head of property investments at AP-fastigheter, Sveafastigheter, Areim and Vasakronan AB.

**Other current assignments:** CEO of Vasakronan AB.



**Staffan Hansén** born 1965

Board member since 2023.

**Education and professional experience:** Licentiate of Political Sciences. CEO of SPP Pension & Försäkring, CEO of Storebrand Asset Management and responsible for the management of Storebrand Group's life portfolios and responsible for fixed income trading in Handelsbanken and Alfred Berg.

**Other current assignments:** CEO of the Third Swedish National Pension Fund. Board member of the fundraising foundation WaterAid Sverige AB, Vasakronan AB and Vasakronan Holding AB.



**Johan Thorell** born 1970

Board member since 2013. Chairman of the Audit Committee.

**Education and professional experience:** MBA. Active in real estate companies since 1997 and employment at HQ Fondkommission and E Öhman J:or Fondkommission

**Other current assignments:** CEO and Board member of Gryningskust Holding AB. Chairman of the Board of Kallebäck Property Invest AB. Board member of AB Sagax, Nicoccino Holding AB, Storskogen Group AB, Atrium Ljungberg AB and K2A Knaust & Andersson Fastigheter AB.





Nils Styf, Jarkko Leinonen, Åsa Thoft, Jens Nagel, Rutger Källén, Anna Oom Lindroos, Karolina Brick, Mats Wilborg, Anna Marand, Kristina Rosqvist, Staffan Arwidi.

## Senior executives

### Nils Styf

President and CEO since 2016. Born 1976.

**Education:** MBA, Stockholm School of Economics.

**Most recent position:** Chief Investment Officer, Citycon Oyj.

### Åsa Thoft

Head of Communications since 2020. Born 1977.

**Education:** Master's Degree in Social and Cultural Analysis, Linköping University.

**Most recent position:** Head of Communications, If Försäkring.

### Rutger Källén

CFO since 2016 and Deputy CEO since 2018, at Hemsö since 2009. Born 1972.

**Education:** Studies in Economics, Uppsala University.

**Most recent position:** Head of Finance, Kungsleden.

### Karolina Brick

Head of Sustainability since 2023. Born 1979.

**Education:** Master of Science in Surveying and Licentiate of Technology, KTH Royal Institute of Technology

**Most recent position:** Head of Sustainability, Riksbyggen.

### Anna Marand

Head of Project Development since 2017, at Hemsö since 2009. Born 1980.

**Education:** Master of Science degree, Land Surveying, Royal Swedish Institute of Technology.

**Most recent position:** Project Developer, Hemsö.

### Staffan Arwidi

Head of Transactions since 2020. Born 1967.

**Education:** MSc, Royal Institute of Technology in Stockholm.

**Most recent position:** Senior Investment Manager, Vasakronan.

### Jarkko Leinonen

Head of Region, Finland since 2014. Born 1971.

**Education:** Construction engineer, Helsinki University of Technology.

**Most recent position:** Head of Asset Management Aalto University.

### Jens Nagel

Head of Region, Germany since 2011. Born 1971.

**Education:** Property economist, Chamber of Commerce and Industry, Berlin.

**Most recent position:** Own consulting business in the property industry.

### Anna Oom Lindroos

Chief Human Resources Officer since 2023. Born 1979.

**Education:** Master's Degree in Human Resource Management and Working Life, Uppsala University.

**Most recent position:** Chief People Officer, Puzzel.

### Mats Wilborg

Chief legal counsel since 2014. Born 1969.

**Education:** Master of Laws, Stockholm University.

**Most recent position:** Corporate lawyer Vasakronan.

### Kristina Rosqvist

Head of Region East since 2016. Born 1960.

**Education:** MSc in Civil Engineering, Royal Institute of Technology.

**Most recent position:** Head of Asset Management, Aberdeen Asset Management.

## Multi-year overview

Amounts in SEK million	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Income statement</b>										
Property income	4,859	4,097	3,639	3,293	3,046	2,618	2,375	2,204	2,000	2,063
Property costs	-1,228	-1,065	-896	-867	-770	-668	-587	-552	-524	-577
<b>Net operating income</b>	<b>3,631</b>	<b>3,032</b>	<b>2,742</b>	<b>2,425</b>	<b>2,276</b>	<b>1,950</b>	<b>1,788</b>	<b>1,652</b>	<b>1,476</b>	<b>1,486</b>
Central administrative expenses	-196	-183	-156	-158	-135	-146	-130	-182	-154	-173
Profit/loss from participations in joint ventures	-14	82	177	1	-2	11	1	-	-	-
<b>Operating profit</b>	<b>3,421</b>	<b>2,931</b>	<b>2,764</b>	<b>2,268</b>	<b>2,139</b>	<b>1,815</b>	<b>1,659</b>	<b>1,470</b>	<b>1,322</b>	<b>1,313</b>
Net interest income	-1,154	-613	-486	-500	-419	-372	-345	-359	-363	-480
Interest on shareholder loans	-	-	-	-	-	-	-	-	-53	-210
<b>Profit after net interest income</b>	<b>2,267</b>	<b>2,317</b>	<b>2,278</b>	<b>1,768</b>	<b>1,720</b>	<b>1,443</b>	<b>1,314</b>	<b>1,111</b>	<b>906</b>	<b>623</b>
<i>- of which Profit from property management <sup>1)</sup></i>	<i>2,345</i>	<i>2,309</i>	<i>2,145</i>	<i>1,810</i>	<i>1,760</i>	<i>1,439</i>	<i>1,314</i>	<i>1,111</i>	<i>959</i>	<i>833</i>
Value change, properties	-5,287	589	7,587	2,441	2,037	2,060	1,682	2,072	581	-261
Value change, financial instruments	-225	251	209	-72	-25	91	135	-208	140	-760
Current tax	-23	-190	-107	-115	-78	-36	-63	-49	-46	-89
Deferred tax	547	-403	-1,779	-688	-543	-466	-477	-583	-231	127
<b>Profit/loss for the year</b>	<b>-2,721</b>	<b>2,563</b>	<b>8,189</b>	<b>3,333</b>	<b>3,111</b>	<b>3,092</b>	<b>2,591</b>	<b>2,343</b>	<b>1,350</b>	<b>-360</b>
Other comprehensive income	4	187	58	-88	-87	22	31	81	-50	42
<b>Comprehensive income for the year</b>	<b>-2,717</b>	<b>2,750</b>	<b>8,247</b>	<b>3,245</b>	<b>3,198</b>	<b>3,114</b>	<b>2,622</b>	<b>2,424</b>	<b>1,300</b>	<b>-318</b>
<b>Balance sheet</b>										
Investment properties	82,624	84,879	75,737	62,240	55,027	46,236	38,883	33,629	26,502	24,668
Right-of-use assets	988	932	759	605	582	-	-	-	-	-
Participations in joint ventures	1,636	1,655	1,271	698	635	112	101	-	-	-
Derivatives	-	247	161	-	-	-	-	-	-	-
Other assets	2,391	1,209	892	758	713	608	559	392	443	209
Cash and cash equivalents	1,593	526	687	891	988	450	1,134	932	157	107
<b>Total assets</b>	<b>89,231</b>	<b>89,447</b>	<b>79,508</b>	<b>65,193</b>	<b>57,945</b>	<b>47,406</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>
Equity	28,156	30,028	28,350	20,082	16,714	13,199	10,795	8,672	6,764	2,682
Deferred tax liabilities	5,954	6,557	6,082	4,270	3,600	3,067	2,591	2,103	1,518	1,289
Derivatives	187	-	-	231	211	281	544	723	679	826
Shareholder loans	-	-	-	-	-	-	-	-	-	3,000
Interest-bearing liabilities	50,823	49,567	42,498	38,652	35,542	29,728	25,575	22,483	17,454	16,507
Lease liabilities	988	932	759	605	582	-	-	-	-	-
Non-interest-bearing liabilities	3,123	2,363	1,819	1,353	1,296	1,131	1,172	972	687	680
<b>Total equity and liabilities</b>	<b>89,231</b>	<b>89,447</b>	<b>79,508</b>	<b>65,193</b>	<b>57,945</b>	<b>47,406</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>

Key ratios	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Financial ratios</b>										
Loan-to-value ratio, % <sup>2)</sup>	58.4	56.7	54.3	60.0	62.1	63.1	62.6	64.0	65.2	66.5
Interest-coverage ratio, times <sup>3)</sup>	3.0	4.7	5.4	4.5	5.1	4.8	4.8	4.1	3.6	2.7
Secured debt, %	1.2	0.0	0.0	0.0	0.0	0.0	3.1	7.7	15.4	29.2
Equity/assets ratio, %	31.6	33.6	35.7	30.8	28.8	27.8	26.5	24.8	25.0	22.7
Average interest rate, %	2.3	1.8	1.1	1.2	1.3	1.3	1.5	1.5	1.9	2.3
Total yield, %	-1.9	4.5	15.8	8.5	8.7	9.7	9.8	12.8	8.1	5.2
Net asset value, SEK million <sup>4)</sup>	34,149	36,582	34,466	24,609	20,525	16,547	13,930	11,498	8,961	7,797
<b>Property-related key ratios</b>										
Market value of properties, SEK million	82,624	84,879	75,737	62,240	55,027	46,236	38,883	33,629	26,502	24,668
Property yield, %	4.7	4.1	4.0	4.5	4.7	4.9	5.2	5.7	6.0	6.0
NOI margin, %	74.7	74.0	75.4	73.7	74.8	74.5	75.3	75.0	73.8	72.0
Economic occupancy rate, %	97.8	97.9	97.9	97.9	98.1	98.3	98.3	97.5	97.3	97.0
Market value of properties, SEK/sqm	33,619	35,371	35,759	31,042	29,208	26,695	23,763	20,528	17,686	16,186
No. of properties	488	480	441	392	370	365	346	356	317	313
Lettable area, tsqm	2,458	2,400	2,118	2,005	1,884	1,732	1,636	1,638	1,499	1,524

<sup>1)</sup> For the calculation of Profit from property management and key ratios, refer to Key ratio calculations on page 111.

<sup>2)</sup> The definition of loan-to-value ratio was updated in 2019 and now includes investments in joint ventures. 2017 and 2018 have been restated.

<sup>3)</sup> The definition of interest-coverage ratio was updated in 2023 and now excludes profit from participations in joint ventures and includes dividends from joint ventures. Comparative figures from prior years have been restated.

<sup>4)</sup> The definition of net asset value was updated in 2021 and now includes interest-rate derivatives only. The figures for 2020 have been restated.

## Consolidated statement of comprehensive income

Amounts in SEK million	Note	2023	2022
<b>Property income</b>			
Rental income		4,818	4,073
Other income		41	23
<b>Total property income</b>	3–4	<b>4,859</b>	<b>4,097</b>
<b>Property costs</b>			
Operating costs	5	-841	-734
Maintenance costs		-290	-242
Other property costs		-97	-89
<b>Total property costs</b>		<b>-1,228</b>	<b>-1,065</b>
<b>Net operating income</b>	3	<b>3,631</b>	<b>3,032</b>
Central administrative expenses	6–8	-196	-183
Profit/loss from participations in joint ventures		-14	82
<b>Operating profit</b>		<b>3,421</b>	<b>2,931</b>
<b>Net interest income</b>			
Interest income and similar profit items	10	36	17
Interest expense and similar loss items	10	-1,191	-631
<b>Total net interest income</b>		<b>-1,154</b>	<b>-613</b>
<b>Profit after net interest income</b>		<b>2,267</b>	<b>2,317</b>
<i>- of which Profit from property management <sup>1)</sup></i>		<b>2,345</b>	<b>2,309</b>
<b>Changes in value</b>			
Properties, realised	14	-17	-14
Properties, unrealised	14	-5,270	603
Financial instruments, realised	10	6	-20
Financial instruments, unrealised	10	-231	271
<b>Total changes in value</b>	11	<b>-5,512</b>	<b>840</b>
<b>Profit/loss before tax</b>		<b>-3,245</b>	<b>3,157</b>
Current tax	12	-23	-190
Deferred tax	12	547	-403
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>-2,721</b>	<b>2,563</b>
<b>Other income, items that may be reclassified to profit or loss</b>			
Translation difference for the year, including tax		4	187
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-2,717</b>	<b>2,750</b>

Amounts in SEK million	Note	2023	2022
<b>Profit/loss for the year attributable to</b>			
Parent Company shareholders		-2,671	2,466
Non-controlling interests		-50	98
<b>Comprehensive income for the year attributable to</b>			
Parent Company shareholders		-2,667	2,648
Non-controlling interests		-50	103
<b>Data per share (no dilutive effect, since there are no potentially dilutive shares)</b>			
Average no. of shares, 000s		100,001	100,001
Earnings per share for the year, SEK		-27.2	25.6

Comments on the Statement of comprehensive income are provided in the Directors' Report on pages 55–60.

<sup>1)</sup> For the calculation of Profit from property management, refer to Key ratio calculations on page 111.

## Consolidated statement of financial position

Amounts in SEK million	Note	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised development costs	13	12	5
<b>Total intangible assets</b>		<b>12</b>	<b>5</b>
<b>Tangible assets</b>			
Investment properties	14	82,624	84,879
Right-of-use assets	4	988	932
Machinery and equipment	15	7	5
<b>Total tangible assets</b>		<b>83,619</b>	<b>85,816</b>
<b>Financial assets</b>			
Participations in joint ventures	17	1,636	1,655
Derivatives	20	–	247
Other long-term assets		107	34
<b>Total financial assets</b>		<b>1,743</b>	<b>1,936</b>
<b>Total non-current assets</b>		<b>85,373</b>	<b>87,757</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Rent and accounts receivable	18	68	64
Tax assets		90	132
Other current receivables		1,915	832
Prepaid expenses and accrued income		192	136
<b>Total current receivables</b>	20	<b>2,265</b>	<b>1,165</b>
Cash and cash equivalents	23	1,593	526
<b>Total current assets</b>		<b>3,858</b>	<b>1,691</b>
<b>TOTAL ASSETS</b>		<b>89,231</b>	<b>89,447</b>

Amounts in SEK million	Note	31 Dec 2023	31 Dec 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1	1
Other capital contributions		8,180	7,835
Reserves		392	388
Retained earnings including profit for the year		18,261	20,932
<b>Equity attributable to Parent Company owners</b>		<b>26,834</b>	<b>29,156</b>
Non-controlling interests		1,322	872
<b>Total equity</b>		<b>28,156</b>	<b>30,028</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	5,954	6,557
Derivatives	20	187	–
Interest-bearing liabilities	20	41,608	41,064
Lease liabilities		988	932
<b>Total non-current liabilities</b>		<b>48,736</b>	<b>48,553</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	20	9,216	8,503
Accounts payable		554	468
Current tax liabilities		38	9
Other current liabilities		1,313	854
Accrued expenses and deferred income	25	1,218	1,033
<b>Total current liabilities</b>		<b>12,339</b>	<b>10,866</b>
<b>Total liabilities</b>	20	<b>61,075</b>	<b>59,419</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>89,231</b>	<b>89,447</b>

Comments on the statement of financial position are provided in the Directors' Report under Financing on pages 61–66.

## Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening equity, 1 Jan 2022	1	7,835	206	19,538	769	28,350
Dividends	–	–	–	-1,072	–	-1,072
Contributions to non-controlling interests repaid	–	–	–	–	-3	-3
Contributions from non-controlling interests	–	–	–	–	3	3
Comprehensive income	–	–	182	2,466	103	2,750
<b>Closing equity, 31 Dec 2022</b>	<b>1</b>	<b>7,835</b>	<b>388</b>	<b>20,932</b>	<b>872</b>	<b>30,028</b>
Opening equity, 1 Jan 2023	1	7,835	388	20,932	872	30,028
Dividends	–	-1,155	–	–	–	-1,155
Shareholder contributions received	–	1,500	–	–	–	1,500
Contributions from non-controlling interests	–	–	–	–	500	500
Comprehensive income	–	–	4	-2,671	-50	-2,717
<b>Closing equity, 31 Dec 2023</b>	<b>1</b>	<b>8,180</b>	<b>392</b>	<b>18,261</b>	<b>1,322</b>	<b>28,156</b>

The total number of shares was 100,001,000 with a par value of SEK 0.01.

## Consolidated statement of cash flows

Amounts in SEK million	Note	2023	2022
<b>Operating activities</b>			
Profit from property management <sup>1)</sup>		2,345	2,309
Adjustment for non-cash items	23	-44	-42
Dividends from joint ventures		45	21
Tax paid		-17	-113
<b>Cash flow before changes in working capital</b>		<b>2,329</b>	<b>2,175</b>
<b>Changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		-1,138	-219
Increase (+)/decrease (-) in operating liabilities		757	554
<b>Cash flow from operating activities</b>		<b>1,948</b>	<b>2,510</b>
<b>Investing activities</b>			
Acquisition of properties	14, 23	-351	-2,867
Investment in new construction, extension and re-development		-2,825	-3,809
Divestment of properties	14, 23	90	427
Investments in financial assets		-124	-215
Other non-current assets		-11	-3
<b>Cash flow from investing activities</b>		<b>-3,222</b>	<b>-6,467</b>
<b>Financing activities</b>			
Interest-bearing loans raised	23	6,951	10,752
Repayment of interest-bearing liabilities		-5,343	-5,844
Realised, financial instruments		-103	-20
Shareholder contributions received		1,500	–
Contributions from non-controlling interests		500	3
Contributions from non-controlling interests repaid		–	-3
Dividends paid		-1,155	-1,072
<b>Cash flow from financing activities</b>		<b>2,349</b>	<b>3,816</b>
Cash flow for the year		1,076	-142
Opening cash and cash equivalents		526	687
Exchange-rate differences in cash and cash equivalents		-9	-19
<b>Cash and cash equivalents, closing balance</b>		<b>1,593</b>	<b>526</b>

<sup>1)</sup> For the calculation of Profit from property management, refer to Key ratio calculations on page 111.

### Parent Company income statement

Amounts in SEK million	Note	2023	2022
Net sales		121	118
Central administrative expenses	7-8	-246	-223
Other operating income		0	129
<b>Operating profit/loss</b>		<b>-125</b>	<b>24</b>
<b>Income from financial items</b>			
Profit from participations in Group companies	9	321	423
Interest income and similar profit items	10	1,058	722
Interest expense and similar loss items	10	-999	-1,338
Change in value of derivatives	10	-156	-75
<b>Profit/loss from property management</b>		<b>99</b>	<b>-243</b>
<b>Appropriations</b>			
Group contributions received		1	681
Provision to tax allocation reserve		-	43
<b>Profit before tax</b>		<b>100</b>	<b>481</b>
Current tax	12	-1	0
Deferred tax	12	4	37
<b>PROFIT FOR THE YEAR</b>		<b>103</b>	<b>518</b>

Profit for the year corresponds to comprehensive income for the year.



## Parent Company balance sheet

Amounts in SEK million	Note	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised development costs	13	12	5
<b>Total intangible assets</b>		<b>12</b>	<b>5</b>
<b>Tangible assets</b>			
Equipment	15	2	3
<b>Total tangible assets</b>		<b>2</b>	<b>3</b>
<b>Financial assets</b>			
Participations in Group companies	16	16,968	16,582
Deferred tax assets	12	60	54
Other non-current receivables from Group companies		23,035	16,527
<b>Total financial assets</b>		<b>40,062</b>	<b>33,162</b>
<b>Total non-current assets</b>		<b>40,076</b>	<b>33,170</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		16,335	21,877
Tax assets		88	89
Other receivables		1,717	567
Prepaid expenses and accrued income		83	60
<b>Total current receivables</b>	20	<b>18,223</b>	<b>22,592</b>
Cash and cash equivalents		5	0
<b>Total current assets</b>		<b>18,227</b>	<b>22,592</b>
<b>TOTAL ASSETS</b>		<b>58,303</b>	<b>55,762</b>

Amounts in SEK million	Note	31 Dec 2023	31 Dec 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital <sup>1)</sup>		1	1
<b>Total restricted equity</b>		<b>1</b>	<b>1</b>
<b>Non-restricted equity</b>			
Share premium reserve		1,000	1,000
Retained earnings		4,288	3,425
Profit for the year		103	518
<b>Total non-restricted equity</b>		<b>5,391</b>	<b>4,943</b>
<b>Total equity</b>		<b>5,392</b>	<b>4,944</b>
<b>Provisions</b>			
Deferred tax liabilities	12	28	27
<b>Total provisions</b>		<b>28</b>	<b>27</b>
<b>Non-current liabilities</b>			
Derivatives		323	168
Interest-bearing liabilities	20	36,086	35,533
Non-current liabilities, Group companies		5,485	5,501
<b>Total non-current liabilities</b>	20	<b>41,895</b>	<b>41,202</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	20	9,216	8,503
Accounts payable		13	8
Other current liabilities		1,350	813
Accrued expenses and deferred income	25	410	264
<b>Total current liabilities</b>	20	<b>10,988</b>	<b>9,589</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>58,303</b>	<b>55,762</b>

<sup>1)</sup> The share capital amounted to 1,000,001,000 shares at SEK 0.01 per share.

## Parent Company statement of changes in equity

Amounts in SEK million	Restricted equity		Non-restricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings including profit for the year		
Opening equity, 1 Jan 2022	1	1,000	4,497		5,498
Dividends	–	–	-1,072		-1,072
Profit for the year	–	–	518		518
<b>Closing equity, 31 Dec 2022</b>	<b>1</b>	<b>1,000</b>	<b>3,943</b>		<b>4,944</b>
Opening equity, 1 Jan 2023	1	1,000	3,943		4,944
Dividends	–	–	-1,155		-1,155
Shareholder contributions received	–	–	1,500		1,500
Profit for the year	–	–	103		103
<b>Closing equity, 31 Dec 2023</b>	<b>1</b>	<b>1,000</b>	<b>4,391</b>		<b>5,392</b>

Profit for the year corresponds to comprehensive income for the year.

## Parent Company statement of cash flows

Amounts in SEK million	Note	2023	2022
<b>Operating activities</b>			
Profit/loss from property management		99	-243
Adjustment for non-cash items	23	-211	689
Dividends received, and withdrawals from limited partnerships		38	–
Tax paid		1	-59
<b>Cash flow from operations before change in working capital</b>		<b>-74</b>	<b>387</b>
<b>Changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		-1,173	-252
Increase (+)/decrease (-) in operating liabilities		711	486
<b>Cash flow from operating activities</b>		<b>-536</b>	<b>621</b>
<b>Investing activities</b>			
Shareholder contributions paid and contributed capital		-414	-8,633
Acquisition of shares and participations in subsidiaries		0	-45
Divestment of shares and participations in subsidiaries		0	159
Acquisition of other non-current assets		-7	-3
<b>Cash flow from investing activities</b>		<b>-421</b>	<b>-8,522</b>
<b>Financing activities</b>			
External borrowings	23	6,951	10,752
Repayment of external borrowings		-5,343	-5,844
Shareholder contributions received		1,500	–
Intra-Group lending		-991	4,066
Dividends paid		-1,155	-1,072
<b>Cash flow from financing activities</b>		<b>961</b>	<b>7,901</b>
Cash flow for the year		5	0
Opening cash and cash equivalents		0	0
<b>Cash and cash equivalents, closing balance</b>		<b>5</b>	<b>0</b>



## Note 1 Accounting policies

### GROUP

#### Applied standards and legislation

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the EU. In addition, the consolidated financial statements have been prepared in accordance with Swedish law, and with application of the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. Unless otherwise stated, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. The new policies applied in 2023 are set out below. On 25 March 2024, the Board approved these annual accounts and consolidated financial statements which will be presented to the Annual General Meeting for adoption on 24 April 2024.

#### New policies applied in 2023

A number of changes in IFRS standards became effective during the year. As of 1 January, IAS 1 was amended to require disclosures of material rather than significant accounting policies. Hemsö has therefore examined all accounting policies and removed the description of those policies that cannot be regarded as material for the company. In addition, accounting policies that refer to parts of the financial statements that are described in more detail in other parts of the notes have been moved to the relevant note to facilitate understanding and the link with the company's financial statements. Other changes introduced during the year did not have any material effect on the Group's financial statements.

#### New or revised IFRSs effective on or after 1 January 2024

A number of new and revised IFRSs are in issue but not yet effective, and have not been applied in advance in the preparation of Hemsö's financial statements. The new standards and interpretations effective from 1 January 2024 are not expected to have a material effect on the current or future periods' consolidated financial statements, or on future transactions.

#### Basis of preparation of financial statements

The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the Group. Unless otherwise stated, all amounts are presented in millions of SEK and pertain to the 1 January–31 December period of 2023 (2022) for profit/loss items, and 31 December 2023 (2022) for balance-sheet items. Due to rounding, some totals may not correspond with the sum of notes and tables.

Assets and liabilities are recognised at their historical cost, except for investment properties and some financial instruments that are measured at fair value. Changes in fair value are recognised in profit or loss.

#### Estimates and judgements

The judgements made by management when applying IFRS that can significantly impact the company's financial statements and each estimate are described in Note 2.

#### Consolidated financial statements

The consolidated financial statements include the Parent Company and subsidiaries. Subsidiaries are entities over which the Parent Company has a controlling interest. The consolidated financial statements were prepared in accordance with the acquisition method.

Hemsö owns 50 per cent of the participations in Hemsö Norden KB. Since Hemsö has unlimited liability for the company's obligations and, by agreement, is individually entitled to manage the company's affairs, Hemsö Norden KB is included with subsidiaries in the consolidated financial statements.

Acquisitions and divestments of properties and companies are recognised at the transfer date.

#### Asset acquisitions

Indirect property transactions often taken place with companies holding properties, and not through direct property transactions.

When an asset is acquired through a company transaction, the acquisition is treated as a direct property transaction. This type of acquired company normally has no employees, organisation or activities other than those directly attributable to the property holding. Deferred tax is not recognised as a liability on initial temporary differences attributable to the acquisition. Any deductions for deferred tax (discounts) obtained in addition to the recognised tax in acquired companies reduces the property's cost instead. In the subsequent valuation, the value changes are thus affected by the tax discounts. In 2023 and 2022, all acquisitions were classified as asset acquisitions.

#### Income

For a description of accounting policies for leases, refer to Note 4 Leases.

#### Investment properties

For a description of accounting policies for investment properties, refer to Note 14 Investment properties.

#### Transactions in foreign currency

Transactions in foreign currency are translated using the exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate, and exchange differences are recognised in profit or loss.

Assets and liabilities of foreign operations are translated to SEK using the current exchange rate at the closing date. Income and expenses of foreign operations are translated to SEK using an average rate that approximates the exchange rates prevailing at the transaction date. Translation differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve under equity.

### PARENT COMPANY

#### Applied standards and legislation

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board have also been applied.

The accounting policies applied are presented in the relevant parts of the Group's accounting policies, with the following additions for the Parent Company.

#### Group contributions

Hemsö recognises Group contributions both paid and received as appropriations.

#### Financial instruments

For a description of accounting policies for financial instruments, refer to Note 20, Parent Company. Accordingly, financial assets in the Parent Company are measured

at amortised cost and current assets according to the lowest value principle, with the application of impairment for expected credit losses according to IFRS 9 for assets that are debt instruments. For all other financial assets, impairment is based on the asset's market value. Derivative instruments with negative fair value are recognised as a liability at their negative fair value with the value change in profit or loss.

#### Group information

Hemsö Fastighets AB has its registered office in Stockholm and the address of the Head Office is Linnégatan 2. Hemsö is 85-per cent owned, directly and indirectly, by the Third Swedish National Pension Fund, Corp. Reg. No. 802014-4120, with its registered office in Stockholm, Sweden, and 15-per cent owned, indirectly, by AB Sagax, Corp. Reg. No. 556520-0028, with its registered office in Stockholm, Sweden.

## Note 2 Special considerations and judgements

The presentation of financial statements in accordance with IFRS and generally accepted accounting principles requires making judgements and assumptions that affect the assets, liabilities, income, expenses and other information recognised in the annual accounts. These judgements and assumptions are based on historical experience and other factors considered reasonable under the circumstances. Actual results may differ from these judgements under different assumptions or conditions.

The financial statements are particularly sensitive to the judgements and assumptions used in the valuation of investment properties. For more information about the assumptions and judgements made, refer to Note 14.

Most of Hemsö's property acquisitions are made via acquisition transactions. A key area of accounting judgement is whether properties acquired indirectly through an acquisition transaction should be classified as a business combination or an asset acquisition. For asset acquisitions, no deferred tax asset is recognised for the acquisition, but any discounts reduce the cost of the property. This means that the tax discounts will affect the value changes on subsequent measurement. Every acquisition transaction is assessed separately to determine whether the acquisition is a business combination or an asset acquisition.

### Note 3 Segment information

The identification of reportable segments is based on internal reporting. The CEO primarily uses net operating income per segment for performance analysis. Administrative expenses, financial income and expenses and income tax are managed at Group level. The Group is managed and reported in the following six operating segments: East, Central, North, South, Germany and Finland.

2023	East	Central	North	South	Germany	Finland	Unallocated items	Group
Rental income	1,128	596	759	500	808	1,027	–	4,818
Other income	22	5	4	8	2	0	–	41
Property income	1,150	601	763	508	810	1,027	–	4,859
Property costs	-291	-196	-207	-164	-120	-249	–	-1,228
<b>Net operating income</b>	<b>859</b>	<b>405</b>	<b>556</b>	<b>344</b>	<b>689</b>	<b>778</b>	<b>–</b>	<b>3,631</b>
Central administrative expenses	–	–	–	–	–	–	-196	-196
Profit from participations in joint ventures	–	–	–	–	–	–	-14	-14
Net interest income	–	–	–	–	–	–	-1,154	-1,154
<b>Profit after net interest income</b>	<b>859</b>	<b>405</b>	<b>556</b>	<b>344</b>	<b>689</b>	<b>778</b>	<b>-1,364</b>	<b>2,267</b>
<b>Changes in value</b>								
Properties, realised	–	0	–	-3	0	-14	–	-17
Properties, unrealised	-1,488	-537	-812	-790	-1,143	-499	–	-5,270
Financial instruments, realised	–	–	–	–	–	–	6	6
Financial instruments, unrealised	–	–	–	–	–	–	-231	-231
<b>Total changes in value</b>	<b>-1,488</b>	<b>-537</b>	<b>-812</b>	<b>-793</b>	<b>-1,143</b>	<b>-513</b>	<b>-225</b>	<b>-5,512</b>
Current tax	–	–	–	–	–	–	-23	-23
Deferred tax	–	–	–	–	–	–	547	547
<b>Profit/loss for the year</b>	<b>-629</b>	<b>-132</b>	<b>-256</b>	<b>-449</b>	<b>-454</b>	<b>264</b>	<b>-1,065</b>	<b>-2,721</b>
<b>Investment properties – investments, acquisitions, divestments per segment</b>								
Investments, new construction, extension and re-developments	604	474	783	324	131	508	–	2,825
Acquisitions	78	40	159	15	-6	64	–	351
Disposals	–	0	–	-93	–	-14	–	-107
<b>Total</b>	<b>683</b>	<b>514</b>	<b>943</b>	<b>246</b>	<b>125</b>	<b>558</b>	<b>–</b>	<b>3,069</b>
<b>Assets per segment at period-end</b>								
Investment properties	22,444	9,546	13,675	8,289	14,396	14,274	–	82,624
Unallocated corporate assets	–	–	–	–	–	–	6,607	6,607
<b>Total assets</b>	<b>22,444</b>	<b>9,546</b>	<b>13,675</b>	<b>8,289</b>	<b>14,396</b>	<b>14,274</b>	<b>6,607</b>	<b>89,231</b>

2022	East	Central	North	South	Germany	Finland	Unallocated items	Group
Rental income	965	501	661	425	695	827	–	4,073
Other income	13	4	2	3	1	0	–	23
Property income	978	506	663	427	697	827	–	4,097
Property costs	-257	-170	-178	-150	-91	-219	–	-1,065
<b>Net operating income</b>	<b>721</b>	<b>336</b>	<b>484</b>	<b>278</b>	<b>606</b>	<b>607</b>	<b>–</b>	<b>3,032</b>
Central administrative expenses	–	–	–	–	–	–	-183	-183
Profit from participations in joint ventures	–	–	–	–	–	–	82	82
Net interest income	–	–	–	–	–	–	-613	-613
<b>Profit after net interest income</b>	<b>721</b>	<b>336</b>	<b>484</b>	<b>278</b>	<b>606</b>	<b>607</b>	<b>-715</b>	<b>2,317</b>
<b>Changes in value</b>								
Properties, realised	-1	-45	–	32	–	–	–	-14
Properties, unrealised	960	201	-181	-313	298	-363	–	603
Financial instruments, realised	–	–	–	–	–	–	–	-20
Financial instruments, unrealised	–	–	–	–	–	–	271	271
<b>Total changes in value</b>	<b>959</b>	<b>157</b>	<b>-181</b>	<b>-281</b>	<b>298</b>	<b>-363</b>	<b>251</b>	<b>840</b>
Current tax	–	–	–	–	–	–	-190	-190
Deferred tax	–	–	–	–	–	–	-403	-403
<b>Profit/loss for the year</b>	<b>1,680</b>	<b>493</b>	<b>304</b>	<b>-4</b>	<b>904</b>	<b>244</b>	<b>-1,058</b>	<b>2,563</b>
<b>Investment properties – investments, acquisitions, divestments per segment</b>								
Investments, new construction, extension and re-developments	1,106	650	355	654	337	707	–	3,809
Acquisitions	259	138	1,000	301	860	309	–	2,867
Disposals	–	-428	-3	-14	–	–	–	-445
<b>Total</b>	<b>1,365</b>	<b>360</b>	<b>1,352</b>	<b>940</b>	<b>1,197</b>	<b>1,017</b>	<b>–</b>	<b>6,231</b>
<b>Assets per segment at period-end</b>								
Investment properties	23,249	9,568	13,544	8,833	15,426	14,258	–	84,879
Unallocated corporate assets	–	–	–	–	–	–	4,569	4,569
<b>Total assets</b>	<b>23,249</b>	<b>9,568</b>	<b>13,544</b>	<b>8,833</b>	<b>15,426</b>	<b>14,258</b>	<b>4,569</b>	<b>89,447</b>

## Note 4 Leases

### Lessor

#### Accounting policies rental income

Lease agreements are classified as operating leases since all of the risks and rewards of owning the properties are not substantially transferred to the tenants as the property remains in Hemsö's ownership, even when the term of the agreement is 25 years or more. All rental income is notified in advance and accrued in profit or loss on a straight-line basis, based on the terms of the lease agreements.

Rental income includes additions such as water consumption, invoiced property tax and heating costs. Advance rent is recognised as deferred rental income.

The table shows rental income based on lease agreements signed. Future minimum lease payments for non-cancellable leases amounted to:

Group	31 Dec 2023	31 Dec 2022
Contracted rental income within 12 months	4,806	4,514
Contracted rental income within 1–2 years	4,403	4,443
Contracted rental income within 2–3 years	4,182	4,212
Contracted rental income within 3–4 years	3,880	3,938
Contracted rental income within 4–5 years	3,586	16,206
Contracted rental income later than 5 years	27,697	27,191
<b>Total</b>	<b>48,554</b>	<b>47,911</b>

### Lessee

#### Accounting policies lessees

As lessee, Hemsö initially recognises a right-of-use asset and a lease liability on the commencement date of the lease. The majority of Hemsö's right-of-use assets are ground leases. These are considered a perpetual contract and are measured at fair value, which means that the ground rent is discounted using the average interest rate implicit in the lease. The starting point has been the 3 per cent interest rate implicit in 10-year ground leases, which is applied by the Land and Environmental Courts and the Supreme Court. Since Hemsö's average ground lease term is 30 years, the interest rate used to obtain the value of the right-of-use assets was adjusted for the longer term and set at 4 per cent. Ground leases are not depreciated, the value remains unchanged until the ground rent is renegotiated. The lease liability associated with the ground leases is not depreciated since the contract, and therefore the liability, is perpetual. Ground rent is recognised as an interest expense on the income statement. Other leases, such as company vehicles and premises, are initially measured at cost and then depreciated on a straight-line basis from the date of commencement until their expiry date. The value of leases with a term of 12 months or less, or an underlying asset of low value, was insignificant in the Hemsö Group, and no right-of-use asset was recognised for these leases.

Group	Ground leases	Other leases	Total Right-of-use assets
<b>Opening balance, 1 Jan 2023</b>	<b>896</b>	<b>36</b>	<b>932</b>
Depreciation for the year	–	-19	-19
Currency effects	-3	0	-3
Additional	64	14	78
<b>Closing balance, 31 Dec 2023</b>	<b>956</b>	<b>31</b>	<b>988</b>

Total cash flow for leases was SEK 58 million (47).

Amounts recognised in profit or loss	2023	2022
Depreciation	-19	-16
Interest expense	-39	-31
Leases of 12 months or less	-2	-2

### Maturity analysis of lease liabilities\*

Group	31 Dec 2023	31 Dec 2022
Due within 1 year	15	18
Due within 1–5 years	17	18
Due later than 5 years	–	0
<b>Total</b>	<b>31</b>	<b>36</b>

\* Excluding ground leases, which are considered perpetual.

### Parent Company

The rules for recognising leases under IFRS 16 are not applied in the Parent Company. This means that lease payments are recognised as an expense on a straight-line basis over the lease term, and that right-of-use assets and lease liabilities are not included on the Parent Company balance sheet.

## Note 7 Employees, personnel costs and remuneration of senior executives

### Accounting policies employee benefits

Employee benefits, such as salaries and payroll overheads, holidays and paid sick leave, are recognised as the employees render services. Commitments to employees are secured through defined-contribution or defined-benefit pension plans according to ITP. Defined-contribution plans are plans in which the company's obligation is limited to the contributions the company has undertaken to pay. A defined-benefit pension plan means the employee is guaranteed a pension that corresponds to a certain percentage of the final salary. The company's obligations for contributions to

## Note 5 Operating costs

Group	2023	2022
Media usage	383	355
Supervision	399	332
Other operating costs	59	47
<b>Total</b>	<b>841</b>	<b>734</b>

## Note 6 Central administrative expenses

Group	2023	2022
Personnel costs	247	229
Premises and office expenses	21	20
Services purchased	95	83
Depreciation	2	1
Other operating expenses	11	13
Less re-invoicing	-179	-163
<b>Total</b>	<b>196</b>	<b>183</b>

defined-contribution plans are recognised as an expense in net profit as they are earned by the employees' services to the company during a period.

The Group's ITP pension plan is secured through insurance with Alecta, which according to a statement from the Swedish Financial Reporting Board, UFR 10, is considered a defined-benefit plan covered by many employers. However, the plan has been treated as a defined-contribution plan, since Alecta has not been able to produce the values required to recognise the plan as a defined-benefit plan.

Group	2023			2022		
	Total	Women	Men	Total	Women	Men
Average no. of employees	162	72	90	155	72	83
No. of Group Management	11	5	6	9	3	6
No. of Board of Directors	6	3	3	6	3	3

At year-end, Hemsö had 169 employees (158), of whom 113 (104) in the Parent Company, 28 (28) in Hemsö Development AB, 12 (10) in Germany and 16 (16) in Finland.

Note 7, cont.

Group	2023		2022	
	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
<b>Salaries and remuneration, SEK 000s</b>				
Board	1,313	–	1,170	–
CEO	6,458	–	5,787	–
Deputy CEO	2,465	–	2,277	–
Other senior executives	9,588	–	8,462	–
Other employees	89,652	3,571	84,771	5,958
<b>Total Sweden</b>	<b>109,476</b>	<b>3,571</b>	<b>102,467</b>	<b>5,958</b>
Other senior executives	4,810	–	4,273	–
Other employees	22,540	714	19,394	291
<b>Total Foreign</b>	<b>27,350</b>	<b>714</b>	<b>23,667</b>	<b>291</b>
<b>Total Group</b>	<b>136,826</b>	<b>4,285</b>	<b>126,134</b>	<b>6,249</b>

Group	2023		2022	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
<b>Payroll overheads, SEK 000s</b>				
Board	413	–	368	–
CEO	2,539	1,941	2,247	1,626
Deputy CEO	962	679	897	665
Other senior executives	3,833	3,060	3,366	2,601
Other employees	34,968	16,027	33,397	15,041
<b>Total Sweden</b>	<b>42,715</b>	<b>21,707</b>	<b>40,275</b>	<b>19,933</b>
Other senior executives	250	578	213	521
Other employees	2,265	2,568	1,803	2,280
<b>Total Foreign</b>	<b>2,515</b>	<b>3,146</b>	<b>2,016</b>	<b>2,801</b>
<b>Total Group</b>	<b>45,230</b>	<b>24,853</b>	<b>42,291</b>	<b>22,734</b>

Parent Company	2023			2022		
	Total	Women	Men	Total	Women	Men
Average no. of employees	108	49	59	104	48	56
No. of Group Management	8	4	4	6	2	4
No. of Board of Directors	6	3	3	6	3	3

Parent Company	2023		2022	
	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
<b>Salaries and remuneration, SEK 000s</b>				
Board	1,313	–	1,170	–
CEO	6,458	–	5,787	–
Deputy CEO	2,465	–	2,277	–
Other senior executives	7,866	–	6,806	–
Other employees	66,530	2,418	63,561	4,281
<b>Total Sweden</b>	<b>84,632</b>	<b>2,418</b>	<b>79,601</b>	<b>4,281</b>
<b>Total Foreign</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Parent Company</b>	<b>84,632</b>	<b>2,418</b>	<b>79,601</b>	<b>4,281</b>

Parent Company	2023		2022	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
<b>Payroll overheads, SEK 000s</b>				
Board	413	–	368	–
CEO	2,539	1,941	2,247	1,626
Deputy CEO	962	679	897	665
Other senior executives	3,167	2,597	2,710	2,151
Other employees	25,480	10,578	24,776	10,728
<b>Total Sweden</b>	<b>32,561</b>	<b>15,795</b>	<b>30,998</b>	<b>15,170</b>
<b>Total Foreign</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Parent Company</b>	<b>32,561</b>	<b>15,795</b>	<b>30,998</b>	<b>15,170</b>

Remuneration of the Board

The Chairman and other members of the Board of Hemsö Fastighets AB are remunerated in accordance with a resolution adopted by the Annual General Meeting (AGM). Remuneration of the Chairman amounts to SEK 575,000, while each of the other Board members are paid an amount of SEK 275,000. The Chairman of the Board's Audit Committee is paid remuneration of SEK 140,000 and other members are paid SEK 70,000. Members of the Board who are employed by the owners receive no remuneration.

Variable remuneration

Hemsö's variable remuneration scheme for 2023 includes all permanent employees except for senior executives. Under the scheme, most employees can receive up to one monthly salary in variable remuneration, while a smaller number of employees can receive up to two monthly salaries subject to the achievement of predefined targets. The targets are 25-per-cent based on the company's financial performance, and 75-per-cent based on individual, team or department performance, depending on the employee's role. The variable remuneration scheme is determined annually by the Board.

Pensions

Under the CEO's contract, Hemsö is required to pay premiums for occupational pension and health insurance amounting to 30 per cent of gross salary. Senior executives and other employees are covered by the ITP plan. The age of retirement is 65 for the CEO, and 67 for other senior executives. 62 employees (66) have defined-benefit ITP plans with continuous payments to Alecta. The year's contributions for defined-benefit pension plans with Alecta amounted to SEK 7,770,000 (8,436,000). Alecta's surplus can be distributed to the policyholders and/or insured. At December 2023, Alecta's surplus in the form of the collective funding ratio was 158 per cent (December 2022: 172 per cent). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance commitments calculated using Alecta's actuarial assumptions, which are not consistent with IAS 19.

Severance pay

An agreement has been reached whereby the CEO will be eligible for severance pay in the event of termination by the company. The severance pay corresponds to 12 months' fixed salary, in addition to the mutual six-month notice period. The severance pay is not pensionable, is fully deductible and not payable upon retirement. Other senior executives have a mutual notice period of six months.

## Note 8 Auditor fees and remuneration

	Group		Parent Company	
	2023	2022	2023	2022
Audit engagement				
KPMG	4	3	2	2
Audit activities in addition to the audit engagement	0	0	0	0
Other assignments	1	1	1	0
<b>Total</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>

The audit engagement refers to the statutory audit of the annual accounts and of the administration of the Board and the CEO. Audit activities in addition to the audit engagement refer to reviews of the administration or financial statements pursuant to statute. Tax consultancy refers to consultation on fiscal issues. Other assignments refer to consultation that cannot be linked to any of the other categories.

## Note 9 Profit/loss from participations in Group companies

Parent Company	2023	2022
Dividends	311	451
Profit/loss from unlimited and limited partnerships	10	-4
Impairment	-	-24
<b>Total</b>	<b>321</b>	<b>423</b>

## Note 10 Income from financial items

### Accounting policies financial items

Interest income is recognised in the accounting period to which it relates. Derivatives are used to achieve the desired fixed-rate period. Income and expenses relating to derivatives are recognised on a continuous basis. Income and expenses deriving from redemption and renegotiation of derivatives, as well as lost-interest compensation, are recognised when they occur.

Financial income and expenses recognised in profit/loss, SEK million	Group	
	2023	2022
<i>Assets and liabilities required to be measured at fair value through profit or loss:</i>		
Interest received, derivatives that do not qualify for hedge accounting	2,684	1,118
Interest paid, derivatives that do not qualify for hedge accounting	-2,629	-1,052
<b>Total</b>	<b>55</b>	<b>66</b>
<i>Assets and liabilities measured at amortised cost:</i>		
Interest income from rent and accounts receivable	1	1
Interest income, other financial assets	36	17
<b>Total interest income, effective interest method</b>	<b>36</b>	<b>17</b>
Interest expense, loans	-1,135	-612
Interest expense, other financial liabilities	0	0
<b>Total interest expense, effective interest method</b>	<b>-1,135</b>	<b>-612</b>
Exchange-rate differences, financial items	0	0
Commitment fees	-28	-25
Other financial expenses	-83	-60
Expected credit losses on financial assets	-	-
<b>Total</b>	<b>-111</b>	<b>-84</b>
<b>Total recognised in net interest income</b>	<b>-1,154</b>	<b>-613</b>
<i>Assets and liabilities required to be measured at fair value through profit or loss:</i>		
Gains from the change in value of derivatives that do not qualify for hedge accounting	-269	271
Loss from the change in value of derivatives that do not qualify for hedge accounting	44	-20
<b>Total</b>	<b>-225</b>	<b>251</b>
<b>Total recognised in profit/loss</b>	<b>-1,367</b>	<b>-362</b>

Financial income and expenses recognised in profit/loss, SEK million	Parent Company	
	2023	2022
Interest income	1,058	722
Interest expense, loans	-1,302	-573
Other financial expenses	-56	-51
Profit from participations in Group companies	321	423
Change in value of derivatives	-156	-75
Exchange-rate differences	358	-714
<b>Total</b>	<b>224</b>	<b>-267</b>

## Note 11 Value changes

### Investment properties

The value changes attributable to investment properties amounted to SEK -5,287 million (589). The value changes were SEK -17 million (-14) in realised changes and SEK -5,270 million (603) in unrealised changes. This corresponds to a decrease of -6.2 per cent (1.2). The realised value change was mainly attributable to the demolition of a building in Finland.

The unrealised value change can be divided into property management and development-related value change and general market value change, respectively. Value change attributable to property management and development projects was SEK 3,936 million, or 4.6 per cent. Current high inflation and new leases had a positive impact on value change from property management. Value change related to market factors amounted to SEK -9,205 million, corresponding to a change of SEK -10.8 per cent attributable to an upward adjustment of valuation yield. The yield requirements during the year are considered to have risen in all market segments and countries compared primarily with the first half of 2022 but also compared with year-end 2022.

Unrealised value changes, SEK million	2023	2022
Property management and development-related value change	3,435	3,678
General market value change	-7,062	-3,010
<b>Subtotal Sweden</b>	<b>-3,627</b>	<b>668</b>
Property management and development-related value change	501	658
General market value change	-2,143	-722
<b>Subtotal Foreign</b>	<b>-1,643</b>	<b>-65</b>
<b>Total unrealised value changes</b>	<b>-5,270</b>	<b>603</b>

Note 11, cont.

**Change in value of derivatives**

Hemsö uses interest-rate derivatives to manage and adjust the Group's interest-rate risk and foreign exchange swaps to manage and adjust the Group's currency risk. If the agreed interest rate deviates from the market rate, a surplus or deficit arises on the interest-rate derivatives, whereby the value changes are recognised in the statement of comprehensive income. If the agreed exchange rate deviates from the market rate, a surplus or deficit value arises on the foreign exchange swaps.

At period-end, the nominal value of the interest-rate derivatives portfolio was SEK 3,175 million (-). Derivatives attributable to currency risk management comprise cross currency swaps, which corresponded to SEK 7,043 million (8,071). The deficit of the interest-rate derivatives was SEK -38 million (-), and the deficit of the cross currency swaps was SEK -148 million (surplus value 247).

Changes in the value of financial instruments had an impact of SEK -225 million (251) on profit. Changes in the value of interest-rate derivatives had an impact of SEK -38 million (27) on profit, of which the unrealised value change was SEK -38 million (35). Changes in the value of cross-currency swaps had an impact of SEK -187 million (224) on profit, of which the unrealised value change amounted to SEK -227 million (236).

At year-end, the Swedish ten-year swap rate was 2.4 per cent (3.1).

**Note 12 Tax**

**Accounting policies tax**

The income statement includes current and deferred income tax for Swedish and foreign Group units, unless the underlying transaction is recognised in other comprehensive income or directly in equity, whereby the associated tax effect is recognised in other comprehensive income or in equity. The Group's companies are taxable under the applicable laws of each country. In 2023, the tax rate in Sweden was 20.6 per cent, and is calculated on nominal recognised income adding non-deductible items and deducting non-taxable income. The tax rate in Finland was 20 per cent and 16 per cent in Germany.

	Group		Parent Company	
	2023	2022	2023	2022
<b>Recognised profit before tax</b>	<b>-3,245</b>	<b>3,157</b>	<b>100</b>	<b>481</b>
Current tax	-25	-189	-1	0
Deferred tax	547	-403	4	37
Tax attributable to prior years	2	-1	-	-
<b>Total tax recognised in profit or loss</b>	<b>524</b>	<b>-594</b>	<b>3</b>	<b>37</b>

Tax expense analysis	Group		Parent Company	
	2023	2022	2023	2022
Recognised profit/loss before tax	-3,245	3,157	100	481
Reversal of profit/loss from joint ventures	14	-82	-	-
Profit/loss before tax excluding profit/loss from joint ventures	-3,231	3,076	100	481
Expected tax expense at Swedish rate	666	-634	-21	-99
Difference in foreign tax rates	-41	54	-	-
Tax attributable to prior years	2	-1	-	0
<b>Tax effect of</b>				
Capitalisation of previously uncapitalised tax losses	14	1	-	-
Uncapitalised tax losses	-15	-4	-	-
Non-taxable sales	2	34	0	27
Tax exempt income	1	0	0	-
Non-deductible expenses	-61	-5	-35	-6
Other tax adjustments	-44	-39	-5	25
Non-taxable dividends	-	-	64	93
Profit/loss from unlimited/limited partnerships	-	-	0	-3
<b>Recognised tax expense</b>	<b>524</b>	<b>-594</b>	<b>3</b>	<b>37</b>
<i>Effective tax rate</i>	<i>n/a</i>	<i>19%</i>	<i>-3%</i>	<i>-8%</i>

Expected tax expense at the current rate refers to the tax that would be payable if tax was calculated on recognised profit without tax adjustments. No effective tax is recognised in the event of negative earnings. The Group's effective tax expense has in the past accounted for approximately 19 per cent of consolidated profit before tax.

Deferred tax recognised on the income statement	Group		Parent Company	
	2023	2022	2023	2022
Derivatives	25	-56	25	15
Investment properties	540	-403	-2	2
Untaxed reserves	-2	29	-	-
Tax deficit	-17	26	-19	19
<b>Total deferred tax recognised on the income statement</b>	<b>547</b>	<b>-403</b>	<b>4</b>	<b>37</b>

Deferred tax recognised on the balance sheet	Group		Parent Company	
	2023	2022	2023	2022
Derivatives	-31	51	-60	-35
Investment properties	6,000	6,539	28	27
Untaxed reserves	3	2	-	-
Tax deficit	-17	-34	-	-19
Lease liabilities	-194	-183	-	-
Right-of-use assets	194	183	-	-
<b>Total deferred tax recognised on the balance sheet</b>	<b>5,954</b>	<b>6,557</b>	<b>-31</b>	<b>-27</b>

Deferred tax assets on tax loss carryforwards in the Group that are considered likely to be used after more than 12 months amounted to SEK 17 million (34). In the Parent Company, these amounted to SEK - million (19). Deferred tax liabilities considered likely to be offset after more than 12 months amounted to SEK 6,197 million (6,775) in the Group and SEK 28 million (27) in the Parent Company. Unrecognised tax assets on tax loss carryforwards and non-deductible net interest income amounted to SEK 106 million (44). Of these, tax loss carryforwards and non-deductible net interest income corresponding to a tax asset of SEK 46 million (35) had an indefinite life. Of the tax assets recognised, SEK 17 million (34) had an indefinite life.

**Note 13 Capitalised development costs**

	Group		Parent Company	
	2023	2022	2023	2022
Accumulated cost, opening balance	10	7	10	7
Cost for the year	7	3	7	3
<b>Total</b>	<b>17</b>	<b>10</b>	<b>17</b>	<b>10</b>
Accumulated depreciation, opening balance	-5	-5	-5	-5
Depreciation for the year	0	0	0	0
<b>Total</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>
<b>Carrying amount, closing balance</b>	<b>12</b>	<b>5</b>	<b>12</b>	<b>5</b>

## Note 14 Investment properties

### Accounting policies investment properties

IAS 40 is applied and the property holding is measured at fair value. Properties are initially recognised at cost. Within the Group, properties are measured at fair value in accordance with the method stated below. Any deductions for deferred tax (discounts) received on the purchase of properties via companies (asset acquisitions) are recognised as a reduction of the cost of the property. In the subsequent valuation, the value changes are thus affected by the tax discounts. Costs incurred for new construction, extension or re-development of properties are recognised as investment properties. Interest expense related to the specific financing of major new construction, extension and re-development of properties is expensed as incurred. Work related to routine maintenance, maintenance measures in connection with re-development and tenant adaptations are activated when they are considered value enhancements. Value-added means that the measure will generate a future economic benefit, compared with earlier measures, and thus affect the market value.

Group	31 Dec 2023	31 Dec 2022
Market value of properties, opening balance	84,879	75,737
Acquisitions	351	2,867
Investments in new construction, extension and re-development	2,825	3,809
Divestments	-93	-414
Disposals	-14	-31
Exchange-rate fluctuations	-54	2,308
Unrealised value changes	-5,270	603
<b>Market value of properties, closing balance</b>	<b>82,624</b>	<b>84,879</b>
of which recognised in profit or loss	-5,287	589

At 31 December 2023, the estimated market value, corresponding to the carrying amount, totalled SEK 82,624 million (84,879). Total value change amounted to SEK -2,255 million (9,142), corresponding to -2.7 per cent (12.1). The table on page 90 shows the estimated market value per property category and segment.

### Valuation method

In accordance with the company's valuation policy, the market value of each property is assessed individually each quarter. Hemsö determines the market values using external valuations and Hemsö's internal calculation model. The valuation method is mainly based on 10–20 year cash flow analyses using the property's net operating income. Opening value-impacting factors, such as yield requirement, are assessed using the location-based pricing method. The location's market rental level, long-term vacancy rate and potential for development rights are also assessed. Each property is assessed using property-specific value-impacting events, such as newly signed and renegotiated lease agreements, terminated lease agree-

ments and investments. Market value refers to the price that would probably be received if the property was put up for sale in a free and open market, without party relations and undue pressure. The valuations have accounted for the best use of the properties. The measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13. No properties have been transferred to other fair value hierarchies. The same valuation method is applied for all of Hemsö's properties. Buildings under construction for future use as investment properties are recognised at fair value in accordance with IAS 40 with consideration for project risk and deductions for remaining investments. The valuation yield and future earnings capacity of the property have been estimated in a coherent manner and applied consistently in the valuations.

### Valuation yield assumptions

The valuation yield is based on underlying assumptions of real interest rates, real value change and risk premiums. The valuation yield is assessed individually for each property and based on the location of the property, the characteristics of the location and the intended use of the property. Additional parameters that are taken into account include the appropriateness and design of the premises, the standard and condition of the property, the rental term and type of tenant. The valuation yield applied has been determined on the basis of knowledge of completed transactions in the markets in which Hemsö operates, and in bidding processes in which Hemsö has participated. The valuation yield is used to calculate the property's residual value.

### Cost of capital assumptions

Unlike the valuation yield, the cost of capital is based on underlying assumptions of real interest rates, inflation and risk premiums. In the measurement model, the difference between the valuation yield and the cost of capital corresponds to the weighted average long-term inflation assumption of 2 per cent.

The cost of capital is used to discount the future cash flow and the estimated residual value. The cost and capital for cash flow and residual value may differ. If income is generated from a safe, long-term tenant, such as a state authority, the risk premium is considered to be lower, which can justify lower cost of capital for cash flow.

### Cash flow assumptions

When assessing each property's future earnings capacity, the existing contract stock has been analysed. For each property, future rental income is calculated based on current lease agreements. Rental income for future rental periods, and for vacant premises, is calculated based on individual assessments of market rent and long-term vacancy rates for each property. The assumed long-term vacancy rate amounted to between 0 and 25 per cent.

The operating costs of the properties is assessed on the basis of historical outcomes. Costs for ground leases and property tax are fixed in accordance with actual costs while maintenance costs are calculated based on the buildings' age, maintenance status and intended use.

#### Average cash flow assumptions on 31 December 2023, year 1

Estimated rental level, SEK/sqm	1,951
Property costs, SEK/sqm	493
Vacancy rate, %	2.1

### Inflation assumptions

Assumptions of the coming year's inflation are made for each country, based on the market's inflation expectations. The following table shows the current inflation assumptions for each country for 2024 and onwards.

Inflation Country	2024	Long-term inflation
Sweden	2.0%	2.0%
Germany	2.7%	2.0%
Finland	2.0%	2.0%

### Uncertainty range and sensitivity analysis

Property valuation is the result of an estimate of the value of a particular property value at a given date. The market value of properties is calculated using assumptions of expected rental income, property costs, economic vacancy and yield requirements. These factors vary depending on the economy, demand for properties and interest rates. The valuation assumes an uncertainty range of +/- 5 per cent, corresponding to values in the range of SEK 86,755–78,493 million (80,635–89,123). In the sensitivity analysis, net operating income has been adjusted +/- 5 per cent to show how cash flow changes affect the total value. Similarly, the yield requirement has been adjusted +/- 0.5 of a percentage point to show how the overall value is affected.

The sensitivity analysis provides a schematic view of the effect of input parameters on the value. The various assumptions regarding cash flow and yield requirement are linked together, and one isolated parameter is rarely changed.

Cushman & Wakefield performed the valuation of the Swedish portfolio, CBRE the German portfolio, and JLL the Finnish portfolio. A full valuation was performed on 49 of the 465 externally valued properties, including a physical inspection. A desktop valuation was performed on the remaining properties and the majority of these properties were inspected in 2022. During the year, eight properties were acquired. In general, external valuations had not been performed on the year's acquisitions or early-stage development projects at year-end 2023.

The properties' market value amounts to SEK 82.6 billion. This corresponds to a difference compared with external valuations of SEK 0.6 billion or 0.7 per cent. This difference is due to a correction of incorrect inputs in the external valuations and in some cases Hemsö has made a different assessment concerning assumptions for market rents, operating costs or valuation yields.

### Sensitivity analysis

	Change	Valuation effect, SEK million
Net operating income	+/- 5%	+/- 4,131
Valuation yield	+/- 0.5 percentage points	-8,540/+10,766

### Material obligations

Hemsö has the following material obligations in relation to the acquisition and divestment of investment properties: The company acquired one property in Germany for SEK 33 million that will be transferred in the first quarter of 2024. In Sweden, Hemsö acquired four properties for a total of SEK 213 million, of which two will be transferred in 2024, one in 2025 and one in 2027. The company also divested four properties for SEK 359 million, which will be transferred in 2024. The total volume of ongoing new construction and re-development projects amounted to SEK 5,746 million (4,434), of which the remaining investment amount was SEK 3,691 million (2,084).

Note 14, cont.

Market value of properties per property category and segment at 31 December 2023, SEK million

	Property valuation, SEK million	No. of properties	Property income, SEK million	Occupancy rate, %	Lettable area, tsqm	Valuation yield, %	Average valuation yield, %
Nursing homes	4,977	22	260	96.3	131	4.3–7.2	4.7
Education	7,510	43	365	99.1	168	4.5–7.2	4.8
Health care	7,520	17	399	96.2	127	4.3–6.0	4.8
Justice system	2,437	2	127	95.5	43	4.5–4.6	4.6
<b>Sweden, Region East</b>	<b>22,444</b>	<b>84</b>	<b>1,151</b>	<b>97.1</b>	<b>469</b>	<b>4.3–7.2</b>	<b>4.7</b>
Nursing homes	2,645	28	155	99.4	93	4.7–7.2	5.1
Education	4,329	31	248	97.4	147	4.5–7.2	5.3
Health care	1,715	25	136	97.5	79	5.0–6.7	5.8
Justice system	856	5	64	100.0	36	5.2–6.4	5.3
<b>Sweden, Region Central</b>	<b>9,546</b>	<b>89</b>	<b>602</b>	<b>98.2</b>	<b>356</b>	<b>4.5–7.2</b>	<b>5.3</b>
Nursing homes	6,339	47	362	99.1	230	4.1–7.0	5.0
Education	5,632	22	274	99.7	149	4.3–6.6	5.1
Health care	184	3	15	96.2	9	5.6–7.0	5.9
Justice system	1,520	5	112	100.0	39	4.8–7.2	5.1
<b>Sweden North</b>	<b>13,675</b>	<b>77</b>	<b>763</b>	<b>99.4</b>	<b>427</b>	<b>4.1–7.2</b>	<b>5.1</b>
Nursing homes	2,633	23	162	95.6	97	4.6–6.7	5.0
Education	5,014	35	304	92.0	171	5.0–7.7	5.4
Health care	288	7	20	93.1	16	5.3–7.6	6.2
Justice system	354	3	22	100.0	9	4.8–6.9	5.3
<b>Sweden, Region South</b>	<b>8,289</b>	<b>68</b>	<b>508</b>	<b>93.5</b>	<b>294</b>	<b>4.6–7.7</b>	<b>5.3</b>
Nursing homes	11,240	78	624	99.9	412	4.0–6.1	4.9
Education	2,057	4	113	100.0	38	4.3–6.0	4.5
Justice system	1,099	5	73	100.0	34	3.0–5.6	3.6
<b>Germany</b>	<b>14,396</b>	<b>87</b>	<b>810</b>	<b>100.0</b>	<b>485</b>	<b>3.0–6.1</b>	<b>4.8</b>
Nursing homes	4,081	45	284	99.4	127	4.9–10.5	5.9
Education	5,351	19	359	99.4	149	4.5–6.6	5.3
Health care	1,759	11	183	96.1	79	5.2–7.5	6.1
Justice system	3,082	8	200	94.4	72	5.5–7.5	5.8
<b>Finland</b>	<b>14,274</b>	<b>83</b>	<b>1,027</b>	<b>97.8</b>	<b>427</b>	<b>4.5–10.5</b>	<b>5.7</b>
Nursing homes	31,916	243	1,847	98.7	1,090	4.0–10.5	5.1
Education	29,894	154	1,662	97.7	823	4.3–7.7	5.1
Health care	11,466	63	754	96.3	311	4.3–7.6	5.2
Justice system	9,348	28	598	97.1	233	3.0–7.5	5.0
<b>Total</b>	<b>82,624</b>	<b>488</b>	<b>4,861</b>	<b>97.8</b>	<b>2,458</b>	<b>3.0–10.5</b>	<b>5.1</b>

Note 15 Equipment

Accounting policies equipment

Machinery and equipment are recognised at cost less accumulated depreciation according to plan and any impairment. Machinery and equipment are depreciated on a straight-line basis over five years.

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accumulated cost, opening balance	16	15	12	11
Acquisitions	4	1	–	0
<b>Total</b>	<b>20</b>	<b>16</b>	<b>12</b>	<b>12</b>
Accumulated depreciation, opening balance	-11	-10	-9	-8
Depreciation for the year	-2	-1	-1	-1
<b>Total</b>	<b>-13</b>	<b>-11</b>	<b>-10</b>	<b>-9</b>
<b>Carrying amount, closing balance</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>3</b>



## Note 16 Participations in Group companies

### Accounting policies participations in Group companies

Participations in subsidiaries are recognised in the Parent Company using the cost method, less any impairment.

The following table shows the carrying amount at period-end. Specification of the company's holding of shares and participations in Group companies.

Parent Company Subsidiaries	Corp. Reg. No.	Reg. office	Country	Participation, %		Market value 31 Dec 2023	Parent Company Subsidiaries	Corp. Reg. No.	Reg. office	Country	Participation, %		Market value 31 Dec 2023
				Direct	Indirect						Direct	Indirect	
Hemsö Vårdfastigheter AB	556657-9958	Stockholm	Sweden	100.0		1,265	Hemsö Äldreboende KB	969781-6206	Stockholm	Sweden	50.0		–
Fastighets AB Fordonsskolan	556691-2654	Stockholm	Sweden	100.0		177	Hemsö Norrbottenfastigheter KB	969780-9839	Stockholm	Sweden	50.0		–
Russeliana AB	556686-3733	Stockholm	Sweden	100.0		63	Hemsö Kvarnberget KB	969789-1704	Stockholm	Sweden	50.0		–
Tipton Erik AB	556617-6128	Stockholm	Sweden	100.0		13	Hemsö Bäckagård 1:17 KB	916850-7201	Stockholm	Sweden	50.0		–
Hemsö Bänken AB	556718-3396	Stockholm	Sweden	100.0		355	Hemsö 316 Bäckagård KB	916850-7219	Stockholm	Sweden	50.0		–
Hemsö Tavlan 08 AB	556746-9852	Stockholm	Sweden	100.0		22	Hemsö Excellensen 5 AB	559087-5760	Stockholm	Sweden	100.0		–
Fastighets AB Beckomberga 1:12	556753-3780	Stockholm	Sweden	100.0		29	Hemsö Tenstafastigheter AB	559333-0573	Stockholm	Sweden	100.0		–
Hemsö Vreten AB	556417-3952	Stockholm	Sweden	100.0		479	Hemsö Bråstaborg 1 i Sala AB	559351-4416	Stockholm	Sweden	100.0		–
Hemsö Draget Fastigheter AB	556340-0869	Stockholm	Sweden	100.0		98	Hemsö Baggen AB	556709-6812	Stockholm	Sweden	100.0		173
Nya Vilunda Fastighets AB	556781-6789	Stockholm	Sweden	100.0		–	Hemsö Vårdrädet AB	559132-9775	Stockholm	Sweden		100.0	–
Hemsö Köping Fastigheter AB	556845-8912	Stockholm	Sweden	100.0		11	Hemsö Cullberg Holding AB	556932-8080	Stockholm	Sweden	100.0		–
Hemsö Dona Fastigheter AB	556795-8987	Stockholm	Sweden	100.0		148	Hemsö Båthöjden AB	559079-7642	Stockholm	Sweden	100.0		–
Hemsö Botkyrka Fastigheter AB	556786-3427	Stockholm	Sweden	100.0		13	Hemsö Bjuvfastigheter AB	559079-7600	Stockholm	Sweden	100.0		–
Hemsö Krokslätt Fastigheter AB	556259-2815	Stockholm	Sweden	100.0		18	Hemsö Wallander AB	559105-1296	Stockholm	Sweden	100.0		–
Hemsö Gransångaren Fastigheter AB	556591-2994	Stockholm	Sweden	100.0		40	Hemsö Giffeln 1 AB	559217-4725	Stockholm	Sweden		100.0	–
Hemsö Rosengård Fastigheter AB	556766-4817	Stockholm	Sweden	100.0		42	Hemsö Jungfruholmen Holding AB	556937-6493	Stockholm	Sweden	100.0		–
Hemsö Patienthotell AB	556910-1362	Stockholm	Sweden	100.0		185	Hemsö Jungfruholmen HB	916585-3921	Stockholm	Sweden		100.0	–
Hemsö Upplands Väsby Fastigheter AB	556911-7855	Stockholm	Sweden	100.0		200	Hemsö Kvillebäcken AB	556874-5292	Stockholm	Sweden	100.0		29
Hemsö Skolfastigheter AB	556537-6901	Stockholm	Sweden	100.0		641	Hemsö Medicinaren AB	556822-2359	Stockholm	Sweden	100.0		435
Bokbacken Fastigheter AB	556340-5538	Stockholm	Sweden	100.0		1,534	Hemsö Sandudden Fastigheter AB	556928-1958	Stockholm	Sweden	100.0		4
Hemsö Öresund KB	969647-9295	Stockholm	Sweden	99.0	1.0	5	Hemsö Hjärup Fastigheter AB	556973-2752	Stockholm	Sweden	100.0		300
Förvaltningsbolaget Krokslätt KB	969601-3839	Stockholm	Sweden	10.0	90.0	–	Hemsö Tegen AB	556761-8938	Stockholm	Sweden	100.0		322
Förvaltningsbolaget Hanen 4 KB	969601-3862	Stockholm	Sweden	10.0	90.0	–	Hemsö Hälsan AB	556658-9510	Stockholm	Sweden	100.0		44
Bokbacken Fastigheter Fiskebäck KB	916850-4570	Stockholm	Sweden	10.0	90.0	3	Hemsö Centrumhuset i Göteborg AB	556991-6249	Stockholm	Sweden	100.0		6
Bokbacken Fastigheter Solskiftet KB	916434-5549	Stockholm	Sweden	10.0	90.0	–	Alexander Holding 1 AB	556989-1491	Stockholm	Sweden	100.0		-3
KB S:t Jörgen Äldreboende	969673-1430	Stockholm	Sweden	10.0	90.0	8	Blå Kruset 1 AB	556989-0014	Stockholm	Sweden	100.0		155
FB Fair Fyrtiotre KB	916630-7455	Stockholm	Sweden	1.0	99.0	2	Hemsö Gävle Norrtull AB	559085-6943	Stockholm	Sweden		100.0	–
Bjölåhemmet KB	916849-3212	Stockholm	Sweden	1.0	99.0	25	Hemsö Benzelius AB	556856-8165	Stockholm	Sweden		100.0	–
Hemsö Britsen AB	556718-3388	Stockholm	Sweden	100.0		9	Hemsö Svindersvik Fastigheter AB	556674-6045	Stockholm	Sweden		100.0	–
Krusleden Fastighets AB	556712-4986	Stockholm	Sweden	100.0		4	Hemsö Knivsta Skolfastigheter AB	559411-9892	Stockholm	Sweden		100.0	–
Ystad Liv 1 Fastighets AB	556640-8737	Stockholm	Sweden	100.0		104	Blå Kruset 17 AB	556992-5679	Stockholm	Sweden	100.0		121
Hemsö Hissen 08 AB	556746-9837	Stockholm	Sweden	100.0		470	Hemsö Mejeriet i Gävle AB	559152-5323	Stockholm	Sweden		100.0	–
Hemsö Klockarkärleken AB	556750-0862	Stockholm	Sweden	100.0		78	Hemsö Filborna Fastighets AB	559231-5609	Stockholm	Sweden		100.0	–
Hemsö Valsåtra AB	556761-3749	Stockholm	Sweden	100.0		5	Hemsö Nävan i Malmö AB	559073-2904	Stockholm	Sweden		100.0	–
Hemsö Söderport AB	556752-5554	Stockholm	Sweden	100.0		36	Hemsö Utvecklingsfastigheter 1 AB	559365-1788	Stockholm	Sweden		100.0	–
Hemsö Beckomberga Fastigheter AB	556617-6151	Stockholm	Sweden	100.0		1	Hemsö Utvecklingsfastigheter 3 AB	559365-1804	Stockholm	Sweden		100.0	–
Hemsö Development AB	556873-8529	Stockholm	Sweden	100.0		5	Blå Kruset 9 AB	556989-0089	Stockholm	Sweden	100.0		272
Hemsö LSS-Fastigheter Holding	556923-9527	Stockholm	Sweden	100.0		150	Hemsö Verkmästaren Holding AB	559083-3926	Stockholm	Sweden		100.0	–
Hemsö Kadetten Ekonomisk förening	769633-2639	Stockholm	Sweden		100.0	–	Hemsö Verkmästaren Fastigheter AB	559042-0534	Stockholm	Sweden		100.0	–
Hemsö Krokomb Holding AB	559384-7253	Stockholm	Sweden		100.0	–	Hemsö Haninge Skolfastigheter AB	559110-7221	Stockholm	Sweden		100.0	–
Hemsö Krokomb Fastighets AB	559284-7965	Stockholm	Sweden		100.0	–	Hemsö Juristen 4 AB	556761-9118	Stockholm	Sweden		100.0	–
Hemsö Intende AB	556802-4789	Stockholm	Sweden	100.0		1,204	Hemsö Brämaregården 37:1 AB	556761-9134	Stockholm	Sweden		100.0	–
Hemsö Norden KB	969769-2961	Stockholm	Sweden		50.0	–	Hemsö Notarieängan 8 AB	556802-9192	Stockholm	Sweden		100.0	–
Hemsö Komplementär AB	556951-8086	Stockholm	Sweden		50.0	–	Blå Kruset 13 AB	556989-0162	Stockholm	Sweden	100.0		195
Hemsö Häggen KB	969769-2920	Stockholm	Sweden		50.0	–	Hemsö Solvändan 3 AB	559115-3639	Stockholm	Sweden		100.0	–
Hemsö Nacka 1 KB	969780-4194	Stockholm	Sweden		50.0	–	Hemsö Lagerqvist AB	559056-1873	Stockholm	Sweden		100.0	–



Note 16, cont.

Parent Company Subsidiaries	Corp. Reg. No.	Reg. office	Country	Participation, %		Market value
				Direct	Indirect	31 Dec 2023
Karistonkulma Oy	0507064-9	Helsinki	Finland		100.0	–
Koy Helsingin Salmisaarentalo	2696431-8	Helsinki	Finland		100.0	–
Koy Teuvo Pakkalankatu 7	3222841-3	Helsinki	Finland		100.0	–
Koy Espoon Asemakulma	1638223-4	Helsinki	Finland		100.0	–
Koy Siltavuorenpenger 10	3202323-1	Helsinki	Finland		100.0	–
Lappeenrannan Tieto-Sähköala Oy	1536976-7	Helsinki	Finland		100.0	–
Koy Kangasalan Hampuntie 25	3215828-3	Helsinki	Finland		100.0	–
Koy Lauritsalantie 9	3214148-1	Helsinki	Finland		100.0	–
Koy Kuopion Teletie 4-6	3146859-7	Helsinki	Finland		100.0	–
Koy Kouvolan Sairaalanuja 3 D	3315153-4	Helsinki	Finland		100.0	–
Koy Helsingin Abraham Wetterin tie 15	3339395-5	Helsinki	Finland		100.0	–
Hemsö Finland JV Holding AB	559122-5841	Stockholm	Sweden		100.0	–
Hemsö TTP Oy	2948694-8	Helsinki	Finland		100.0	–
Hemsö Tyskland Fastigheter AB	556843-9771	Stockholm	Sweden	100.0		553
Hemsö Steglitz GmbH	HRB 201253	Munich	Germany		100.0	–
Hemsö Germany Invest 21 GmbH	HRB 30743	Munich	Germany		100.0	–
Hemsö Offenbach GmbH	HRB 205413	Munich	Germany		100.0	–
Hemsö Dresden GmbH	HRB 212253	Munich	Germany		100.0	–
Hemsö GmbH	HRB 169543	Munich	Germany		100.0	–
Schulbau Dabendorf GmbH	HRB 31752 P	Potsdam	Germany		89.9	–
Hemsö Asset Management GmbH	HRB 165326	Munich	Germany		100.0	–
Hemsö Vita GmbH	HRB 169542	Munich	Germany		94.9	–
Hemsö Beteiligungs GmbH	HRB 170669	Munich	Germany		100.0	–
Grenbell & Hemsö Invest I GmbH & Co. KG	HRA 118073	Munich	Germany		94.9	–
Hemsö Wetter und Rositz GmbH	HRB 170964	Munich	Germany		94.9	–
Hemsö Barsel GmbH	HRB 171219	Munich	Germany		94.9	–
Hemsö Bocholt GmbH	HRB 172025	Munich	Germany		100.0	–
Hemsö Lauterbach GmbH	HRB 183667	Munich	Germany		100.0	–
Grenbell & Hemsö Invest II GmbH & Co. KG	HRA 117843	Munich	Germany		100.0	–
Hemsö Germany Invest 10 GmbH	HRB 217922	Munich	Germany		100.0	–
Hemsö Germany Invest 11 GmbH	HRB 224222	Munich	Germany		100.0	–
Hemsö Germany Invest 12 GmbH	HRB 222515	Munich	Germany		100.0	–
Hemsö Germany Education 15 GmbH	HRB 234193	Munich	Germany		100.0	–
Hemsö Germany Invest Duisburg 16 GmbH	HRB 234192	Munich	Germany		100.0	–
Hemsö Germany Invest Duisburg 17 GmbH	HRB 234213	Munich	Germany		100.0	–
Hemsö Asset Management Duisburg GmbH	HRB 234212	Munich	Germany		100.0	–
Hemsö Germany Invest 20 GmbH	HRB 239156	Munich	Germany		100.0	–
Sozialzentrum Büttelborn GmbH	HRB 240798	Munich	Germany		100.0	–
Hemsö Germany Invest 13 GmbH	HRB 235714	Munich	Germany		100.0	–
Hemsö Germany Invest 14 GmbH	HRB 248303	Munich	Germany		100.0	–
Hemsö Germany Invest 22 GmbH	HRB 259952	Munich	Germany		100.0	–
Hemsö Germany Invest 23 GmbH	HRB 259953	Munich	Germany		100.0	–
Hemsö Germany Invest 24 GmbH	HRB 280097	Munich	Germany		100.0	–
<b>Total</b>						<b>16,968</b>

Parent Company	31 Dec 2023	31 Dec 2022
Accumulated cost, opening balance	18,307	9,663
Acquisitions	0	45
Profit/loss from participations in limited partnerships after dividend	-28	-4
Shareholder contributions	414	8,633
Divestments	–	-30
<b>Total</b>	<b>18,693</b>	<b>18,307</b>
Accumulated impairment, opening balance	-1,725	-1,701
Impairment for the year	–	-24
<b>Total</b>	<b>-1,725</b>	<b>-1,725</b>
<b>Total</b>	<b>16,968</b>	<b>16,582</b>

Some of the subsidiaries received shareholder contributions during the year due to equity depletion. These shareholder contributions were recognised in the Parent Company as an increase in the value of the shares in the subsidiaries.

## Note 17 Participations in joint ventures

### Accounting policies joint ventures

Hemsö recognises participations in three companies as holdings of shares and participations in joint ventures since the company does not have a controlling interest in these companies but operates them as a joint venture together with other partners. The company therefore does not consolidate the participations in the consolidated financial statements. Holdings in joint ventures are recognised using the equity method, which means that the consolidated carrying amount of the holding is adjusted by Hemsö's share of net profit and by any dividends received. The owner company's income statement therefore includes its share of net profit from the joint venture company.

Group	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Opening balance	1,655	1,271	–	–
Settlement of share of profit/loss	-14	82	–	–
Currency translation	-3	107	–	–
Capital contribution	42	216	–	–
Dividends	-45	-21	–	–
<b>Closing balance</b>	<b>1,636</b>	<b>1,655</b>	<b>–</b>	<b>–</b>

Carrying amount at period-end. Specification of the company's holdings of shares and participations in joint ventures.

Group	Corp. Reg. No.	Reg. office	Country	Participation, %		Market value 31 Dec 2023
				Direct	Indirect	
Lanthen Samhällsfastigheter AB	559000-6036	Stockholm	Sweden	–	50.0	212
Hemtag Fastigheter AB	559309-2686	Stockholm	Sweden	–	50.0	15
Turun Teknologiaikintestöt Oy	2349955-3	Turku	Finland	–	52.1	1,409
<b>Total</b>						<b>1,636</b>

Summarised income statement and balance sheet	Turun Teknologiaikintestöt Group	
	2023	2022
Profit from property management	118	149
Value changes, properties	-151	-235
Value changes, financial instruments	–	429
Tax	21	-78
<b>Total comprehensive income</b>	<b>-12</b>	<b>265</b>
Investment properties	5,427	5,256
Other non-current assets	52	50
Current assets	19	216
<b>Total assets</b>	<b>5,498</b>	<b>5,522</b>
Equity	2,392	2,496
Interest-bearing liabilities	2,866	2,773
Other liabilities	240	253
<b>Liabilities and equity</b>	<b>5,498</b>	<b>5,522</b>

## Note 18 Accounts receivable

### Accounting policies accounts receivable

Receivables mainly consist of rent and accounts receivable for which the Group has elected to apply the simplified approach for the recognition of expected credit losses. This means that a provision is made for the remaining life of the expected credit losses, which is expected to be less than one year for all of the receivables above. Rent is invoiced in advance, which means that all recognised rent receivables have fallen due. The Group's provisions for expected credit losses are based on historical credit losses and forward-looking information. The Group's customers are a homogeneous group with a similar risk profile, which is why the credit risk is initially assessed collectively for all customers. Any major single receivables are assessed on a case-by-case basis. Hemsö writes off a receivable when there is no longer any expectation that payment will be received, and when active measures to claim the payment have been concluded.

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Rent receivable	72	36	–	–
Accounts receivable	20	37	0	0
Reserve for doubtful receivables	-24	-9	–	–
<b>Total</b>	<b>68</b>	<b>64</b>	<b>0</b>	<b>0</b>

An individual assessment of all accounts and rent receivable is made on a quarterly basis to identify any need for provision.

Provision for doubtful accounts and rent receivable amounted to SEK 24 million (9), corresponding to 26 per cent (12) of the total rent and accounts receivable balance.

### Maturity analysis

	Not due		Due 1–30 days		Due 31–60 days		Due 61–90 days		Due >90 days		Total	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	<b>Group</b>											
Rent receivable	16	9	37	23	1	0	0	2	17	1	72	36
Accounts receivable	19	35	1	2	0	0	0	–	0	–	20	37
<b>Total</b>	<b>35</b>	<b>44</b>	<b>38</b>	<b>25</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>18</b>	<b>1</b>	<b>93</b>	<b>73</b>
<b>Parent Company</b>												
Accounts receivable	0	0	–	–	–	–	–	–	–	–	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>0</b>

## Note 19 Guidelines for management of capital

The Group's capital structure consists of equity, interest-bearing liabilities, deferred tax liabilities and other liabilities. Hemsö's overarching target is average return on equity of 15 per cent over a five-year period. At the end of 2023, average return on equity over a five-year period was 14.4 per cent.

Equity consists of share capital, other capital contributions, retained earnings and non-controlling interests. At 31 December 2023, the share capital was divided between 100,001,000 shares with a par value of SEK 0.01 per share.

There was no change in the Group's capital management during the year.

Neither the Parent Company nor any of the subsidiaries are subject to external capital requirements. Hemsö's Financial Policy sets out objectives and guidelines for Hemsö's financing activities. The financial risk profile has been designed to maintain a stable and high credit rating.

### Summary of Financial Policy

Financing risk		Outcome, 31 December 2023
Loan-to-value ratio	Max. 60%	58.4%
Loan maturity	At least 3 years	5.5 years
Debt-coverage ratio	At least 125%	165%
Secured loans	Max. 20%	1.2%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 3.0 times	3.0 times
Fixed-rate period	3–8 years	5.0 years
Fixed-rate maturity	Max. 40% >1 year	23%
<b>Counterparty risk</b>		
Financial instruments	A- (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Max. 20%	1.5%

The Group's capital structure consists of interest-bearing net debt and equity attributable to Parent Company shareholders. Equity consists of share capital, other capital contributions as well as retained earnings. At 31 December 2023, the share capital was divided between 100,001,000 shares with a par value of SEK 0.01 per share.

### Dividend Policy

Hemsö's dividend policy is that dividends should amount to half of the total profit from property management. When determining the dividend proposal, the Board accounts for such factors as the company's investment plans, consolidation needs and financial position in general.

## Note 20 Financial assets and liabilities

### Group Accounting policies financial instruments

Financial instruments are every form of agreement that gives rise to a financial asset in a company and a financial liability or an instrument pertaining to equity in another company. Financial instruments recognised on the assets side of the balance sheet include cash and cash equivalents, accounts receivable, other long-term receivables, other receivables and derivatives. Liabilities include accounts payable, bond loans, commercial papers, bank loans, minority shareholder loans, other liabilities and derivatives. Recognition depends on how the financial instruments have been classified.

#### Classification and measurement of financial assets

The Group's financial assets are measured at amortised cost.

Accounts and rent receivable are initially measured at invoiced value. The assets are covered by a loss allowance for expected credit losses.

Derivatives: are classified and measured at fair value through profit or loss unless they are classified as hedging instruments and the effective portion of the hedge is recognised in "Other comprehensive income." Fair value is determined according to the following description.

#### Classification and measurement of financial liabilities

Financial liabilities are measured at amortised cost except for derivatives.

Derivatives: are classified and measured at fair value through profit or loss unless they are classified as hedging instruments and the effective portion of the hedge is recognised in "Other comprehensive income."

To determine the fair value of interest-rate derivatives, market rates are used for each term listed on the closing date and generally accepted calculation methods, which means that their fair value measurement is a level 2 input according to IFRS 13. The carrying amount is based on measurements from bank counterparties and verified against an internal measurement based on observable market data. Closing date exchange rates are used to determine the fair value of foreign exchange swaps.

#### Impairment of financial assets

The Group's financial assets, except those measured at fair value through profit or loss or equity instruments not measured at fair value through other comprehensive income, are subject to impairment on expected credit losses.

The calculations of expected credit losses at 31 December 2023 did not add up to any material amounts for the Group. The Group has not therefore recognised any provisions for expected credit losses.

The following table presents the Group's financial assets and liabilities, at carrying amount and fair value, respectively, classified into categories in accordance with IFRS 9.

## Note 20, cont.

## Measurement of financial assets and liabilities at 31 Dec 2023

	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities measured at fair value through other comprehensive income	Financial assets/ liabilities measured at amortised cost	Total carrying amount	Total fair value
<b>Financial assets</b>					
Non-current receivables in joint ventures	–	–	–	–	–
Other non-current receivables	–	–	107	107	107
Rent and accounts receivable	–	–	68	68	68
Derivative instruments	136	–	–	136	136
Other current receivables	–	–	1,696	1,696	1,696
Accrued income	–	–	1	1	1
Cash and cash equivalents	–	–	1,593	1,593	1,593
<b>Total</b>	<b>136</b>	<b>–</b>	<b>3,465</b>	<b>3,601</b>	<b>3,601</b>
<b>Financial liabilities</b>					
Bond loans	–	–	39,203	39,203	35,701
Schuldschein (NSV)	–	–	832	832	832
Bank loans	–	–	6,037	6,037	6,037
Commercial papers	–	–	4,751	4,751	4,751
Derivative instruments	323	–	–	323	323
Accounts payable	–	–	554	554	554
Other liabilities	–	–	1,382	1,382	1,382
Accrued expenses	–	–	463	463	463
<b>Total</b>	<b>323</b>	<b>–</b>	<b>53,222</b>	<b>53,545</b>	<b>50,043</b>

The Group's maximum credit risk consists of the net amounts in the table above. The Group did not receive any pledged assets for the net financial assets.

## Measurement of financial assets and liabilities at 31 Dec 2022

	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities measured at fair value through other comprehensive income	Financial assets/ liabilities measured at amortised cost	Total carrying amount	Total fair value
<b>Financial assets</b>					
Non-current receivables in joint ventures	–	–	34	34	34
Rent and accounts receivable	–	–	64	64	64
Derivative instruments	414	–	–	414	414
Other current receivables	–	–	575	575	575
Accrued income	–	–	2	2	2
Cash and cash equivalents	–	–	526	526	526
<b>Total</b>	<b>414</b>	<b>–</b>	<b>1,201</b>	<b>1,615</b>	<b>1,615</b>
<b>Financial liabilities</b>					
Bond loans	–	–	38,813	38,813	32,896
Schuldschein (NSV)	–	–	835	835	835
Bank loans	–	–	4,923	4,923	4,923
Commercial papers	–	–	4,996	4,996	4,996
Derivative instruments	168	–	–	168	168
Accounts payable	–	–	468	468	468
Other liabilities	–	–	851	851	851
Accrued expenses	–	–	371	371	371
<b>Total</b>	<b>168</b>	<b>–</b>	<b>51,257</b>	<b>51,425</b>	<b>45,508</b>

## Derivative instruments on the Group's balance sheet

Derivative instruments are mainly used to achieve the desired fixed-rate period in the loan portfolio. In addition, foreign exchange swaps are used to eliminate all currency exposure on foreign currency loans.

	2023	2022
<b>Recognised as financial assets</b>		
Interest-rate derivatives	1	–
Cross currency swaps	135	414
<b>Total</b>	<b>136</b>	<b>414</b>
<b>Recognised as financial liabilities</b>		
Interest-rate derivatives	40	–
Cross currency swaps	284	168
<b>Total</b>	<b>323</b>	<b>168</b>
<b>Net derivative instruments</b>	<b>187</b>	<b>-246</b>

## Financial liabilities

Group	Market value 31 Dec 2023	Market value 31 Dec 2022
<b>Statement of financial position</b>		
<i>Interest-bearing liabilities</i>		
Bond loans	39,203	38,813
Schuldschein (NSV)	832	835
Commercial papers	4,751	4,996
Bank loans	6,037	4,923
<b>Total</b>	<b>50,823</b>	<b>49,567</b>
Amount, opening balance	49,567	42,498
Borrowings	5,907	9,403
Loan repayment	-4,055	-5,002
Commercial papers	-245	506
Exchange-rate differences	-385	2,135
Discounts/premiums	36	27
<b>Liabilities, closing balance</b>	<b>50,823</b>	<b>49,567</b>

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 50,823 million (49,567). The debt portfolio comprised uncovered bonds of SEK 39,203 million (38,813), commercial papers of SEK 4,751 million (4,996), unsecured bank loans of SEK 5,037 million (4,923), secured bank loans of SEK 1,000 million (–) and unsecured Schuldschein (NSV) loans of SEK 832 million (835). Available liquidity amounted to SEK 15,216 million (14,026), of which bank deposits accounted for SEK 1,593 million (526), and undrawn credit facilities for SEK 13,623 million (13,500). At the closing date, Hemsö's average interest rate was 2.3 per cent (1.8).

Note 20, cont.

Maturity structure, financial liabilities – undiscounted cash flows	Group	
	2023	2022
Interest-bearing liabilities due within 1 year of the closing date	10,270	9,263
Other non-interest-bearing liabilities due within 1 year of the closing date	2,399	1,690
Interest-bearing liabilities due within 1–5 years of the closing date	25,492	19,000
Interest-bearing liabilities due later than 5 years after the closing date	20,340	26,244
<b>Total excluding deferred tax liabilities and interest-rate derivatives</b>	<b>58,501</b>	<b>56,197</b>

The table includes the undiscounted values of future interest payments.

Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreements, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2024	4,465	4,465	8.78	11,566	22.76
2025	16,405	5,405	10.63	3,687	7.25
2026	8,389	7,389	14.54	6,604	12.99
2027	3,400	3,400	6.69	1,991	3.92
2028	8,378	6,878	13.53	7,098	13.97
2029	4,443	4,443	8.74	5,501	10.82
2030	2,471	2,471	4.86	2,780	5.47
2031	1,328	1,328	2.61	1,217	2.39
2032	1,278	1,155	2.27	1,155	2.27
2033	1,664	1,664	3.27	1,686	3.32
2034	1,110	1,110	2.18	1,110	2.18
2035	1,496	1,496	2.94	1,497	2.94
2036	–	–	–	–	–
2037	1,049	1,049	2.06	1,049	2.06
2038-	3,820	3,820	7.52	3,882	7.64
<b>Total</b>	<b>59,696</b>	<b>46,072</b>	<b>90.65</b>	<b>50,823</b>	<b>100.00</b>
Commercial papers		4,751	9.35		
<b>Total</b>		<b>50,823</b>	<b>100.00</b>		

Sensitivity analysis, interest-rate fluctuations	Effect on net interest income (12 months) SEK million
+/-1 percentage point change in the loan portfolio's average interest rate	+/- 492
+1 percentage point change in the short-term market rate (≤ 3 months)	144
-1 percentage point change in the short-term market rate (≤ 3 months)	-144

Financial risks and risk management

Hemsö's financing activities are conducted in accordance with the Financial Policy established by the Board, which regulates the frameworks and guidelines for Hemsö's financing and treasury management. The Group's financial transactions and risks are managed centrally by the Group's Treasury Unit. The Financial Policy outlines the overall delegation of responsibilities for financing activities, and the relevant mandates and limits for Hemsö's financial risk management.

Financing risk

Financing risk is the risk of not being able to access the capital required by Hemsö's operations, or that financing can only be obtained at a significantly higher cost. Much of Hemsö's capital is secured through external borrowing. As these loans mature, they must be repaid or renewed. The conditions for Hemsö to refinance the loan facilities on acceptable terms as they expire depend on the amount of credit available in the market, Hemsö's financial position and the market's credit risk margins on those dates. Hemsö has credit agreements with several banks, a balanced maturity spread and is active in the capital market to achieve a diverse supply of capital.

Interest-rate risk

Interest-rate risk is the risk that market-rate fluctuations will have a negative impact on Hemsö's cash flow, or on the fair value of financial assets and liabilities. Hemsö's interest expense is the Group's largest single cost item. Interest expense is mainly affected by current market rates, lenders' margins and the strategy that Hemsö chooses for fixed-rate periods. The management of Hemsö's interest-rate risk includes interest-rate derivatives with a range of maturities in order to extend the loan portfolio's fixed-rate period and thereby achieve stable and more predictable net interest income.

Counterparty risk

Counterparty risk is the risk that a financial counterparty cannot fulfil all or some of its obligations. This includes interest-rate derivatives, long and short-term credit agreements and the investment of temporary liquidity surpluses. Hemsö only enters into transactions with counterparties with high credit ratings.

Currency risk

Currency risk is the risk that exchange-rate fluctuations will affect Hemsö's income statement and balance sheet. Hemsö's currency risk is limited to EUR and pertains to the properties owned by the Group in Germany and Finland. The foreign properties are financed with external financing in EUR, which minimises risk. Hemsö owns 83 properties (80) in Finland and 87 properties (87) in Germany, entailing EUR exposure. The properties are financed with equity, intra-Group loans and external loans. At 31 December 2023, external interest-bearing liabilities in EUR corresponded to SEK 30,269 million (31,582). At the same date, the market value of property assets in Finland and Germany corresponded to SEK 28,671 million (29,684), plus additional assets in joint ventures in EUR corresponding to SEK 1,409 million (1,463). Hemsö's bank deposits in EUR corresponded to SEK 613 million (665). At the closing date, the hedged amount in EUR corresponded to SEK 0 million (0). Net exposure at 31 December 2023, defined as property assets, cash and currency hedging less interest-bearing liabilities in EUR corresponded to SEK 423 million (230). Hemsö also has bonds in NOK, AUD, JPY and USD where the currency risk has been eliminated by cross currency swaps. Since Hemsö applies IAS 21, most of the company's exchange-rate differences are recognised directly in equity. Hemsö's EUR bonds corresponding to SEK 19,357 million in the EMTN programme, loans in EUR equivalent SEK 3,437 million from the EIB and

CEB, Schuldschein in EUR equivalent SEK 832 million and cross currency swaps of SEK 6,643 million are hedged against net investments in foreign subsidiaries. Only a minor portion of the exchange-rate differences are recognised in profit or loss.

Liquidity risk

Liquidity risk is the risk of not having access to cash and cash equivalents or credit facilities to meet payment commitments. Hemsö's payment commitments mainly comprise the ongoing costs of operation and maintenance, investments, interest expense and debt repayments. Hemsö has a liquidity buffer and performs regular liquidity forecasts to increase predictability and ensure sufficient time to meet loan maturities and other major payment obligations.

Hedge accounting

Accounting policies hedge accounting

The Group applies hedge accounting according to IAS 39 for loans intended to hedge currency risk in net investments in foreign operations.

Hemsö is exposed to currency risk through the company's investments in Finland and Germany. This currency risk is managed by financing assets in EUR with external loans in EUR as well as NOK, AUD, JPY and USD. Loans in other currencies than EUR are managed through cross currency swaps when the currency is exchanged for EUR. Derivatives attributable to currency risk management comprises two instruments, cross currency swaps and foreign exchange swaps. To the extent an effective hedging relationship exists, the exchange rate change on loans is recognised in other comprehensive income, and thereby offsets exchange-rate fluctuations in net investments in foreign operations. Exchange-rate changes in the ineffective portion of a hedging relationship are recognised immediately in net interest income on the income statement. Hedges are designed so that they can be expected to be effective – a financial connection is expected because the hedging instrument offsets changes in the fair value of exchange rates in the hedged item. The financial connection is preferably determined by a high-quality analysis of the critical terms of the hedging relationship. Sources of hedge ineffectiveness include the risk that the hedged volume in hedging instruments exceeds the net investment. The Group monitors the currency exposure of net investments on a regular basis, and hedge accounting is only applied to a proportion of the total exposure, which is why the risk of ineffectiveness is considered low.

At 31 December 2023, the Group's holdings of debt in foreign currency were allocated between the following underlying amounts and maturities.

Maturity analysis, hedging instruments

Hedging instruments identified in hedging relationships at 31 December 2023.

Hedging instrument – hedge accounting applied, SEK million	1–5 years	Due 5–10 years	10+ years	Total nominal amount
Foreign currency-denominated debt – currency hedging of net investments in foreign operations				
EUR debt, nominal amount*	13,654	9,897	7,099	30,651

\*Translated to SEK million at the closing rate.

Net investments in foreign operations – hedged item

	2023	2022
Hedged amount, net investments in foreign operations	34,121	32,294

Note 20, cont.

Effects of hedge accounting on financial position and results  
– Reconciliation of translation reserve

	Translation reserve	
	2023	2022
<b>Opening carrying amount</b>	<b>388</b>	<b>206</b>
Currency translation effects from net investments in foreign operations	-72	1,682
Revaluation of foreign currency debt designated as a hedging instrument	96	-1,889
<b>Total additional items recognised in other comprehensive income</b>	<b>24</b>	<b>-207</b>
Tax effect recognised in other comprehensive income	-20	389
<b>Closing carrying amount, entirely attributable to continuous hedging</b>	<b>392</b>	<b>388</b>

Effects of hedge accounting on financial position and results – Current hedging relationships

SEK million	Hedging instruments identified in hedging relationships at 31 December 2023			The period – change in fair value, for measurement of ineffectiveness	
	Nominal amount	Carrying amount	Balance sheet item	Hedging instrument	Hedged item
<i>Currency hedging of net investments in foreign operations</i>					
Foreign currency debt*	30,651	30,534	Interest-bearing liabilities	96	96

\*Translated to SEK million at the closing rate.

The hedge ratio is 1:1 for all of the Group's hedges.  
The Group did not recognise any ineffectiveness during the period.

Effects of hedge accounting on financial position and results – Current hedging relationships

SEK million	Hedging instruments identified in hedging relationships at 31 December 2022			The period – change in fair value, for measurement of ineffectiveness	
	Nominal amount	Carrying amount	Balance sheet item	Hedging instrument	Hedged item
<i>Currency hedging of net investments in foreign operations</i>					
Foreign currency debt*	30,856	30,739	Interest-bearing liabilities	-1,889	-1,889

\*Translated to SEK million at the closing rate.

The hedge ratio is 1:1 for all of the Group's hedges.  
The Group did not recognise any ineffectiveness during the period.

Parent Company

Accounting policies financial instruments

Due to the relationship between accounting and taxation, the requirements for financial instruments under IFRS 9 are not applied in the Parent Company as a legal entity. The Parent Company applies the cost method in accordance with the Swedish Annual Accounts Act.

The Parent Company's financial guarantees consist of guarantees on behalf of Group companies. The Parent Company applies the exception of not recognising financial guarantee contracts on behalf of subsidiaries and joint ventures under the requirements of IFRS 9, but recognises financial guarantee contracts as provisions on the balance sheet when the company has an obligation for which payment is probable, otherwise the obligation is recognised as a contingent liability.

Other non-current receivables from Group companies

	Market value 31 Dec 2023	Market value 31 Dec 2022
<b>Opening carrying amount</b>	<b>16,527</b>	<b>33,862</b>
Additional receivables	12,539	2,195
Deductible receivables	-11,097	-273
Exchange-rate differences	771	994
Reclassifications	4,295	-20,251
<b>Closing carrying amount</b>	<b>23,035</b>	<b>16,527</b>

Note 21 Pledged assets

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Property mortgages	6,977	6,850	–	–
Receivables from subsidiaries	–	–	6,977	6,850
<b>Total</b>	<b>6,977</b>	<b>6,850</b>	<b>6,977</b>	<b>6,850</b>

The assets are mainly pledged for revolving credit facilities. Loan agreements usually include obligations related to the interest-coverage ratio and loan volume in relation to the fair value of the properties.

Note 22 Contingent liabilities

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Liability as partner in unlimited/limited partnerships	–	–	10	28
Guarantees on behalf of Group companies	–	–	–	125
<b>Total</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>153</b>

Commitments leading to expenses for restoring contaminated soil or other environmental obligations for owned properties may arise in the future. Expenses may arise, for example, in the form of additional costs in connection with new construction or extensions, or price discounting on the sale of a property. The assessment of any future amounts is not possible at this stage.

Hemsö is involved in a number of minor disputes with tenants, mainly regarding ongoing management issues, which may result in future obligations. Costs may, for example, take the form of fees for advisory services in connection with negotiations. The assessment of any future amounts in relation to these disputes is not possible at present.



## Note 23 Supplemental disclosures of cash flow information

### Accounting policies statement of cash flows

The statement of cash flows has been prepared using the indirect method. Cash flows from realised value changes in connection with sales of properties are recognised together with other sales proceeds under investing activities. Purchase or sale of properties via companies that are asset acquisitions are recognised on a separate line as acquisition of properties or divestment of properties. Selling expenses are recognised under investing activities as a deduction from the sales proceeds of the year in which the cash flow occurs. Acquisition costs are recognised in the same way under investing activities.

Group	2023	2022
Only cash and bank balances are included in cash and cash equivalents		
<b>Cash flows</b>		
Interest received	35	17
Interest paid	-979	-466
<b>Acquisition of subsidiaries</b>		
<i>Acquired assets and liabilities</i>		
Investment properties	153	1,486
Operating receivables	0	13
<b>Total assets</b>	<b>154</b>	<b>1,499</b>
Deferred tax liabilities	–	1
Operating liabilities	3	25
<b>Total liabilities</b>	<b>3</b>	<b>26</b>
Proceeds paid, shares	-12	-482
Proceeds paid, repayment of loans	-155	-1,003
Additional: Cash and cash equivalents in the acquired operations	16	12
<b>Effect on cash and cash equivalents – acquisition of properties via companies</b>	<b>-151</b>	<b>-1,474</b>
Effect on cash and cash equivalents – direct acquisition of properties	-200	-1,394
<b>Acquisition of properties</b>	<b>-351</b>	<b>-2,867</b>
<b>Divestment of subsidiaries</b>		
<i>Divested assets and liabilities</i>		
Investment properties	93	397
Operating receivables	2	2
<b>Total assets</b>	<b>95</b>	<b>399</b>
Deferred tax liabilities	0	3
Operating liabilities	2	3
<b>Total liabilities</b>	<b>2</b>	<b>6</b>
Purchase price received, shares	62	196
Proceeds received, repayment of loans	27	184
Less: Cash and cash equivalents in the divested operation	–	0
<b>Effect on cash and cash equivalents – divestment of properties via companies</b>	<b>90</b>	<b>380</b>
Effect on cash and cash equivalents – direct divestment of properties	0	3,429
<b>Divestment of properties</b>	<b>90</b>	<b>3,809</b>

Group	2023	2022
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment	20	17
Exchange differences, unrealised	1	15
Share of loss from joint ventures, loss from property management	-65	-74
<b>Total</b>	<b>-44</b>	<b>-42</b>

Group	Specification of changes in liabilities attributable to financing activities	Items affecting cash flow			Items not affecting cash flow			31 Dec 2023
		31 Dec 2022	New loans	Loan repayment	Exchange-rate fluctuations	Discounts/premiums	Leases	
	Non-current interest-bearing liabilities	41,064	942	-47	-392	41	–	41,608
	Current interest-bearing liabilities	8,503	6,009	-5,296	–	–	–	9,216
	Lease liabilities	932	–	–	-3	–	59	988
	<b>Total interest-bearing liabilities</b>	<b>50,499</b>	<b>6,951</b>	<b>-5,343</b>	<b>-392</b>	<b>41</b>	<b>59</b>	<b>51,811</b>

Parent Company	2023	2022	Parent Company	2023	2022
Only cash and bank balances are included in cash and cash equivalents			<b>Adjustment for non-cash items</b>		
<b>Cash flows</b>			Depreciation/amortisation and impairment	1	25
Interest received	1,057	750	Profit/loss from divestment of participations	0	-129
Interest paid	-1,178	-482	Share of profit/loss from Unlimited/Limited partnerships	-10	4
			Exchange-rate differences	-358	714
			Change in value of derivatives	156	75
			<b>Total</b>	<b>-211</b>	<b>689</b>

Parent Company	Items affecting cash flow			Items not affecting cash flow		31 Dec 2023
Specification of changes in liabilities attributable to financing activities	31 Dec 2022	New loans	Loan repayment	Exchange-rate fluctuations	Discounts/premiums	
Non-current interest-bearing liabilities	41,034	942	-47	-392	34	41,572
Current interest-bearing liabilities	8,503	6,009	-5,296	–	–	9,216
<b>Total interest-bearing liabilities</b>	<b>49,538</b>	<b>6,951</b>	<b>-5,343</b>	<b>-392</b>	<b>34</b>	<b>50,787</b>

## Note 24 Related-party transactions

### Accounting policies related-party transactions

The delivery of services between Group companies and other related companies and individuals is based on commercial terms and market prices.

#### Parent Company

During the year, dividends totalling SEK 311 million (451) were paid to the Parent Company. See Note 9 regarding Profit/loss from participations in Group companies. The Parent Company also made a withdrawal of SEK 38 million (-) from the limited partnership in the Group. The Parent Company leases office space from subsidiaries on market terms. Of the company's total purchasing and sales measured in SEK, 0 per cent (0) pertains to purchases and 100 per cent (100) to the net sales of other Group companies.

#### Parent Company owners

Hemsö is 70 per cent owned by Tredje AP-fonden and 30 per cent by Hemsö Intressenter AB. Hemsö Intressenter AB is 50 per cent owned by AP3 and 50 per cent by AB Sagax. In 2023, dividends totalling SEK 1,155 million were paid to the Parent Company's owners. The Third Swedish National Pension Fund has provided shareholder contributions of SEK 1,250 million and Hemsö Intressenter AB contributions of SEK 450 million to Hemsö. The Third Swedish National Pension Fund also contributed SEK 500 million to Hemsö Norden KB, which is jointly owned by Hemsö Fastighets AB and AP3. This company is consolidated in Hemsö's consolidated financial statements. Hemsö has an underwriting guarantee of SEK 6,000 million from the Third Swedish National Pension Fund.

#### Board of Directors

For information about remuneration, see Note 7. No Board member was directly or indirectly involved in any business transaction with Hemsö as counterparty. For a presentation of the Board of Directors, refer to page 80.

#### Group Management

For information about remuneration, see Note 7. No senior executive was directly or indirectly involved in any business transaction with Hemsö as counterparty. For a presentation of Group Management, refer to page 81.

#### Subsidiaries

Holdings are presented in Note 16.

#### Joint ventures

Holdings are presented in Note 17. The Group's share of profit from joint ventures amounted to SEK -14 million (82).

## Note 25 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Prepaid rental income	699	638	–	–
Accrued interest expense	358	243	358	243
Accrued personnel costs	26	23	19	17
Other items	136	129	34	4
<b>Total</b>	<b>1,218</b>	<b>1,033</b>	<b>410</b>	<b>264</b>

## Note 26 Events after the closing date

An agreement was reached to extend the Eketånga Montessori School in Halmstad by 400 square metres and a 20-year lease agreement was signed in January.

Fitch Ratings has updated its rating criteria and chosen to place Hemsö Under Criteria Observation for a possible upgrade. It means Hemsö's credit rating may be upgraded due to the new criteria.

The City of Helsinki has chosen Hemsö in a public procurement for the acquisition and re-development of Vallila Primary School. The City will sell the existing school building to Hemsö. A 20-year lease agreement will be signed.

Hemsö is leasing 600 square metres of a medical centre and baby clinic to Praktikertjänst in Ystad. A 10-year lease agreement has been signed.

## Note 27 Proposed appropriation of profits

Due to the Board's proposed dividend, the Board and the CEO hereby issue the following statement, based on Chapter 18, Section 4 of the Swedish Companies Act.

The proposed dividend of SEK 11.73 per share is based on the annual accounts for 2023, which will be presented to the Annual General Meeting for adoption on 24 April 2024, with consideration for the company's investment and liquidity requirements. After the dividend, the equity/assets ratio would be considered satisfactory in light of the continued profitability of the operations conducted by the Parent Company and the Group. Access to liquidity for both the Parent Company and the Group is expected to remain favourable. The Board's view is that the proposed dividend will not prevent the company, or any other Group companies, from meeting their short-term or long-term obligations, or from completing any necessary investments.

The proposed dividend can thereby be justified by reference to the provisions of Chapter 17, Paragraph 3, Sections 2–3 of the Swedish Companies Act (the prudence concept).

#### Unappropriated earnings available for distribution by the Annual General Meeting, SEK:

Retained earnings	4,288,204,825
Share premium reserve	1,000,000,000
Profit for the year	102,641,445
<b>Total</b>	<b>5,390,846,271</b>

#### The Board proposes that the profits be appropriated as follows, SEK:

To shareholders	1,173,000,000
<b>To be carried forward:</b>	
Share premium reserve	1,000,000,000
Retained earnings	3,217,846,271
<b>Total</b>	<b>5,390,846,271</b>

## Signing of the annual accounts

The undersigned assure that the annual accounts and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with generally accepted accounting principles, and give a true and fair view of the Group's and the company's financial position and results, and that the Directors' Report gives a fair review of the development of the Group and the company's operations, position and results and describes the significant risks and uncertainties faced by the companies included in the Group.

The annual accounts also contain the Group's and the Parent Company's Sustainability Report and information about the central components for understanding the company's performance, position and results as well as the impact of operations, including disclosures on matters relating to environment, social conditions, employees, respect for human rights and combatting corruption.

The Board of Directors confirms that, to the best of its knowledge and belief, the Sustainability Report has been prepared in accordance with the Swedish Annual Accounts Act and contains no material misstatements and that no material information has been omitted.

This annual report has been signed with an electronic signature.  
The date of signing is shown in the electronic signature.

**Kerstin Hessius**  
Chairman of the Board

**Maria Björklund**  
Board member

**Staffan Hansén**  
Board member

**David Mindus**  
Board member

**Johanna Skogestig**  
Board member

**Johan Thorell**  
Board member

**Nils Styf**  
Chief Executive Officer

Our audit report was submitted on the date of  
our electronic signature.  
KPMG AB

**Peter Dahllöf**  
Authorised Public Accountant



# Auditor's Report

To the general meeting of the shareholders of Hemsö Fastighets AB, corp. id 556779-8169

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Hemsö Fastighets AB for the year 2023, except for the corporate governance statement on pages 81–84.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 81–84. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Valuation of investment properties

See disclosure 2 and 14 and accounting principles on page 97 in the annual account and consolidated accounts for detailed information and description of the matter.

### Description of key audit matter

- Investment properties are reported in the consolidated accounts at fair value.
- The fair value of the properties has been determined based on valuations performed by independent external valuers.
- Given the investment properties' significant share of the Group's total assets and the element of assessments included in the valuation process, this constitutes a key audit matter in our audit.
- The risk is that the book value of investment properties may be overestimated or underestimated and that any adjustment of the value directly affects the profit for the period.

### Response in the audit

- We have considered whether the applied valuation methodology is reasonable by comparing it with our experience of how other real estate companies and valuers work and what assumptions are normal when valuing comparable objects.

- We have assessed the competence and independence of the external valuers and we have reviewed the valuers' assignment agreements in order to assess whether there are contractual terms that may affect the scope or direction of the external valuers' assignments.
- We have randomly tested the established property valuations. In doing so, we have used current market data from external sources, especially regarding assumptions about yield requirements, discount rates, rental levels and vacancies.
- We have checked the accuracy of the information about the investment properties that the company provides in the annual report, especially with regard to elements of assessments and applied key assumptions.
- We have particularly taken into account effects on both cash flows and yield in relation to the macroeconomic situation.

### Other Information than the annual accounts and consolidated accounts

The other information can be found on pages 1–60 and 122–134, which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a com-

pany and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hemsö Fastighets AB for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support

for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 50-55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Hemsö Fastighets AB by the general meeting of the shareholders on the April 27, 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2022.

Stockholm date according by our electronic signature  
KPMG AB

Peter Dahllöf  
Authorised Public Accountant

## Key ratio calculations

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provide useful supplemental information for investors and company management since they enable evaluation of the company's earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable with the measures used by other companies. Amounts in SEK million.

Hemsö's  
list of properties



Return on equity	Jan-Dec 2023	Jan-Dec 2022
Profit/loss for the year	-2,721	2,563
Average equity	29,092	29,189
<b>Return on equity, %</b>	<b>-9.4</b>	<b>8.8</b>

Valuation yield	31 Dec 2023	31 Dec 2022
Net operating income in profit or loss	3,631	3,032
Adjustment for 12-month holdings and currency	-45	138
Adjustment development properties	-100	-134
<b>Adjusted net operating income</b>	<b>3,486</b>	<b>3,036</b>
Investment properties	82,624	84,879
Adjustment development properties	-7,871	-11,464
<b>Adjusted market value of properties</b>	<b>74,753</b>	<b>73,415</b>
<b>Property yield, %</b>	<b>4.7</b>	<b>4.1</b>

Total yield	Jan-Dec 2023	Jan-Dec 2022
Net operating income	3,631	3,032
Value change, investment properties	-5,287	589
<b>Total</b>	<b>-1,656</b>	<b>3,621</b>
Opening value investment properties	84,879	75,737
Closing value investment properties	82,624	84,879
Adjustment to year's changes in value	5,287	-589
<b>Adjusted average market value of properties</b>	<b>86,395</b>	<b>80,013</b>
<b>Total yield, %</b>	<b>-1.9</b>	<b>4.5</b>

Profit from property management	Jan-Dec 2023	Jan-Dec 2022
Profit after net interest income	2,267	2,317
Reversal		
<i>Changes in value, joint ventures</i>	91	-35
<i>Tax, joint ventures</i>	-13	27
<b>Profit from property management</b>	<b>2,345</b>	<b>2,309</b>

Return on profit from property management	Jan-Dec 2023	Jan-Dec 2022
Profit from property management x 90%	2,111	2,078
Average equity	29,092	29,189
<b>Return on profit from property management, %</b>	<b>7.3</b>	<b>7.1</b>

Interest-coverage ratio	Jan-Dec 2023	Jan-Dec 2022
Net operating income	3,631	3,032
Central administrative expenses	-196	-183
Dividends from joint ventures	45	21
<b>Total</b>	<b>3,480</b>	<b>2,869</b>
Net interest income	-1,154	-613
<b>Interest-coverage ratio, times</b>	<b>3.0</b>	<b>4.7</b>

Operating cash flow	Jan-Dec 2023	Jan-Dec 2022
Profit from property management	2,345	2,309
Dividends from joint ventures	45	21
Tax paid	-17	-113
<i>Reversal:</i>		
<i>Loss from property management participations in joint ventures</i>	-65	-74
<i>Depreciation</i>	20	17
<b>Operating cash flow</b>	<b>2,329</b>	<b>2,160</b>

Loan-to-value ratio	31 Dec 2023	31 Dec 2022
Interest-bearing debt	50,823	49,567
Less cash and cash equivalents	-1,593	-526
<b>Net debt</b>	<b>49,230</b>	<b>49,041</b>
Investment properties	82,624	84,879
Investments in joint ventures	1,631	1,665
<b>Total</b>	<b>84,255</b>	<b>86,544</b>
<b>Loan-to-value ratio, %</b>	<b>58.4</b>	<b>56.7</b>

Debt-coverage ratio	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	1,593	526
Undrawn committed credit facilities	13,623	13,500
<b>Available liquidity</b>	<b>15,216</b>	<b>14,026</b>
Short-term borrowings	9,216	8,503
<b>Debt-coverage ratio, %</b>	<b>165</b>	<b>165</b>

Share of secured debt	31 Dec 2023	31 Dec 2022
Secured debt outstanding	1,000	-
Investment properties	82,624	84,879
<b>Secured debt, %</b>	<b>1.2</b>	<b>0.0</b>

Operating margin	Jan-Dec 2023	Jan-Dec 2022
Operating profit	3,421	2,931
Property income	4,859	4,097
<b>Operating margin, %</b>	<b>70.4</b>	<b>71.5</b>

Equity/assets ratio	31 Dec 2023	31 Dec 2022
Equity	28,156	30,028
Total assets	89,231	89,447
<b>Equity/assets ratio, %</b>	<b>31.6</b>	<b>33.6</b>

Net asset value	31 Dec 2023	31 Dec 2022
Equity	28,156	30,028
Interest-rate derivatives	38	-
Deferred tax	5,954	6,557
<b>Net asset value</b>	<b>34,149</b>	<b>36,586</b>

Adjusted equity/assets ratio	31 Dec 2023	31 Dec 2022
Equity	28,156	30,028
Interest-rate derivatives	38	-
Deferred tax	5,954	6,557
<b>Net asset value</b>	<b>34,149</b>	<b>36,586</b>
Assets	89,231	89,447
<b>Adjusted equity/assets ratio, %</b>	<b>38.3</b>	<b>40.9</b>

## Definitions

### Financial definitions

#### Share of secured debt

Interest-bearing secured debt in relation to investment properties.

#### Return on profit from property management

Profit from property management after 10 per cent standard tax in relation to average equity. Average equity calculated as the total of the opening and closing balance, divided by two.

#### Return on equity

Net profit in relation to average equity.

#### Loan-to-value ratio

Net debt in relation to investment properties and investments in joint ventures.

#### Property yield

Net operating income over the past 12 months, adjusted for the holding period and currency of the properties during the period, in relation to market value of properties at period-end, excluding development properties.

#### Available liquidity

Cash and cash equivalents and short-term investments plus undrawn committed credit facilities.

### Property-related definitions

#### Net operating income

Rental income less operating and maintenance costs and property tax, ground rent not included in net operating income.

#### Economic occupancy rate

Contracted annual rental income in relation to rental value.

#### Rental income

Rental income for the period less vacancies, rent reductions and rental losses.

#### Lease duration

The weighted average remaining lease duration, excluding garage/parking storage and housing let to private individuals.

#### Rental value

Contracted annual rental income plus vacancy rent.

#### Profit from property management

Profit or loss after net interest income after reversal of changes in value and tax from participations in joint ventures.

#### Average interest rate

The weighted interest rate on interest-bearing liabilities with consideration for interest-rate derivatives and committed credit facilities on the closing date.

#### Investments in joint ventures

Share of equity in joint ventures and lending to joint ventures.

#### Adjusted equity/assets ratio

Net asset value in relation to total assets.

#### Loan maturity

The average of the remaining term of interest-bearing liabilities, including the duration of undrawn committed credit facilities.

#### Short-term borrowings

Loan maturities within 12 months (current interest-bearing liabilities).

#### Comparable portfolio

The properties owned throughout the entire period and entire comparative period and not classified as development properties during these periods.

#### Contracted annual rent

Contracted annual rental income less rent reductions and rental losses.

#### Net investments

Total of purchasing, including stamp duty and other direct transaction costs and investments in development projects, less the selling price of properties sold and the selling price of properties sold via companies and direct transaction costs.

#### Development property

Properties under construction and development rights. Development properties also include properties where a significant part of the space has been vacated in order to convert and develop the property.

#### EMTN programme

European bond programme.

#### Net debt

Interest-bearing liabilities less cash and cash equivalents and current investments.

#### Operating cash flow

Profit from property management after reversal of depreciation and amortisation and profit from property management in joint ventures less tax paid plus dividends from joint ventures.

#### Interest-coverage ratio

Net operating income less central administrative expenses plus dividends from joint ventures in relation to net interest expense.

#### Interest-bearing liabilities

Interest-bearing liabilities, excluding interest-bearing debt and right-of-use assets.

#### Operating margin

Operating profit in relation to property income.

#### Public property

A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Assisted living is also included in the public properties concept.

#### Large cities

The definition of large cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

#### Lettable area

The areas of the properties for which tenants can be debited rent at period-end.

#### Rent based on vacancy rate

Rental value of vacancy rent as a percentage of total rental value.

#### Operating profit/loss

Net operating income plus share of profit of joint ventures and administrative expenses.

#### Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

#### Equity/assets ratio

Equity in relation to total assets.

#### Net asset value

Equity plus deferred tax and interest-rate derivatives.

#### Total yield

The sum of net operating income and changes in value in relation to the average market value of properties, adjusted for changes in value over a rolling 12-month period.

#### Currency exposure

Net of properties, joint ventures, cash and foreign currency liabilities less currency hedging as a percentage of equity.

#### Vacancy rent

Estimated market rent for vacant premises in "as-is" condition.

#### NOI margin

Net operating income in relation to the sum of rental income and other income.



# Reporting – Sustainability bonds

Hemsö is the first issuer of sustainability bonds in the Nordic region. The total amount issued since 2016 is SEK 12.9 billion.

## First in the Nordic region

In 2016, Hemsö was the first Nordic company to issue a sustainability bond, which paved the way for continued issues of sustainability bonds. In 2023, Hemsö issued eight more sustainability bonds, with a total issuance value of SEK 3,725 million. The proceeds were used exclusively for sustainable investing and properties. Hemsö's sustainability bond framework provides a clear definition of the project types and properties that can be financed. Hemsö was the first company in the Nordic region to incorporate social investment into its framework. The complete framework is available at [hemso.se](https://hemso.se) Hemsö's sustainability bonds are listed on the Euronext ESG Bond list – a community of ESG bond issuers (green, sustainability, blue and sustainability-linked bonds).

Hemsö's vision is to strengthen the backbone of society. The properties we develop and manage have a major impact on the local community. Hemsö's business concept is to sustainably own, manage and develop public properties. That means being a long-term and responsible property owner that, in every aspect of our operations, conducts sustainable business under the framework of the 2030 Agenda for Sustainable Development.

Hemsö's properties are part of the social infrastructure and our premises create conditions for education, health care and justice system services – all of which are fundamental to a sustainable society.

## Qualified projects

Under Hemsö's sustainability bond framework, the proceeds from the issues shall be used to finance environmentally certified buildings, energy-efficiency investments or social investments in the following categories:

1. Green and sustainable buildings
2. Energy efficiency
3. Social investments:
  - a. Schools
  - b. Nursing homes
4. Renewable energy

In 2023, the allocation was only for existing properties. An amount corresponding to the issue proceeds is used to finance sustainable assets in accordance with the sustainable finance framework. The entire amount raised is allocated to existing green, social and sustainable assets, whereby the balance of Hemsö's sustainable accounts is zero.

## Second opinion from Sustainalytics

Ratings firm Sustainalytics reviewed Hemsö's sustainability performance and bond framework terms. Sustainalytics is of the view that Hemsö's sustainability performance ranks highly in the property sector and that the company is well-positioned to issue sustainability bonds that support both environmental and social initiatives. Sustainalytics verifies that the invest-

ment categories included in the framework will contribute to greater sustainability. Read Sustainalytics' second opinion at [hemso.se](https://hemso.se)

## Examples of development projects financed

### Nursing home in Täby

In close cooperation with Täby Municipality, Hemsö developed the Johannes Trädgård (Bylegård 37) nursing home.

The new nursing home has nine wards and 86 apartments. To safeguard the property's qualities, we preserved and restored an old orchard. The elderly residents can spend time here in a natural and restful environment among the trees. The site also includes a bakehouse from the 1700s that gives character.

The indoor environment has a calm and tranquil colour scheme that contributes to the cosy atmosphere. Paintings of Stockholm and Täby hang in the corridors so the residents recognise their own home corridor. The home has three floors with three wings and a shared stairwell at the centre. The semi-basement houses staff rooms and logistics.

The building is certified under the Miljöbyggnad Silver certification system and has rooftop solar panels.



### Nursing home in Borlänge

Our Gyllegården nursing home in Borlänge (Gyllehemmet 2) has 54 apartments and is located in an area of natural beauty two kilometres outside central Borlänge. The area includes grow boxes, walkways, a playground and a barbecue.

The space shared between the assisted living facility and the preschool are in the same property and is intended to serve as a green oasis that encourages a sense of community across generations. There are also two shared terraces between the buildings. The building is certified under the Miljöbyggnad Silver certification system. Occupancy took place in spring 2023.

Allocation under Hemsö's sustainable framework (until February 2023)

Category	Property	Amount, SEK million	Certification and level	Type of property	Atemp, m <sup>2</sup>	MWh/year	kWh/m <sup>2</sup>	tCO <sub>2</sub> e/year	kgCO <sub>2</sub> e/m <sup>2</sup>	Beds/places created <sup>1)</sup>
Sustainable	Anoraken 1	317	Miljöbyggnad Silver	Nursing homes	11,564	916	79	3	0	144
Sustainable	Boden 56:51	262	Miljöbyggnad Silver	Nursing homes	10,165	677	67	2	0	126
Sustainable	Bylegård 37	120	Miljöbyggnad Silver	Health care	5,623	169	30	2	0	86
Sustainable	Faunan 1	230	Miljöbyggnad Gold	Nursing homes	6,060	230	38	3	1	92
Sustainable	Giffeln 1	305	Miljöbyggnad Silver	Nursing homes	7,237	602	83	41	6	80
Sustainable	Gyllehemmet 2	250	Miljöbyggnad Silver	Nursing home/Assisted living facility	9,181	587	64	40	4	142/47
Sustainable	Krusmyntan 1	205	Miljöbyggnad Silver	Nursing homes	4,443	171	38	2	1	63
Sustainable	Köpingskolan	120	Miljöbyggnad Silver	Education	7,875	544	69	14	2	860
Green	Lanuv, Germany <sup>2)</sup>	1,100	LEED Gold & DGNB Gold	Education	16,563	3,640	220	2,030	123	–
Sustainable	Medicinaren 25 <sup>3)</sup>	1,450	Miljöbyggnad Silver	School/university	26,096	3,943	151	81	3	500
Sustainable	Nåden 1	135	Miljöbyggnad Silver	Nursing homes	3,787	141	37	2	1	54
Sustainable	Patienten 1	1,049	Miljöbyggnad Gold	Health care	29,579	2,753	93	114	4	–
Sustainable	Perintökuja 14, Vanda	200	LEED Gold	Nursing homes	7,124	865	121	236	33	–
Sustainable	Pilehallen	100	Miljöbyggnad Silver	School/sports centre	3,941	281	71	7	2	–
Sustainable	Romberga 23:54	150	Miljöbyggnad Silver	Nursing homes	4,364	274	63	5	1	54
Sustainable	Sandarna 26:2	492	Miljöbyggnad Silver	School/Nursing home	12,907	738	57	48	4	388/100
Sustainable	Satakunnankatu 23	800	BREEAM Very Good	School/university	23,155	3,553	153	131	6	–
Sustainable	Stafvre 11	195	Miljöbyggnad Silver	Nursing homes	4,765	239	50	3	1	116/60
Sustainable	Södra Källtorp 1	150	Miljöbyggnad Silver	Nursing homes	10,602	878	83	39	4	120
Sustainable	Södra Källtorp 7	30	Miljöbyggnad Silver	Nursing home/Assisted living facility	3,121	157	50	8	2	55
Sustainable	Täckeråker 1:228 school	247	Miljöbyggnad Silver	Education	4,135	290	70	3	1	400
Sustainable	Verkmästaren 6 & 7	620	Miljöbyggnad Silver	School/university	22,479	1,451	65	22	1	4,000
Sustainable	Vikhemsolan	170	Miljöbyggnad Silver	Education	7,970	260	32	4	0	800
<b>Total</b>		<b>8,696</b>								

Allocated amount per category

Category	Amount, SEK million	Share, %
Green	4,075	35
Sustainable	7,596	65
<b>Total</b>	<b>11,671</b>	<b>100</b>

<sup>1)</sup> The capacity of the buildings to provide public services (school places, nursing home beds, and so forth).

<sup>2)</sup> The outcome includes business energy and non-seasonally adjusted data for heating. The contract is in the name of the tenant.

<sup>3)</sup> The outcome includes business cooling.

Allocation under Hemsö's sustainable framework (from February 2023)

Category	Property	Amount, SEK million	Certification and level	Type of property	Atemp, m <sup>2</sup>	MWh/year	kWh/m <sup>2</sup>	tCO <sub>2</sub> e/year	kgCO <sub>2</sub> e/m <sup>2</sup>
Green	Hallen 4	150	BREEAM In-use Very good	Nursing homes	7,298	414	57	3	0
Green	Borgaren 18	225		Education	15,371	1,503	98	33	2
Green	Hälsan 3	130		Health care	6,151	500	81	25	4
Green	Konstantinopel 6	70		Nursing homes	3,979	342	86	43	11
Green	Gustavsborg 2	600		School/university	22,576	2,039	90	82	4
Green	Lindholmen 36:1	170	Miljöbyggnad Silver	Health care	5,278	383	73	21	4
Green	Banslätt 1	210		Health care	10,774	939	87	29	3
Green	Dona 1:38	270		Education	9,720	555	57	14	1
Green	Bällsta 2:1087	150		Education	4,269	334	78	3	1
Green	Sicklaön 12:9	130		Nursing homes	5,077	213	42	3	1
Green	Ekeby 2:275	50		Nursing homes	3,377	332	98	3	1
Green	Befästningskullen	70		Education	4,235	332	79	2	1
Green	Valsåtra 3:10	210	BREEAM In-use Very good	Nursing homes	7,581	571	75	73	10
Green	Reparatören 5	90		Justice system	3,313	240	73	9	3
Green	Östra Daggrosen 1	23		Nursing homes	4,384	277	63	11	3
Green	Skjutfältet 9	127		Nursing homes	7,393	489	66	23	3
Green	Kopparormen 4	40		Justice system	6,425	336	52	4	1
Green	Klockarkärleken 3	45		Nursing homes	4,921	296	60	14	3
Green	Akka 8	90		Health care	4,956	239	48	10	2
Green	Krokslätt 147:2	75		Nursing homes	4,046	331	82	20	5
Green	Krokslätt 35:14	50		Education	8,554	605	71	35	4
<b>Total</b>		<b>2,975</b>							

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Vi stärker ryggraden i samhället

A sustainable and long-term partner to  
the state, municipalities and regions.