



HEMSÖ

2022
Sustainability Report

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2022 Sustainability Report

Hemsö Fastighets AB has reported its sustainability performance every year since 2016. In addition to the information in the Annual Report, detailed sustainability disclosures are presented in this report that describe Hemsö's sustainability initiatives and outcomes for the 1 January-31 December 2022 period. This report constitutes Hemsö's statutory Sustainability Report in accordance with the Swedish Annual Accounts Act. The report has been compiled in accordance with the *Global reporting initiative standards 2021* guidelines, "in accordance." In this document, we also present our activities to support the Ten Principles of the UN Global Compact.

The report covers the Hemsö Group. For those cases where a part is not included, this is stated clearly. Boundaries and changes compared with the preceding year's report are presented in tables and KPIs. The report has been reviewed by KPMG AB. The reviewer is independent of Hemsö. This report was published on 29 Mar 2023. The last report was published in March 2022. The contact person for this report and its contents is the Sustainability Controller, Mehri Mir mehri.mir@hemso.se.

Hemsö

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



Nursing homes



Education



Health care



Justice system

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

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



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.

Events during the year



Sustainability bonds

Hemsö issued SEK 1.4 billion in sustainability bonds, and raised loans corresponding to SEK 1 billion from the European Investment Bank (EIB).

The loan proceeds will primarily be used for sustainable investing within the framework of the EIB facility and in accordance with Hemsö's sustainability bond framework. Hemsö's sustainable finance diversifies the company's borrowing and supports Hemsö's sustainability activities

in regard to energy-efficient and environmentally certified buildings, as well as social infrastructure. At the end of the first quarter, 24 per cent of the property portfolio was certified, based on lettable area, up 2 percentage points from the preceding quarter.

Hemsö issued SEK 1.4 billion in sustainability bonds.

Järva Week

Järva Week was held in the first week of June and Hemsö was involved as a new partner. Järva Week is a popular event dedicated to diversity, inclusion and social sustainability. Representatives from civil society, the business community, political parties and the public sector mingle with visitors.

Tensta Träff

Together with Save the Children Sweden, Folkets Hus & Parker and Spånga-Tensta Council, Hemsö signed a Letter of Intent to re-open Tensta Träff. The aim is to enable a community-driven meeting place that actively contributes to the positive development of the area, and promotes better outcomes for children and young people.

Kadetten re-use project

In autumn, students moved into the Kadetten upper secondary school in Stockholm – a re-development project where Hemsö had re-used the frame and façades of an existing office building.

We also invested in additional resources to identify all opportunities for re-use, and calculations have shown that emissions were reduced by two-thirds compared with new construction. Kadetten will also be the model for our next development project with the same theme, Kronåsen, which is planned for completion in 2023.

Emissions reduced by two-thirds compared with new construction.



Havoteket

Between 30 May and 3 July, Hemsö partnered with Helsingborg Municipality to organise H22 City Expo. The event was focused on urban development, and innovative solutions for a smart and sustainable city.

Through our collaboration, we helped to raise awareness of important environmental issues connected to oceans and water.

One initiative was the Havoteket pavilion, a sustainable knowledge hub for learning about oceans and marine life. Through our collaboration, we helped to raise awareness of important environmental issues connected to oceans and water.

Global Sustainability Index

In 2022, Hemsö improved its GRESB score. In the Standing Investments category, Hemsö improved its score by five points to 88 of 100, and also received the Green Star designation. In the Development category, the company's score improved by one point to 91 of 100. Stakeholder engagement, ESG criteria and sustainable materials are some of the areas in which Hemsö scored the highest points. The assessment is based on areas including governance, sustainability reporting, energy, climate and the percentage of certified properties.

Climate Roadmap

During the year, we developed a Climate Roadmap for our long-term plan to reduce emissions – a road-map for the next 13 years. It clarifies Hemsö's ambitions and direction, and the actions that are required to transition and achieve our climate targets.

During the year, we developed a Climate Roadmap.



This is Hemsö

A well-functioning society has motivational learning environments, safe premises for the justice system, and secure nursing homes and hospital beds. Hemsö is the leading owner of public properties in Sweden, and also operates in Finland and Germany. Public properties are predominantly used for taxpayer-funded operations and are purpose-built for public services.

Hemsö is strengthening the backbone of society through sustainable ownership, development and ownership of these types of properties for nursing homes, education, health care and the justice system. We also have a mission for our day-to-day operations – to make our employees and customers proud. Hemsö mainly works with public-sector tenants such as state, municipal and regional players, but also with private providers of health, social care and education. Due to the growing population, municipalities are under pressure to meet the increased demand for sustainable public properties. At the same time, many of today’s nursing homes and schools were built in the 1970s and 80s, were not purpose-built and are now in need of refurbishment.

We know what is needed to develop and manage sustainable and purpose-built properties at the right cost. By working closely with our customers, we share our knowledge as community builders and help to solve the need for beds and places in nursing

homes, health care and education. When a building is complete, our property management organisation takes over and our long-term commitment continues. Our local property management organisation is responsible for taking care of the building so that it can function as intended when planned. Our commitment is to people and the environment. We create high-quality school playgrounds that stimulate creativity and physical activity, and we create spaces for intergenerational co-use and meetings in properties that combine schools with nursing homes. Using the latest technology, we optimise the indoor environment for the people who use our buildings, and reduce our emissions.

In 2022, we initiated development projects that will add 700 new nursing home beds and 7,140 new school places in the markets where we operate. At year-end, the market value of Hemsö’s property portfolio was SEK 84.9 billion and comprised 480 properties.

Through our property frameworks, we work to minimise our business risk and protect our financial stability, providing security for our tenants. At least half of Hemsö’s rental income shall be derived from public-sector tenants with high creditworthiness. Nursing homes – a market segment with demand that will continue to grow for a long time – should also account for at least 30 per cent of our rental income. Hemsö’s geographic presence should also be mostly concentrated to metropolitan areas, where demand for public properties is greatest. When we enter into agreements, we aim for a rental duration of at least five years to ensure stable income and long-term relationships.

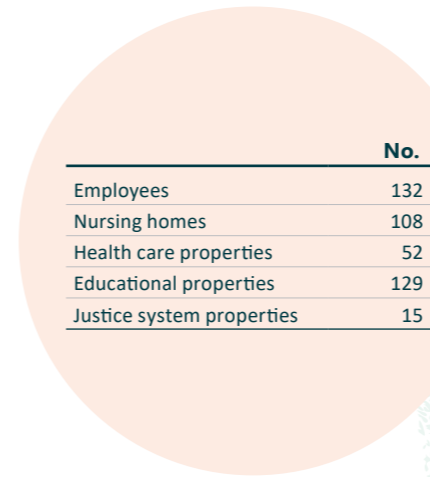
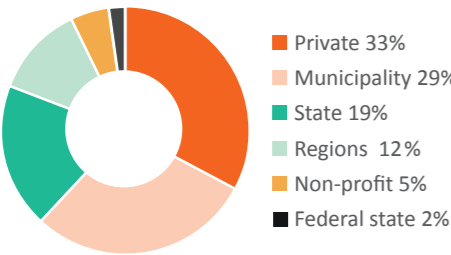
The circle is closed when Hemsö’s surplus is returned to Swedish pensioners through our principal owner, the Third Swedish National Pension Fund, which owns 85 per cent of the company. The remaining stake is owned by Sagax. Hemsö Fastighets AB has its registered office in Stockholm, Sweden.

Hemsö’s business model

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

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

Contracted rent per customer category



Geographic market
Hemsö’s core market, Sweden, accounts for two-thirds of the company’s property portfolio. Hemsö has also had operations in Germany from 2011, and Finland from 2013.

Value creation model



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

Financial capital

- Equity: SEK 30,028 million
- Borrowed capital: SEK 49,567 million
- Profit from property management: SEK 2,309 million
- Shareholder dividends: SEK 1,072 million

Employees

- Employees: 158
- Engagement Index: 90/100
- 89 per cent of employees are satisfied with their competence development
- Employee attendance: 99 per cent

Owners

- Third Swedish National Pension Fund: 85 per cent
- AB Sagax: 15 per cent

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

- Customer Satisfaction Index: 73.4/100 Sweden
- Customer Satisfaction Index: 3.92/5 Finland
- Rental duration: 9.6 years

Properties

- Properties: 480
- Property value: SEK 84,879 million
- Investments: SEK 3,809 million in new development and existing properties
- Acquisitions: SEK 2,867 million

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

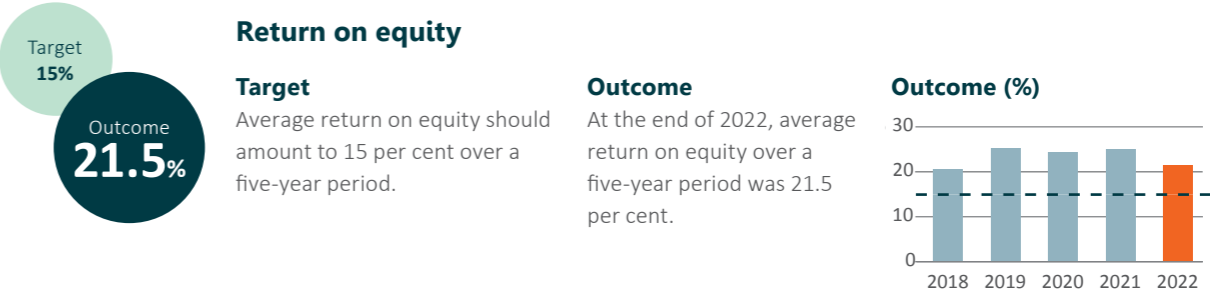
Completed beds/places and area since the start

- Lettable area: 2,400 tsqm for social infrastructure
- Nursing home beds: 2,130
- School places: 18,910
- College/university places: 6,950

Environment

- Environmentally certified buildings: 26 per cent
- Total CO₂ emissions: 148,296 tCO₂e
- Energy Sweden: 104.2 kWh/m²
- Energy Finland: 212 kWh/m²

Return on equity



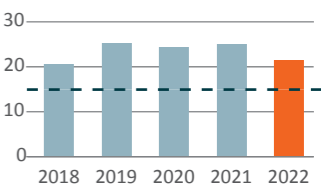
Target

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

Outcome

At the end of 2022, average return on equity over a five-year period was 21.5 per cent.

Outcome (%)



Economic value generated and distributed

SEK million	2020	2021	2022	Share, %
Direct economic value generated				
Income (rents and other income)	3,293	3,640	4,089	
	3,293	3,640	4,089	
Economic value distributed				
Employee salaries and benefits, social security contributions	-172	-198	-215	-5
Payments to providers of capital	-500	-486	-613	-15
Dividends to the owners	-860	-905	-1,072	-26
Payments to suppliers	-702	-724	-863	-21
Tax paid	-171	-173	-264	-6
Economic value retained	887	1,155	1,071	26

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

Place availability completed

Year	No. of projects	Place availability schools	Place availability colleges/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
Since start	98	18,910	6,950	2,130

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

Completed development projects, 2022

Municipality	Project	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Rental value increase, SEK million	Occupancy rate, %
Helsinki	Kuparitie 2	Nursing home	-	3,000	82	12	7	99
Stockholm	Campus Vasastan	Education	-	11,400	279	12	38	100
Lahti	Paavola Campus	Education	-	7,900	165	20	18	100
Västerås	Södra Källtorp Assisted living facility	Nursing home	Miljöbyggnad	2,300	106	25	5	70
Espoo	Espoo family centre	Health care	-	4,900	124	10	17	100
Tyresö	Sköndalsvillan	Nursing home	Miljöbyggnad	6,900	344	20	15	98
Trelleborg	IES Trelleborg	Education	Miljöbyggnad	11,200	351	20	27	100
Växjö	IES Telestadshöjden	Education	LEED	7,200	306	20	15	100
Helsinki	Arkadiaskolan	Education	BREEAM	5,800	196	15	17	100
Staffanstorps	Vikhem sports centre	Education	Miljöbyggnad	4,300	97	10	7	100
Norrköping	Nordic International School	Education	-	5,100	67	10	16	100
Kungälv	Nordtag preschool	Education	Nordic Swan	2,100	66	15	4	100
Mäntsälä	Hoivamme	Nursing home	-	1,200	54	12	3	100
Gothenburg	S:t Jörgen	Nursing home	-	9,000	48	10	12	100
Bjuv	Brogårda assisted living	Nursing home	Miljöbyggnad	1,000	31	25	2	100
Lund	S:t Lars Park, Building 82	Health care	BREEAM	1,800	27	5	2	100
Lahti	Paavola Campus	Education	-	1,800	31	20	4	100
Ystad	Nordic International School (Vemmenhög 1)	Education	-	2,800	19	15	7	100
Gothenburg	Silverkällan	Nursing home	Miljöbyggnad	13,200	525	12	38	100
Staffanstorps	IES Staffanstorps	Education	Miljöbyggnad	7,000	303	20	17	100
Upplands Väsby	Vägen Vilunda	Nursing home	Nordic Swan	6,200	223	20	17	100
Täby	Bylegård	Nursing home	Miljöbyggnad	5,600	156	20	14	100
Lappeenranta	Lauritsala fire station	Justice system	-	3,100	118	20	8	100
Västerås	Södra Källtorp preschool	Education	Miljöbyggnad	2,700	66	23	3	100
Kuopio	Hoivamme	Nursing home	-	1,200	52	15	3	100
Kungälv	Tjuvkiil preschool	Education	Nordic Swan	1,300	47	15	3	100
Total				130,000	3,885	16	318	



Sustainable development for Hemsö and society

Our vision, to strengthen the backbone of society, is based on the fact that the properties we develop and manage have a major impact on society in general. This has positive effects such as the provision of nursing homes, schools and hospital beds for society, but also negative effects such as GHG emissions when we build and manage these properties. Hemsö is working in every way possible to reduce these negative effects, while increasing our positive impacts across the entire value chain.

We create social value through sustainable development, ownership and management of public properties. By creating new and modern school places and nursing home beds combined with long-term and responsible property management, we are meeting the need for social infrastructure and contributing to its development. Hemsö also helps Swedish pension funds to grow since our profits are mainly returned to Swedish pensioners through our principal owner, the Third Swedish National Pension Fund.

In partnership with the public sector, we are helping to solve the need for public properties. Based on the skills and experience that Hemsö has built up in hundreds of property projects over the years, we can help state, municipal and regional operators to think outside the box and create properties that are sustainable over time. 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.

We work with social sustainability both internally, within the company, and externally, with our customers. Internally, social sustainability is

about ensuring that our employees are happy and healthy. Externally, it refers to how our activities affect and create opportunities for the people who use or live in our buildings. We also help to create vibrant environments for people who live and work in the areas where we operate.

Our purchasing is characterised by high ethical standards, respect for human rights, professionalism, objectivity and equal treatment. Promoting fair competition and preventing all forms of corruption are the cornerstones of our partnerships. The suppliers that we engage must be aware of, and adhere to, our core values – accessible, reliable and progressive – and comply with our specified requirements.

While we are working to strengthen social infrastructure, our activities are also impacting the environment and the climate. Our environmental initiatives are focused on energy use, materials selection, waste, water use and climate change, which spans a range of environmental aspects. The aim of our sustainability ambitions is to achieve long-term sustainability for both people and the planet.

Our strategy

Hemsö's sustainability initiatives are strategic and the aim is to contribute to social development, as well as the sustainable development of Hemsö as a company – 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 all of the people who use our buildings, and contribute to social sustainability through innovative public properties that create vibrant environments. We will also be an attractive employer for our existing and potential employees. We will take responsibility for our negative impacts on the environment and the climate by minimising our use of resources. Our sustainability initiatives will also have a positive impact on Hemsö's competitiveness, help us to obtain sustainable finance, and ensure long-term sustainable financial growth in accordance with yield requirements.

During the year, we developed a Climate Roadmap that defines the path for our long-term approach to sustainability, and clarifies our commitment and the actions that are required to transition and achieve our climate targets. We will also set targets for several environment and climate-related aspects, as well as clear governance for that process, which will also result in an updated strategy for our sustainability initiatives.

Value chain

Hemsö's ability to impact and responsibilities

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. In 2022, we acquired land and properties for a value of SEK 2,867 million.

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:

- Perform embodied carbon calculations in the feasibility study stage
- 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 through requirements for ethics and good working conditions, respect for human rights, professionalism, objectivity and fair treatment. In addition, there are also environmental effects in the form of transportation for project activities.

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 environmentally friendly transportation

3 – Refurbishment or new development

We have an impact on the climate whether 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. The main causes of emissions from completed buildings are Hemsö's choice of energy systems, and the design, location and construction of the building. 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, and we 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 consumption 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 consumption 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 comprises a total of 480 properties in health care, school, nursing homes and the justice system that are taken care of 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 be an attractive employer for new employees, while also striving to retain and develop our existing employees. Hemsö has 158 employees in Sweden, Finland and Germany.

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 for maximum returns to the pension fund

Sustainability governance

Composition of the Board

When Hemsö elects a new Board member, many considerations are made in a variety of areas of expertise, including sustainability. Every year, the Board and the CEO are evaluated by independent consultants based on a range of areas, such as sustainability. When electing a new Board member, Hemsö strives for an appropriate composition, not only in terms of expertise but also from a diversity and equality perspective.

The Board's role in management of the company's impacts

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

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 more extensive 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 Board, the positive and negative sustainability aspects that exist are described in a section, together with proposals for measures. If any particular aspects are discovered in a *due diligence*, they are specified in this section. Hemsö's CEO reports the results of completed development projects/transactions to the Board at regular intervals. In 2023, competence enhancement is planned for both the Board and senior management in regard to sustainability.

Remuneration

Hemsö's Remuneration Policy covers the company's CEO and members of the company's executive 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 in the executive's own market, but not market-leading. The level of remuneration should also be appropriate and contribute to high standards of ethics and business culture. Total remuneration is comprised of fixed salary, other benefits and pension. Fixed salary is based on market conditions and 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 on 1 January every year. Variable salary is not paid to senior executives. The combined value of other benefits should be limited in relation to total remuneration. At present, there is no link between remuneration and results in relation to the company's sustainability targets and development.

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 of each year. All policies, as well as any other more detailed guidelines linked to these and that are adopted by the CEO, are available on the Intranet and all employees are urged to read them.

The company is discussing various ways to increase insight and understanding of the company'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 new reviews confirmed the need for greater control of Hemsö's sub-contractors and we are now preparing an action plan proposal together with the external supplier that performed the reviews.

For more information about corporate governance and the Board's responsibilities and committees, refer to pages 81–85 of Hemsö's 2022 Annual Report.

Code of Conduct and whistleblowing system

Hemsö's Code of Conduct and whistleblowing system also support these efforts. The Code of Conduct describes how our values, visions,

commitments and expectations guide our everyday actions, and provides guidance for employees and other stakeholders. Every year, Hemsö arranges a 'Hemsö School' for new employees, where the participants take part in exercises and discussions about 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. Hemsö's whistleblowing system guarantees complete anonymity for all reporters.

External standards and commitments

Some of the external standards and commitments underlining Hemsö's sustainability initiatives are the Sustainable Development Goals – the 2030 Agenda, the Paris Agreement and national climate targets. Our sustainability initiatives are guided by these standards and governed internally by a Sustainability Policy with related guidelines,

which also summarise Hemsö's material sustainability topics, including climate impact, energy, materials selection, waste, indoor environment, customer satisfaction and health and safety. These are described on the basis of how the process is carried out in Sweden. In many cases, this is directly applicable to all countries. In some cases, the prioritisation of the areas for the operations in Germany and Finland differ due to local conditions, other rental arrangements and the nature of the operations, so the guidelines are applied where they are relevant. The sustainability requirements for environmental certification, acquisitions, social responsibility and working conditions to all countries. We also review the guidelines annually, or whenever required due to changes in the business environment or within Hemsö. Our sustainability performance is also scored by GRESB, which awards benchmark scores for the property sector every year. For more information, refer to 'Events during the year' on page 5.

Adopted policies

The Board has now adopted 14 policies. These are:

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

CASE:

Interview with Staffan Hansén, CEO of the Third Swedish National Pension Fund

The mission of the Third Swedish National Pension Fund (AP3), Hemsö's principal owner, is to contribute to the stability of the Swedish income pension system. This also includes promoting sustainable social development, with a 3.5 per cent annual return target. The sustainability perspective is the basis for creating long-term value for the income pension system.



Photographer: Peter Phillips

Real estate companies account for 18,6 per cent of the portfolio's total value, allocated between five players of which Hemsö is one. AP3 aims to be an active owner with sizeable holdings in each company, and to exercise influence through Board membership. The portfolio companies should also be sustainability leaders and take a clear position. For Hemsö, this means a leading position in the public properties segment.

"We follow up sustainability performance once annually when we gather the real estate companies to follow up on their ambitions, targets and performance in the area," says Staffan Hansén, CEO of AP3. It's an opportunity for the companies to share best practices in the area, which also promotes healthy competition.

The materiality assessments performed by the companies form the basis for their sustainability strategies. The assessments lead to relevant targets that, wherever possible, should be aligned with science-based targets (SBT). This is an important process that will result

in specific targets for both emissions reduction and social sustainability."

When Staffan looks at Hemsö's operations and approach to sustainability, there are a few things that stick out.

"Hemsö speaks about properties as a means for creating vibrant environments. There is a lot to be gained by moving away from 'bricks and mortar' and focusing on the people in and around the properties instead. I can also see that Hemsö's has a determination and commitment to deliver on its mission.

Other strengths highlighted are how the Hemsö Apple and Hemsö Flower are used to guide sustainability initiatives and the long-term approach. The company's stable financial position, and the fact that Hemsö is increasingly focused on the development of existing properties, are also considered strengths. There is also a strong added value in that AP3, as Hemsö's owner, represents capital that will generate maximum benefit for the state income pension system.

"As demand for public properties increases and drives prices up, developing what you already have is a wise strategy," says Staffan Hansén. "It also creates added value for the people who live and work in the buildings.

One of the risks with public services is the political issue of who should own public properties – a topic that emerges on a regular basis."

"If Hemsö succeeds in creating social value, building vibrant environments and generating returns for its owners, that is value with multiple dimensions – a win-win-win-situation. Succeeding with this mission creates a vantage point for responding to any political criticism. And Hemsö can continue to travel along its chosen path," says Staffan Hansén.

Risks and risk management

We are exposed to various risks that could affect our future operations, costs and results. These range from climate change to policy decisions, changed regulations and energy supply, and we must account for them. Risks, as well as opportunities, are

identified and managed continuously within the operations. Risk assessment and management is incorporated into the company's processes for, for example, property acquisitions, construction projects and annual strategic planning. The Board

is ultimately responsible for the company's risk management. Various methods are used to evaluate risks and to ensure that relevant risks are managed in accordance with established policies and guidelines.

Risks	Hemsö's risk management
<p>Employee risk:</p> <p>Employee risk mainly relates to Hemsö's inability to meet its own needs for competence, and the risks associated with employee health. If Hemsö is unable to attract competent and qualified staff, or if key employees leave Hemsö, this could have a negative impact on the operations. Risks related to employee health are problems associated with sick leave which, in addition to the problems these cause for individuals, may also cause problems related to the handling of tasks and continuity.</p>	<p>Hemsö has a structured method for working preventively with both competence development and health. Hemsö works actively to be a reliable employer and strives for an open and transparent work environment based on Hemsö's values. Hemsö has an OHS management system that governs how Hemsö works. Employee satisfaction surveys are conducted every year to monitor the results, and one metric is the Net Promoter Score (NPS).</p> <p>Hemsö works continuously to maintain a pipeline of talented employees through internal training programmes via Hemsö's Social School, and through trainee and work placement programmes. All managers at Hemsö undergo a leadership development programme. Succession planning is in place for key people and senior positions. Hemsö work systematically with health and safety by setting targets that are monitored annually. Hemsö works preventively with employee wellness, which includes regular health checks and wellness activities for all employees. In 2022, employee attendance was 99 per cent. No workplace accidents were reported for Hemsö employees in 2022.</p>
<p>Environmental and climate-related risks:</p> <p>Environmental and climate-related risks refer to the company's impacts on the environment and the surrounding community, as well as the risk that climate change could affect the company. Hemsö's activities impact the environment when properties are being built, the ongoing operations of the properties and the activities conducted in them. Changed legislation or regulatory requirements for the environment and energy use, as well as growing customer demands on environmental management and environmental certifications, may entail a risk of higher costs and financial losses. There is a risk that climate change could affect Hemsö's operations due to higher costs for handling extreme weather events such as heavy rain and flooding.</p>	<p>Hemsö works systematically with preventive measures to achieve a good indoor environment, energy efficiencies and renewable energy, sustainable material choices and safe handling of chemicals and waste in the company's properties. Environmental and climate-change <i>due diligence</i> is carried out prior to acquisitions. Hemsö has clear procedures for following the applicable regulations regarding property owner responsibility for emissions from property operations. In 2019, Hemsö adopted a climate strategy focused on managing climate-related risks, which has now evolved into a Climate Roadmap for our long-term approach to sustainability. All new development holds at least Miljöbyggnad Silver, or an equivalent rating under similar certification schemes such as BREEAM or the Nordic Swan Ecolabel. For new development, Hemsö chooses materials based on SundaHus Material Data assessments to protect human health and the environment. In 2022, no incidents were reported that led to fines or other environmental sanctions. Read more about climate-related risk and opportunities on page 23.</p>
<p>Risks associated with human rights, compliance, fraud and corruption:</p> <p>Risks associated with human rights, compliance, fraud and corruption can exist both internally in the company, and externally among suppliers and partners. Poor management of these risks could lead to economic loss and sanctions, as well as impairment of Hemsö's reputation and brand.</p>	<p>Hemsö has effective, continuous internal control and quality assurance at several levels, and well-documented processes. Third-party auditors perform annual audits. To reduce corruption risk, Hemsö has guidelines and procedures for purchasing and authorisation. Hemsö has an internal Code of Conduct for the company, and one for suppliers. Hemsö also has a whistleblowing system for internal use as well as for suppliers and external stakeholders.</p>

Partnerships for sustainability

Hemsö works actively to further develop and drive sustainable development in the construction and property industry. By participating in various industry and social projects, we can help to shape a sustainable tomorrow together with other players. We are also focused on creating long-term and sustainable partnerships with our customers.

MEMBERSHIP AND PARTNERSHIPS, 2022	
All Generation Ventures	A hub for the Nordic real estate industry with a focus on digital development.
Almega	Helps service companies develop positive relationships between employer and employees.
Berlin City Mission	Hemsö sponsors the organisation’s initiatives to support the homeless (Kältebus).
CSR Skåne	A network that brings together environmentally and socially engaged organisations to share knowledge and create business value.
Forum Bygga Skola	A national networking arena for all parties involved in the process of planning, building and refurbishing schools.
Fossil Free Sweden	A platform for dialogue and collaboration between companies, municipalities and other operators who want to make Sweden one of the first fossil-free nations in the world.
Green Building Council Finland	Organisation that promotes sustainable construction and urban development.
Hjärnfonden	A Swedish NGO that raises money for research and information about the brain and its diseases, injuries and disabilities.
HS30	Sustainable Stockholm 2030 – a forum to significantly reduce the carbon footprint of the real estate sector, and increase the focus on social sustainability.
Ifous	A non-profit independent research and development institute that works to promote practice-oriented research in the field of education.
Royal Institute of Technology’s Property Academy	Funding for research related to property management.
LFM30	Roadmap for a carbon-neutral construction industry by 2030 in Malmö. Hemsö has committed to the initiative.
Mentor	Non-profit organisation with volunteer mentors for young people.
Proptech Sweden	A Swedish membership organisation that has been formed to drive the digital transformation of the property industry.
Queen Silvia Nursing Award	A scholarship for nursing students who want to be involved and contribute to tomorrow’s development of health and social care for the elderly.
Rakli	Organisation for real estate investors and owners in Finland.
Swedish Chamber of Commerce in Germany	Network to promote the development of German-Swedish business relationships.
Seniorvärlden	Non-profit association with the aim of communicating knowledge and research for learning and development in the senior area.
SGBC – Sweden Green Building Council	Organisation that promotes sustainable construction and urban development.
Confederation of Swedish Enterprise	An employers’ organisation that lobbies actively for Swedish pro-business interests.
German-Swedish Chamber of Commerce	Network to promote the development of German-Swedish business relationships.
Vinnova	Government agency for innovation in Sweden with a mission to promote sustainable growth. Hemsö is involved in a research project on restorative workplaces/outdoor environments.
ZIA	Represents the combined interests of the property industry in Germany and fosters dialogue with its members.

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 and/or whose actions have a significant impact on us. In open dialogue and close collaboration with our stakeholders, we lay the foundation for functional sustainability initiatives together. In turn, this enables us to offer sustainable public services.

Hemsö’s most recent materiality assessment was carried out in 2018, when key people in the company prioritised the material topics for the company in a workshop. After the workshop, we engaged in conversation with selected stakeholders to hear

their views on the sustainability topics that Hemsö should focus on. The factors that were rated highest by both internal and external stakeholders are Hemsö’s material sustainability topics. In 2021, interviews were held with the key people in the company to ensure that we have continued to focus on the right topics, both strategically and in our Sustainability Report. In the following chapter, you can read about our efforts with the material topics in each of the focus areas. In 2023, Hemsö will create 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
 - Terms of employment
 - Competence development and provision
 - Diversity, equality and non-discrimination
 - Materials use
 - Energy and emissions
 - Compliance
 - Supply chain responsibility
 - Anti-corruption

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



ESG

While Hemsö is working to strengthen social infrastructure, our activities are also impacting the environment and the climate. With our sustainability initiatives, we are taking responsibility by minimising our use of resources and reducing our negative impacts, and ensuring that our properties are climate-resilient.

Climate

Our efforts to reduce emissions includes the climate-change effects of our business, and how climate change will affect our business. We have been working systematically with embodied carbon calculations for our new developments for several years, and running pilot projects in order to calculate in the very early stages, which is expected to have an even greater positive effect in the development phase of a project.

Handling changed climatic conditions is included in our preventive measures and something we account for in all aspects – from acquisitions to development projects and property management. 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.

During the year, Hemsö also developed a Climate Roadmap that defines the direction for our long-term approach to sustainability. The Climate Roadmap clarifies our commitment, and the actions that are required to transition and achieve our climate targets. In 2023, we will continue to develop the roadmap and review all aspects of our business and how we can create a structured method for everything from contract writing to property management. We will also set targets for several environment and climate-related aspects, as well as clear governance for that process. Until then, we will continue working towards our previous climate targets.

Hemsö's climate targets:

- 100 per cent fossil-free energy use and net-zero emissions for the existing property portfolio by 2035
- To make an inventory of climate-related risks related to our

properties and take any necessary action to avoid negative consequences

- Reduce total emissions from new developments and large-scale re-development projects
- Promote development in the area of climate-smart and sustainable buildings by focusing on new technological solutions
- Carbon-neutral travel

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

Hemsö's climate-change impacts

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

We manage the effects of our activities throughout the entire process. When we acquire a building or land area, we already have procedures in place for controlling energy performance, energy supply or high energy use. Moreover, we assess the location of the property to identify

any specific risk of climate-change effects, such as flooding or landslides. The results are included in the decision-making process for a potential acquisition.

Impacts in project development

The main causes of emissions in construction are building materials, transportation and materials management. New development has a considerably greater 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 projects regulate how we can reduce our emissions in the construction stage, which are also observed in our guidance for outdoor environments.

Measures in project development

Embodied carbon calculations are a key element of our approach to climate change, to acquire insight into how materials affect CO₂ emissions and how we can make climate-smart choices. We have been making embodied carbon calculations in the implementation phase of new constructions since 2019. But we would also like to make calculations earlier in the process, in order to make climate-smart choices during the feasibility study. However, tools for estimating the carbon footprint of a building at such an early stage have not been available. Hemsö has therefore run two pilot projects to accelerate the

development of tools for early stage calculations, and one of these is now in use. In the third quarter of 2022, a browser-based tool developed by Plant in partnership with Hemsö was launched, making it possible for Hemsö to study the carbon footprint simply and efficiently using early project parameters such as the building's shape, size and number of floors, as well as various building technology choices. The calculated values are compared with Hemsö's targets for new development, which are 30 per cent lower GHG emissions compared with Boverket's guidelines. Hemsö's climate strategy includes investment in new technological solutions to reduce emissions from construction. The pilot projects are part of that process.

To ensure that materials in a new construction and re-development are non-hazardous, material requirements are specified for development projects. We use SundaHus Material Data – a tool for assessing the products used by the construction and property industry and avoiding products with harmful substances. 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 2022, 88 per cent (86) of estimated materials in completed development projects were levels A and B. We can also document the products we have chosen for a specific development project to use as support for future refurbishments. In our environmental certification process for buildings, Hemsö's requirement for materials according to the Sundahus Procedure must always be followed.

Hemsö uses environmental certifications as a tool for constructing

buildings that are both environmentally and socially sustainable. Environmental certification is based on a clear framework and includes a third party audit, providing a stamp of quality for the work carried out. It also provides a valuation of buildings as a basis for green and sustainable finance. We use a range of environmental certifications for both new developments and the existing portfolio. Hemsö's requirements are that all new development must be certified, and that 50 per cent of all existing properties in the portfolio are certified by 2025.

New development and large-scale re-development (projects over SEK 20 million) or refurbishments must have at least one of the following levels of certification:

- Miljöbyggnad Silver
- Nordic Swan Ecolabel
- LEED Gold or higher
- BREEAM or BREEAM In-Use, Very Good or higher

At the end of 2022, we had 90 environmental certifications comprising 44 Miljöbyggnad, 5 LEED, 4 BREEAM, 33 BREEAM In-Use, 1 DGNB, 2 Nordic Swan Ecolabel and 1 NollCO₂.

During the year, Hemsö concluded that our first new construction project with net zero emissions, the Sköndalsvillan nursing home, was an example of our vision for tomorrow's new development. We compiled our experience in a report – How to build climate-smart – to share the lessons learned and insights gained from the process, both internally in Hemsö and with our industry. Sköndalsvillan was a pilot project for SGBC's new NollCO₂ certification, and is also certified according to Miljöbyggnad Gold.

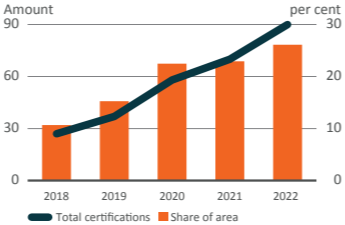
Impacts in property management

When a building has been completed and handed over to property management, energy efficiency in our existing properties and the replacement of fossil fuels with sustainable alternatives account for our main climate-change impacts. 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.

Climate roadmap

At the end of 2022, Hemsö developed a Climate Roadmap to guide the organisation's efforts in 2023. To enable an even more systematic process, we focused on climate data. We worked actively to include more inputs in our Scope 3 calculations, which we can see in the figures. In 2022, Hemsö's total CO₂ emissions amounted to 148,296 tCO₂e, compared with 61,459 tCO₂e in 2021. In 2023, we will create a strategy for compiling data and add even more emissions data for Scope 3 to our calculations. Our aim is to achieve a systematic process in order to simplify monitoring and reporting.

Environmentally certified buildings 2022



TCFD – Climate-related risks and opportunities

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

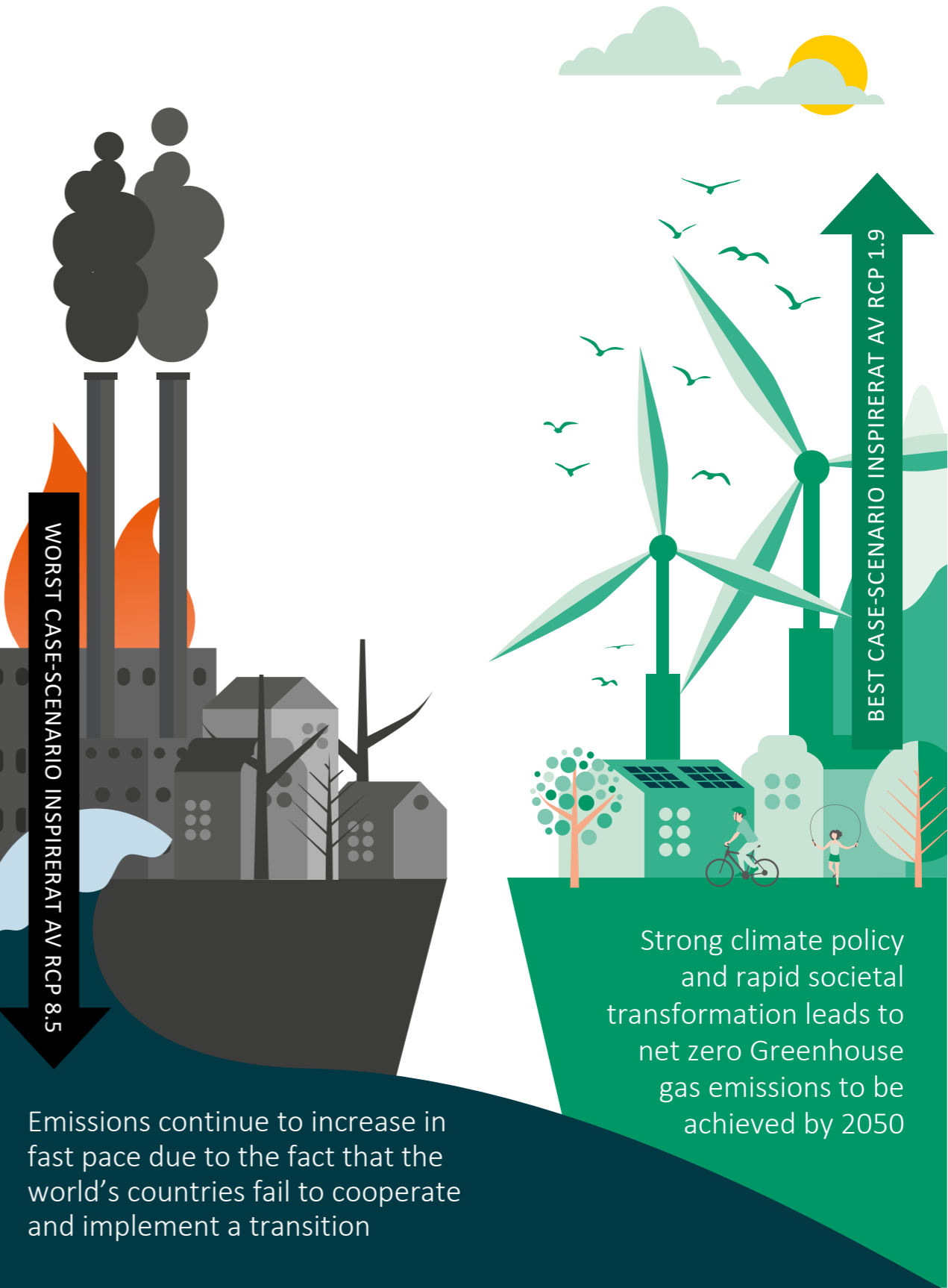
Climate-change scenarios

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 CO₂ levels continue to rise sharply and global warming is expected to rise as a result. RPC 1.9 is a best-case scenario with a rapid transition to a lower-carbon economy, reduced

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

WORST-CASE scenario, inspired by RCP 8.5	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
Climate	
<ul style="list-style-type: none">• Temperature increase in Europe is approximately 2–5° C• Rising sea levels of about 0.5 metres¹• Extreme weather with rain, storms, heat and drought becomes more common• More flooding, especially in connection with the 100-year storm estimate• Reduced snowfall	<ul style="list-style-type: none">• Temperature increase in Europe is limited to about 1.5–4° C• The sea-level rise is limited to a few decimetres¹• Slightly higher risk of extreme weather events• Slightly higher risk of flooding
Society	
<ul style="list-style-type: none">• Continued dependence on fossil fuels• Nations fail to agree on joint initiatives and action• No tough demands or regulations• No major changes in the behaviour of people or companies• Continued high energy intensity• Global population growth reaches about 12 billion by 2100• Climate refugees• Increased global polarisation	<ul style="list-style-type: none">• Nations collaborate and deliver a transition• Renewable energy has replaced fossil fuels• Policy decisions, legal regulations and instruments have been introduced to reduce CO₂ emissions• Rapid transition of society, infrastructure and buildings has taken place• Sharp increase in new technologies and digitisation• Low energy intensity has been achieved• Customers, investors and authorities impose stringent requirements on climate change adaptation• Global population growth reaches about 9 billion by 2100
Hemsö	
<ul style="list-style-type: none">• Hemsö fails to achieve collaboration on emissions reduction with the company's partners	<ul style="list-style-type: none">• Hemsö and our partners succeed in collaboration to accelerate the low-carbon transition <p>¹ Reference point Malmö, with account for land uplift.</p>

WORST-CASE scenario, identified risks and opportunities	BEST-CASE scenario, identified risks and opportunities
Physical risks:	
<ul style="list-style-type: none"> Heavy rain, flooding and rising sea levels risks cause damage to Hemsö's properties and the surrounding environment and infrastructure More frequent heat waves could mean that current properties do not meet air conditioning and ventilation requirements Erosion could damage the environment around the properties Supply chain problems could arise due to, for example, a shortage of natural resources, materials, energy and raw materials needed for the operations Extreme weather events and a higher risk of flooding, landslides and avalanches could damage power stations and lead to electricity shortages if there is no back-up power for our properties 	<ul style="list-style-type: none"> More frequent heavy rainfall events could damage the properties A slightly higher mean temperature increases the need for air conditioning and ventilation systems in the properties Raised sea levels could affect parts of the property portfolio
Transition risks:	
<ul style="list-style-type: none"> If cities and/or properties need to be relocated due to rising sea levels, this could make existing properties obsolete. 	<ul style="list-style-type: none"> Tougher requirements from, for example, customers, politicians and the capital market on Hemsö's climate-change adaptation and the standard of properties. New technologies must be installed in the properties on a large scale, such as ventilation, air conditioning, energy and water, which is sometimes complex and requires high levels of both capital and expertise. Risk that our public properties are located in areas where people do not want to live or work. Lack of in-house expertise in the company for meeting the new and tougher requirements.
Opportunities:	
<ul style="list-style-type: none"> Acquiring, developing and offering climate-resilient and resource-efficient public properties in areas at lower risk of climate-change impacts. Energy and resource-efficient construction reduces costs. 	<ul style="list-style-type: none"> Hemsö can take a clear position by working pro-actively with climate-change adaptation, meeting the tougher requirements and using that as a competitive advantage. Climate-proof the property portfolio by developing a strategy and making investments to ensure the resilience of existing properties to climate change. Include criteria for climate adaptation in new acquisitions and new construction to ensure that future properties are climate-change resilient and located in low-risk areas. Use materials and resources more efficiently. Take advantage of opportunities to obtain green financing.
Potential impacts on Hemsö	
Financial impact:	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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:	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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

Energy use is a top priority for Hemsö. We are working to minimise our climate-change impacts by reducing energy use – in the construction stage with sustainable materials and structures, and in the operational stage to reduce energy demand.

Energy-efficient buildings are also a prerequisite for Hemsö's ability to obtain sustainable finance. It is therefore essential that we place a heavy focus on this issue to secure our future property portfolio. 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 that therefore have comparable data.

Energy-efficiency measures during acquisitions and development projects

When we acquire a property, it is reviewed from an energy perspective, and when we construct a property, we identify the best way to manage it from an energy perspective. The building's construction also affects energy consumption. We ensure that the building is designed for durability and has an energy-efficient building envelope. We also make a long-term assessment of the investment for energy systems, and equip the building with well-adapted and energy-efficient systems.

Energy-efficiency measures in property management

Hemsö has a prioritised target to reduce energy use in the existing portfolio. We performed an

inventory to identify energy use and started working in the properties where the measures have had the greatest effect. This included measures such as switching to heat pump systems, upgrading ventilation systems and installing energy-efficient lighting. In our efforts to reduce energy use, we also introduced smart sensors for heating and ventilation. Hemsö ran a pilot project that was launched during the year where sensors were installed in a number of nursing homes and schools in order to increase operational efficiency and improve the indoor environment for the people who use the premises. We will continue working on the installation of sensors in selected properties for further optimisation.

In Finland, energy renovations are also taking place in existing properties, including the Helsinki Court House, where CO₂ and temperature sensors have been connected in the building, resulting in better energy efficiency and healthier air. The optimisation of automated property management and installation of new ventilation fans were also included in the renovation. These installations in the court house are expected to reduce emissions from district heating consumption by about 15 per cent per year.

As part of our climate transition, our installation of PV systems continued. There were installed on energy-optimised properties with the right conditions and there are now about 82 properties in our portfolio with PV systems on their roofs. The total installed capacity is 5,941 kWp (4,880). The expected annual output from the systems corresponds to 5,149 MWh (4,228).

The energy management system is described in the Energy Guidelines document. In Sweden, Hemsö is mainly responsible for energy use. In Finland, responsibility is shared between Hemsö and the tenant. In Germany, Hemsö applies a business model whereby the tenant is responsible. 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.

The aim is to reduce energy use in the property portfolio according to our sustainability target of 3 per cent in the comparable portfolio. In the Swedish portfolio, energy use dropped 4.7 per cent between 2021 and 2022. For Hemsö in Finland, we also focused on energy savings in property management and a reduction of 5.3 per cent was achieved in 2022. In Germany, we are working to gain an understanding of what energy use looks like in the properties. We have been collecting energy data from the tenants for several years, and the number of properties for which we receive data is increasing every year.

The process is governed by 'Guideline for the transaction process' and the 'Procedure for sustainability in acquisitions' appendix. Project Sustainability Requirements governs the energy requirements for new developments. Environmental certification is used to support energy-related issues in construction projects.

In 2022, the outcome for energy use was 233,914 MWh, a year-on-year reduction from 281,153 MWh.

Circularity

In Hemsö's Climate Roadmap, we highlighted circular processes during the year as a significant factor for reducing our emissions. We are also working on target-setting in this area.

Circularity is not only about re-using materials – it's also about creating processes where we design a building in the project stage that is prepared for re-use in the future. This could include constructing a building with flexibility for new uses should the need for premises change over time, or designing a building for dismantling and re-using some of its parts. This is an important area of development for the entire industry and something we will continue to focus on moving forward. Materials that can be recycled, preferably 100 per cent, should be chosen and we are looking into how the design can enable and simplify the dismantling of a building into parts that can then be re-used or recycled in an environmentally friendly way. In re-development, we will perform an inventory to review the possibility of using recycled materials in at least one product category.

Re-use reduces emissions

Hemsö has initiated a project focused on the re-use and recycling of building materials in re-develop-

ment processes. Two upper-secondary schools, Kadetten and Kronåsen, were first, and were refurbished with a focus on re-use. Kadetten was completed in 2022 and is our first re-development project with an embodied carbon calculation. The carbon footprint of the development project corresponded to 91 kg CO₂e/m², which is a two-third reduction compared with a new construction.

Next is Kronåsen, which will open its doors to 800 students in the spring term of 2023. We expect an even lower carbon footprint for this project, and the target is 75 kg CO₂e/m² or lower. Experience from Kadetten proved valuable in the refurbishment of Kronåsen, and we will also apply this knowledge to future re-use projects.

We will also be re-using materials when we upgrade Tensta Upper-Secondary School. Since the building has been blue-listed, we will refurbish it carefully and save as much of the interior as possible and keep the entire frame. The wood trims that will be re-used are mouldings, linings

and window sill channels on the walls and ceilings, and the existing insulation in interior walls. New insulation will be 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 been able to re-use refrigerators, freezers and worktops from other buildings. When Tensta Upper-Secondary School is finished, we will also perform an embodied carbon calculation to analyse the climate-change impacts of the refurbishment.

Stavsborgsskolan in Nacka is a new construction project that is scheduled for completion in summer 2023, where we have preserved both materials and memories from the previous school. In collaboration with a local artist, we have attempted to incorporate the old with the new by re-using materials to create new works of art. The students have been involved in the creative process and our aim was to maintain traces of the



previous school. Many students at Stavsborgsskolan have parents who attended the old school and by taking care of the existing materials, we could create memories and raise awareness of the importance of re-use in the younger generation.

Waste

Waste management is also important for circularity and is included in our sustainability initiatives. 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. Hemsö is primarily working to reduce the amount of waste generated, but otherwise to manage the waste that does arise as resource-efficiently as possible.

Waste in development projects

Construction waste is a source of both emissions and environmental impacts, and reducing the amount of waste that is generated makes development projects more resource-efficient. The contractor is responsible for handling waste from construction projects. Therefore,

both Hemsö and the contractor are responsible for handling the waste. Hemsö specifies the environmental and sustainability requirements that apply for the development project in the contract procurement process. Prior to a re-development or demolition, we make an environmental inventory of hazardous materials. According to regulatory requirements, construction waste must be sorted into labelled waste fractions at the construction site and, if possible, re-used or recovered in the first instance, or used for energy recovery in the second instance. Hazardous waste must be kept separate, and we require a transport document for hazardous waste. When a project is completed, the contractor provides complete waste statistics with a summary of all waste fractions. The summary should also show the amount of material that has been recycled, recovered and sent to landfill, of which waste sent to landfill should not amount to more than 30 per cent. These requirements apply to operations in Sweden, and in Germany and Finland where applicable.

Waste in property management

The waste that we handle in the property management stage is mainly attributable to tenants. Waste and waste sorting is an issue that we often include in our customer surveys, and is an important area for both Hemsö and our tenants.

During the year, we launched a pilot project with the aim of making it possible for tenants to sort their waste in all properties. 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. The normal fractions are residual waste, food waste, paper, plastic, metal and glass. The types of fractions and bins are agreed with the tenant and aligned with municipal requirements. Waste management is also followed up regularly with the tenant at tenant meetings. During the year, we worked on a recycling room concept to make waste sorting easier, which we will continue to implement in 2023, as well as enabling waste sorting in all properties.

Biodiversity

Creating conditions for biodiversity is one of the greatest global challenges, along with climate change. Hemsö has therefore raised the issue, in order to make a contribution and develop initiatives in this area.

We have been working for many years to reduce the amount of toxic chemicals in building materials, which is important for reducing negative impacts on health and the environment in both production and use stages. The outdoor environments that we create around our properties play an important role in our efforts to promote biodiversity and we are working to increase the amount of greenery and variation of species in our outdoor environments in the Skolgårdslyftet project, for example, as well as our new development projects.

We can already impact biodiversity when a new building is being planned. In our property management, we take care of and maintain the green environments that are a prerequisite for biodiversity. We can also impact existing outdoor environments through initiatives to promote biodiversity. In our Skolgårdslyftet project, where we have developed the school playgrounds in our portfolio, we have focused on a range of characteristics. These include wildness and species richness, which we have worked with in the Skolgårdslyftet project and that will be included in our plans for future outdoor environments. Read more about the Skolgårdslyftet project on page 36.

During the year, we completed development projects where the original vegetation was preserved, including a nursing home in Täby Municipality where an apple orchard from the 1800s was saved.

When we built Vågen, a multi-generational building in Upplands Väsby, the municipality specified a requirement for ecosystem services in the

project. This included biodiversity, a preference for green roofs and other measures for managing surface water, and green meeting places. Our solution was to create flower beds on the building's roof terrace, and a plant bed coordinated with the adjacent park for surface water management. In the yard surrounding the property, we also created green meeting places for the elderly residents and school children. We also preserved the original tree species and some of the original vegetation that was important for the existing ecosystem. Read more about the Vågen multi-generational building on page 39.

In Finland, we conducted a study during the year to investigate the effects of construction on biodiversity, and to determine whether and how we can work with ecological compensation, which is an increasingly popular tool. Ecological compensation means that exploitation and land-use changes that cause adverse effects on biodiversity are compensated by providing new values in another area. However, the study showed that ecological compensation should only be the last resort, and that maintaining the existing biodiversity should be the primary objective.

Water use

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



To gain further insight into how water is used in our properties, we have mapped water consumption at a more detailed level. This was carried out with monitoring systems in selected properties, where we mapped the consumption and where we see irregularities. These were mostly due to leaks, but also to the routines of the people using the premises. We take measures

where we identify acute problems, and the long-term process includes mapping and planning for how we can reduce our water use in property management. In the construction stage, we look into how installations can reduce water use such as low-flow taps and toilets, as well as flow control regulators to reduce water use.



CASE:

One of the biggest environmental challenges of our time

When we build new properties, it could mean that the habitats of many species that live in forests, meadows and other green areas disappear. Biodiversity loss is one of the biggest environmental challenges of our time. Species live in a symbiotic relationship with nature and the disappearance of species could have serious consequences. It is important that property players are aware of the importance of biodiversity, the applicable regulations and how they can reduce any harmful effects.



Hemsö in Finland conducted a study of several properties and their effects on local biodiversity.

Two development projects were studied – the fire stations in Linnanmaa in Oulu, and Lauritsala in Lappeenranta – and assessed using available data. In both of these projects, undeveloped green areas were converted into fire stations.

“These development projects serve as reference,” says Janne Suhonen from Hemsö in Finland. Based on insights from Linnanmaa and Lauritsala, we can draw conclusions about how we want to improve moving forward, and make comparisons with other development projects.”

The aim of the study was to investigate the effects of construction on biodiversity, and define how we can work with ecological compensation, which is an increasingly popular tool. Ecological compensation means that exploitation and land-use changes that cause adverse effects on biodiversity are compensated by providing new values in another area.

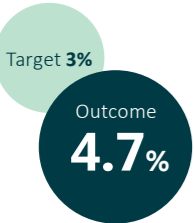
However, the study shows that in accordance with the precautionary approach, the primary objective should be to avoid harming the existing biodiversity by, for example, considering the placement of a property in relation to the surrounding natural environment. The secondary objective is to mitigate the harm.

Ecological compensation is a ‘last resort’ solution, where the loss of habitat or living conditions for a species is offset by restoring, maintaining or protecting an equivalent amount of biodiversity elsewhere. The aim of ecological compensation is to achieve No Net Loss (NNL) of biodiversity.

“Promotion of biodiversity is fairly new for Hemsö in Finland, but something we will focus more on moving forward,” says Janne Suhonen. “We are looking forward to drawing more conclusions in the future as we receive more input in the project. We will also be focused on how we can strengthen biodiversity in the existing property portfolio.”



Results and metrics, Environment and climate



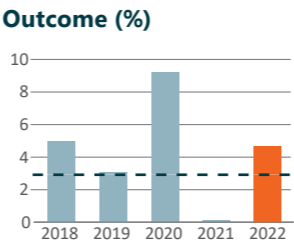
Energy use

Target

In the comparable portfolio (Sweden), energy savings shall be at least 3 per cent per year.

Outcome

In 2022, energy savings in the comparable portfolio in Sweden were 4.7 per cent.



Energy consumption within the organisation

The reporting period is 1 January-31 December 2022.

MWh	2020	2021
Electricity, renewable	94,537	95,990
District heating, renewable	108,128	116,261
District cooling, renewable	4,521	7,331
Total renewable energy	207,186	219,582
Electricity, non-renewable		
District heating, non-renewable	34,273	58,433
District cooling, non-renewable	289	
Oil	6	440
Natural gas	1,310	1,411
Biogas		1,287
Diesel	61	
Petrol	110	
Total non-renewable energy	36,049	61,571
TOTAL	243,235	281,153

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

MWh	2022
Electricity, renewable	78,497
District heating, renewable ¹	98,198
District cooling, renewable	6,712
Total renewable energy	183,406
District heating, non-renewable	49,354
District cooling	0
Oil	0
Natural gas	1,153
Biogas	0
Total non-renewable energy	50,507
TOTAL	233,914

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

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

Tenant waste

Tonne per waste management method	2021 ¹	2022 ²
Landfill	2	2
Energy recovery	1,143	1,941
Recycling	950	3,913
Total tonnes of waste	2,096	5,857

¹ 2021 was the first year that we reported tenant waste. Tenant waste data is only available for some properties and is extrapolated for the remaining properties on the basis of property type. This was done by estimating an average figure for the amount of waste per sqm for each property type. These figures were then used to estimate the amount of waste for the properties where data was not available. This was then totalled with the data that was available. An average breakdown between the various waste management methods was also estimated for each type of property, and this was used to break down the estimated waste into the various waste management categories. The reported waste was broken down according to the information provided, not according to the average breakdown. The calculations include data for Sweden, Finland and Germany.

² Tenant waste only includes data for some properties. Data for waste was produced using a standard for waste figures for 2021, and the figures for 2022. The calculations contain data for Hemsö’s operations in Sweden, Finland and Germany.

Water use

Water use	2021	2022
Water use, m³	697,265	708,513
Water intensity, l/m²	473	475

This is the second year that we have reported water use. The calculations for both years include water use for properties in Sweden. In 2023, the aim is to set targets and create a strategy for the Group.

Climate-change impacts of construction

Development projects completed in 2022	Building type	A1–A5 (kgCO ₂ /m² GIA)
Nordtag preschool ¹	Education	125
Vikhem sports centre ¹	Education	225
Kadetten ¹	Education	104
Pilehallen ¹	Education	72
Vittran sports centre and Vittran school ¹	Education	369
Bylegård ¹	Nursing home	422
Sköndalsvillan ¹	Nursing home	190
Nordic International School (Vemmenhög 1) ²	Education	343
Vikhem sports centre 4 ²	Education	343
Nordic International School ²	Education	343
IES Staffanstorp 4 ²	Education	343
Tjuvkil preschool ²	Education	343
Paavola Campus ²	Education	343
Södra Källtorp preschool 1 ²	Education	343
Arkadiankatu 24 ²	Education	343
Paavola Campus 1 ²	Education	343
Brogårda LSS ²	Nursing home	358
Hoivamme 3 ²	Nursing home	358
Hoivamme 55 ²	Nursing home	358
Södra Källtorp assisted living facility 1 ²	Nursing home	358
Kuparitie 2 ²	Nursing home	358
Vågen Vilunda ²	Nursing home	358
S:t Jörgen ²	Nursing home	358
Silverkällan ²	Nursing home	358
S:t Lars Park, Building 82 ²	Health care	358
Espoo family centre ²	Health care	358
Lauritsala fire station ²	Justice system	325

The table shows the embodied carbon calculation for the construction process stage of development projects completed in 2022. The calculations comprise the product and construction process stages – modules A1–A5, according to SS-EN 15978.

¹ 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.

² These development projects do not have a climate declaration, and were calculated using Boverket’s baselines for A1–A5 https://www.boverket.se/contentassets/3537859bcb-f24e83b0073b1dbb512247/referensvarden-for-klimatpaverkan-vid-upporande-av-byggnader_kth-2021.pdf

GHG emissions

Direct and indirect (Scope 1, 2 and 3) emissions	2020	2021
Direct (Scope 1 ¹) GHG emissions, tCO ₂ e	541	737
Non-renewable energy	541	737
Direct (Scope 2 ¹) GHG emissions, tCO ₂ e	9,682	13,014
Electricity, non-renewable	-	-
District heating, non-renewable	9,660	13,000
District cooling	21	14
Direct (Scope 3 ²) GHG emissions, tCO ₂ e	2,979	47,708
Business travel		
Air travel	21	26
Train travel	-	-
Cars	11	61
Bus	-	-
Hotel	1	5
Travel expenses	-	3
Purchased goods and services		
Construction process stage (A5)	-	488
Capital goods		
Product stage (A1-A3)	-	7,426
Upstream transportation and distribution		
Transport stage (A4)	-	382
Downstream leased assets		
Energy use	-	35,870
Waste	-	616
Production of energy carriers	2,945	2,831
Total	13,202	61,459

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

¹ The calculations contain direct emissions from refrigerants, mobile and stationary fuels (Scope 1) as well as 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.

² In previous years, the calculations included other indirect emissions from business travel and the production of energy carriers, which are based on data for travel by air, car, bus, rail and taxi as well as number of hotel nights. This year, for the first time, the calculations include purchased goods and services (construction processes), capital goods (construction materials), upstream transportation (construction transport) and downstream leased assets (tenants’ energy use and waste). Emissions data for construction processes, construction materials and construction transport have been obtained from climate declarations compiled on behalf of Hemsö. These emissions are broken down in the climate declarations, in accordance with the European EN 15978 standard, into the categories of A1-A3 (product stage), A4 (transport stage) and A5 (construction process stage). In this report, emissions from the A1-A3 category are placed in the capital goods category, A4 is placed in upstream transportation and emissions from the A5 category are placed in purchased goods and services. Tenant waste data is only available for some properties and was extrapolated for the remaining properties on the basis of property type. The calculations contain data for Hemsö’s operations in Sweden, Finland and Germany.

Direct and indirect (Scope 1, 2 and 3) emissions	2022
Direct (Scope 1 ¹) GHG emissions, tCO ₂ e	616
Leased cars	132
Refrigerants	483
Indirect (Scope 2 ¹) GHG emissions, tCO ₂ e	10,032
Electricity – market-based	0
Electricity – location-based	1,112
District heating	8,758
District cooling	113
Company vehicles – Electric/PHEV	50
Other indirect (Scope 3 ²) emissions, tCO ₂ e	137,648
Purchased goods and services	52,013
Capital goods	39,218
Fuel and energy-related activities	1,084
Waste	0
Business travel	52
Employee commuting	0.34
Downstream leased assets	45,281
Total	148,296

¹ 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 2022 also include emissions from the combustion of fuel by leased cars in the Scope 1 calculations.

² In this year’s report, we have included a more complete presentation of capital goods. Emissions data for construction processes, construction materials and construction transport have been partly obtained from climate declarations compiled on behalf of Hemsö. As well as standardisations based on Boverket’s baselines https://www.boverket.se/contentassets/3537859bcbf24e83b0073b1dbb512247/referensvarden-for-klimatpaverkan-vid-upporande-av-byggnader_kth-2021.pdf. Since the calculation method is different, we have not been able to divide this year’s 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 once again, only data for certain properties was available. Data for waste was produced using a standard for waste figures for 2021, and the figures for 2022. The calculations contain data for Hemsö’s operations in Sweden, Finland and Germany. Employee commuting is included this year, 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.

ESG

For Hemsö, social sustainability means helping to develop a society that puts human needs and welfare first. In our organisation, that 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.

Hemsö's role in society

In our role as a community builder, we take responsibility for maintaining and developing social infrastructure. We do this together with municipalities and other players 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 2022, we initiated development projects that will add 700 new nursing home beds and 7,140 new school places. Through our principal owner, the Third Swedish National Pension Fund, we are also creating growth for Swedish pension funds and contributing to safety and security for elderly people.

To simplify a holistic approach in our efforts to create sustainable and high-quality nursing homes and schools, we have developed two tools – the Hemsö Flower, and the Hemsö Apple. The Hemsö

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



CASE:

Skolgårdslyftet – a pilot project to set the standard for tomorrow’s school playgrounds

During the year, we completed the Skolgårdslyftet pilot project which was aimed at creating green, variation-rich school playgrounds that support learning and strengthen the social and physical development of the students. We made an inventory of our preschool and school playground portfolio and raised the quality of 50 school playgrounds that Hemsö owns.



The pilot project ran for five years and we invested nearly SEK 30 million. We will use the experience we gained from the project when we upgrade and build new schools. We have produced a manual to ensure that we build school playgrounds that are educational, challenging, secure and healthy, and promote creativity and physical activity.

The Skolgårdslyftet project was based on environmental psychology research from sources including the Swedish University of Agricultural Sciences, which shows how various elements in the outdoor environment can promote learning for children and young people, as well as their social and physical development.

We saw development potential in our existing portfolio and wanted to enhance these important outdoor environments.

The characteristics include tranquility, wildness, species richness, space and cultural history. The design of school playgrounds and outdoor environments for children and young people should strive to provide these eight characteristics. By preserving wildness and species richness, we are also promoting biodiversity.

The 50 outdoor environments that were upgraded correspond to Hemsö’s entire school playgrounds portfolio. Framtidsgymnasiet in Malmö is one of the schools that received a real boost in 2022.

The former asphalt parking lot was replaced by greenery, an outdoor gym, a basketball court and space for socializing.

“The Skolgårdslyftet project was such a boost,” says David Andersson, technical manager for Hemsö Region South. The former asphalt parking lot was replaced by greenery, an outdoor gym, a basketball court and space for socializing.

Hemsö’s property management organisation is responsible for ensuring that the school playgrounds function as intended, and works together with external partners to maintain high quality.

“At the start, we engaged landscape architects for the design, and now we work actively with our grounds maintenance contractor to keep everything in order,” says David Andersson. Last but not least, it is really important that we involve the employees and everyone else who uses the outdoor environment to create tomorrow’s school playgrounds together.

Community engagement and impact

Schools that are used by students and teachers during the day, can be used in the evenings for courses, culture, innovation and entrepreneurship. Movement and activity throughout most of the day creates a sense of security in an area. Access to good education is also a key factor for faith in the future and positive life choices. For us, it is also important to be involved in all areas of society.

In 2021, Hemsö acquired Tensta Upper-Secondary School after nearly five years of vacancy. The vision is to create Campus Tensta – an education centre where students of all ages from all over Stockholm can meet. We also strive for a broad dialogue with school operators, the local community and clubs and associations in the area. Together with Save the Children Sweden, Folkets Hus & Parker and Spånga-Tensta Council, we signed a Letter of Intent to re-open Tensta Träff. The aim is to enable a meeting place that actively contributes to the positive development of the area, and promotes better outcomes for children and young people.

Our engagement also includes sponsoring of other initiatives that are developmental and create social value. Every year, we select several projects to support. National sponsorship of nationwide objects is announced in January every year. In 2022, Hemsö supported brain research by sponsoring Hjärnfonden, which means that we are contributing to social value while also benefiting from their research findings when we develop tomorrow’s residential care facilities. The regional sponsorship is linked to a region or municipality and we make decisions on an ongoing basis as applications are received. We also have the Hemsö Gift, which is intended for those who use our buildings and aimed at simplifying and enriching their day-to-day life. In 2022, the Hemsö Gift was awarded

to 15 different educational activities, ranging from extra support for children’s language development to greenhouses and garden beds for Science classes.

By thinking outside the box, we can contribute to progressive and innovative solutions for our tenants and the surrounding environment. Hemsö has developed two properties designed for interaction between young and old people. By combining preschools and elementary schools with nursing homes, we are building natural intergenerational contact places. Research has shown that intergenerational contact has several positive effects on individuals, such as increased

self-confidence, improved learning ability and better mental and physical health. In our multi-generational building in Upplands Väsby, Hemsö finances education, workshops and other activities that will present opportunities for intergenerational meetings and ensure the operations work as intended. This is also project where we share spaces and have planted greenery that also benefits the surrounding environment.

When we plan tomorrow’s nursing home and schools, these are the types of solutions we will be looking at – with a focus on people. Our solutions are based on basic human needs of being together, and feeling a sense of security and belonging.



Customer satisfaction and long-term relationships

Hemsö’s mission is to make our employees and customers proud. We safeguard our customer relationships and work every day to build trust. Our commitment is based on a long-term approach – from our first contact with the customer, to when we take over management of the property.

Through regular CSI surveys, we find out whether we are living up to our customers’ expectations. Customer responses help us continuously improve our operations, our customer relationships and our offering. Areas with a major impact on customer satisfaction are Hemsö’s customer service, and the quality of our properties. The importance of other issues such as sustainability, climate change, the outdoor environment and security is also increasing.

When we receive responses from the survey, they are distributed to Hemsö’s responsible property manager who follows them up and

creates an action plan. Hemsö has a dedicated team that analyses the company’s customer service, and identifies the regions that work best with customer relationship management. Best practices are highlighted to create a standard for our customer service.

In 2022, we conducted a customer satisfaction survey in Finland, and the total score was 3.92 on a 1–5 scale. The Net Promotor Score (NPS) measures customer loyalty and the score in the survey was 54. Both scores improved year-on-year. In 2021, they were 3.81 and 49, respectively.

CSI Sweden: 73.4
CSI Finland: 3.92

The most recent CSI survey in Sweden was conducted in January 2023 using a web-based questionnaire and phone interviews, and showed an increase from 73 in 2020 to 73.4 in 2023. Hemsö’s target is a CSI score of 75 points (on a 100-point scale) within a five-year period. 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.



CASE:

Vågen – an intergenerational meeting place

An exciting project was launched at the end of the year, when the first tenants moved into the Vågen multi-generational building. The property is a combined preschool and nursing home in Upplands Väsby for 80 preschool children and 80 seniors, an even distribution of young and old people. The combination of children and residents in the same building presents opportunities for relationship-building activities across generational boundaries, as well as efficient land use.



It all started when Upplands Väsby Municipality was looking for a player that could solve the need for preschool places in Fyrklövern, a development area in the central part of the municipality. The contract was awarded to Hemsö, with a proposal to combine the preschool with a nursing home, and thereby create an urban neighbourhood filled with activities. Hemsö then looked for tenants who would be interested in a multi-generational arrangement, and signed a rental agreement and related collaboration agreements with the Stockholm Sjukhem Foundation and the Raoul Wallenberg School for the new development project.

For Hemsö, Vågen is one of the first properties that we have ever constructed for intergenerational activities and for which we are also responsible for ensuring its success.

“We really wanted to promote a social exchange between young and old people,” says Jennifer Jennerhed, project developer at Hemsö. Hemsö therefore sets aside money in a collaboration fund for the tenants to finance the activities.

Hemsö is also supporting the tenants during the initial year of their start-up process through Generation Marianne, which is focused on training, developing and implementing intergenerational activities with the aim of increasing the health and well-being of seniors, children and young people. Generation Marianne trains employees, arranges workshops and supports the operations to promote an everyday exchange between the children and the residents.

“While a feeling of being needed is important, it’s also important to respect how much each person wants to meet and socialise. No one should feel they have to be sociable,” says Jennifer. “But we really believe in the concept that the building enables. It’s a mutual learning experience – the elderly contribute their knowledge and wisdom, and the children their curiosity and energy.”

There are meeting places for the operations in the building both indoors and outdoors. The outdoor environment has primarily been designed for the preschool’s activities, but is also suitable for use by the elderly, mainly during the evening and on weekends.

“Having this type of activity in the midst of a dense residential environment is valuable,” says Jennifer Jennerhed.

“It helps to create a vibrant and sustainable city centre with businesses open during the day and employees on duty around the clock. In short, it’s a building that never sleeps. And that is contributing to a sustainable neighbourhood.”

Upplands Väsby Municipality also specified the inclusion of ecosystem services in the project, and requested green meeting places. The solution included a yard divided into zones to offer a rich variety of outdoor activities, and planter boxes on the property’s roof terrace with space for gardening and greenery. In partnership with the municipality, Hemsö also created greenery, well-being and species richness by connecting the vegetation with the adjacent park (Bäckparken), which also promotes surface water management. The existing trees in the yard were also preserved, which is important in our efforts to preserve biodiversity. With Vågen, Hemsö has created a sustainable place for intergenerational meetings.

Health and safety of our tenants

The indoor environment is a top priority for Hemsö, since our objective is to offer a safe and healthy environment for everyone in and around our premises. As part of our responsibilities as a property owner, we ensure there is no negative impact on the health of our tenants from anything related to the building or property.

The indoor environment is affected by various factors such as the design of the building, installations and choice of materials, as well as how the building is used and maintained.

We can already identify factors that affect the indoor environment in the property acquisition stage by performing inspections and checking documentation. In connection with new construction projects, we use environmental certification to ensure the quality of the indoor environment, including the sizing of ventilation systems, air quality, natural light and materials. 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 for the residents and students in 16 properties equipped with sensors. These sensors provide Hemsö's property management systems with information about temperature, CO₂ levels and relative humidity in the premises. The aim is that this smart technology will control the indoor climate to ensure that the air is always fresh and pleasant for the people who use the premises. The data that we are collecting from the properties will also be important lessons for the future. When we build new properties, we will make sure that sensors for measurement and control are included in the tender documentation. In existing properties, we will install sensors at an

appropriate time and when property management sees a need.

Hemsö's properties shall meet a technical standard that ensures the safety and security of those who live, work and visit our buildings and their surroundings. We are responsible for always complying with applicable regulatory requirements. We have delegated property owner responsibilities to property managers and project directors who have undergone training for that role. Hemsö has been performing environmental inventories of its entire existing Swedish portfolio for many years to identify potential risks and enable measures where needs exist, in connection with the environment and indoor environment.

Working with safety and risks means that Hemsö proceeds from a zero vision for accidents related to the properties. We conduct preventive safety rounds and inspections of all properties at established intervals to check fire safety, fall protection, lifts and similar. All regulatory inspections in Sweden are logged in the Green View property system, which gives a clear overview of the inspections and measures in our property portfolio. An equivalent system is provided in Finland via Vastuu Group. Other inspections are coordinated with operations and maintenance service providers on a monthly basis and all safety rounds are documented. We also work preventively in Finland, by training our tenants to cope with emergencies, practice evacuation and first aid.

In 2023, most properties in Sweden will also receive a digital twin, which is a database where we save all information and facts about a property. Access to this information will make it easier for us and our tenants in relation to, for example, fault reports. The properties have also been connected in Webport Cloud, a tool for reading the properties' technological installations remotely to manage the indoor climate and other factors related to the indoor environment.

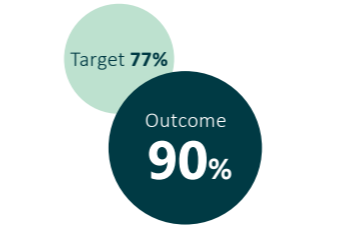
If an accident or serious injury occurs due to property owner negligence, we have a clear plan of action based on our crisis management process. Any events are handled by Hemsö's crisis management team until the situation is deemed normal again. The matter is then handed over to the line organisation and an action plan is created to prevent the occurrence of similar events in the future. An incident report is also documented and submitted to the Board.

Our operations and maintenance service providers are on duty around the clock, with emergency services if needed. We also include surveys of customer health and safety in our CSI survey. Hemsö has a zero accident vision for its properties. In 2022, no accidents were reported in connection with property owner negligence.

Our employees

Hemsö's mission is to make our employees and customers proud. We want to be an attractive employer and attract talent, but also want to ensure that our existing employees are thriving, motivated and satisfied. 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.

Job satisfaction, security and opportunities for further development are all motivational drivers. We have a systematic OHS management system that follows up how we work, which includes the annual employee satisfaction survey. The results of last year's survey were presented during the spring, and showed that all index scores have increased and, according to the Employee Net Promoter Score (eNPS), the percentage of ambassadors has continued to rise. The employee engagement score also rose and was above the high-performance benchmark, which is a comparison with the absolute top companies. The Engagement Index (EI) is part of the Employee Engagement Index and our target is an EI score of at least 77 per cent. The outcome of last year's survey was 90 per cent (88).



Factors that drive engagement are that employees feel motivated, proud, and have fun at work, combined with clear guidelines from the employer. For a positive workplace environment, issues such as the ability to influence, development and support for management are very important. A slight decline was noted for a few questions related to clarity (individual, team), but the overall

score was still very high. This is largely due to the fact that we have applied a sustainable and long-term approach to our employees in recent years, which means that we ask them for their feedback. We request their feedback in employee satisfaction surveys, follow-up interviews, after new recruitments and in exit interviews. The results are evaluated and we take any appropriate measures.

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

During the pandemic, virtual meetings and workshops became second nature. The ability to switch between different workplaces is appreciated by Hemsö's employees and something we have also chosen to continue with after the pandemic. Hemsö therefore adopted a flexible working policy that authorises each manager to set the frameworks for hybrid working arrangements.

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. The starting point is to ensure systematic OHS

management in accordance with applicable laws and regulations. In 2022, our employee attendance rate was 99 per cent and there were zero work-related accidents or fatalities.

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.

Diversity, equality and non-discrimination

We aim to employ 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, for example, 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, as well as in senior management. According to the 2022 sal-



ary 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 satisfaction survey. Hemsö's Code of Conduct describes how our values, visions and commitments guide our everyday actions, and also provide guidance for other stakeholders. Our aim is that all new employees undergo training in Hemsö's Code of Conduct.

Creating a diverse work environment requires a long-term and comprehensive approach and our focus on this area will increase moving forward. During the year, our HR department completed training in diversity and we are now creating a strategy for this process. In 2023, we will identify a number of diversity parameters with the aim of setting targets and measuring diversity progress in the company.

Competence development focus

Hemsö's employees choose to stay for a long time, often because of the company's excellent development opportunities. 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. During the year, we arranged about ten such programmes with topics including sustainable construction and mentoring. During the spring, the Smart-Time course was also held on a few occasions to provide employees with tools in Outlook to facilitate their daily planning.

Our core values guide everything we do at Hemsö and the Hemsö School plays a key role in building a common set of values. In this school, mainly new employees complete practical and theoretical exercises in order to understand and embrace Hemsö's value words – accessible, reliable and progressive. In 2022, 44 employees completed 'Culture and values' training in the Hemsö School on three occasions.

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. As a basis for professional development, all employees have an individual plan that is established together at their

annual performance review. The development plan also includes an individual plan for training. To encourage our employees to move upwards in the organisation, we announce vacant positions internally first.

Every year, we measure employees' perception of their competence development. In the latest employee survey, 89 per cent responded positively and 9 per cent neutrally to the question 'Are you able to develop in your role?'

Universum named Hemsö a 'Career Company of the Year' for the sixth consecutive year. A stamp of quality indicating that the jury rates Hemsö as one of the top 100 companies in Sweden when it comes to offering development and career opportunities to its employees. Jury citation: "Hemsö is a textbook example of an employer that invests in its employees. By offering a range of activities such as internal training and seminars, the company provides opportunities for endless development. Hemsö also offers its employees attractive benefits. Combined with the company's warm and familiar company culture, we have an excellent employer." We are also the company with the highest overall number of nominations in the industry.

One of the top 100 employers in Sweden.

Hemsö's 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

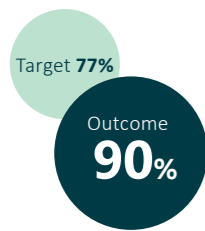
We take responsibility for the properties we manage and build confidence through financial stability and stable ownership. We contribute to social sustainability and our properties are part of the social infrastructure.

Progressive

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



Results and metrics, Employees



Engagement Index (EI).

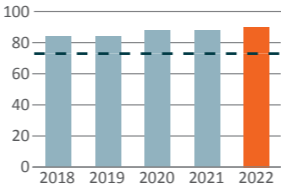
Target

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

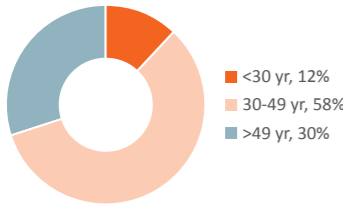
90 per cent, which means the target for 2022 was achieved.

Outcome

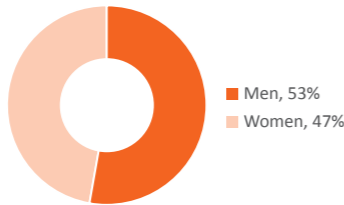


Age and gender balance

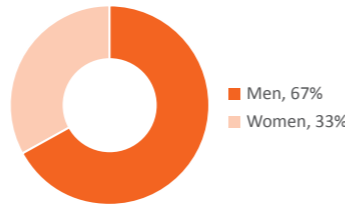
Age balance total



Gender balance total



Gender balance, management



	Women/men, %	<29 years	30-49 years	> 50 years
2022				
Board	50/50	0%	17%	83%
Management	33/67	0%	33%	67%
All employees	47/53	12%	58%	30%
2021				
Board	50/50	0%	17%	83%
Management	40/60	0%	40%	60%
All employees	47/53	11%	61%	28%
2020				
Board	33/67	0%	17%	83%
Management	40/60	0%	50%	50%
All employees	43/57	13%	62%	25%

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

New employee hires and employee turnover

Employee turnover, %	2020	2021	2022
Total	10.1	7.6	17.3
Men	5.6	6.2	7.0
Women	13.9	1.4	10.2

The number of new employees in 2022 was 32 (28 in 2021, 29 in 2020). Hemsö does not report age group or region due to too few employees. Calculation using the formula: lowest number of employees started or ended, respectively/average number of employees. Comprises Sweden, Finland and Germany.

Employment contract type

No. of employees per employment contract	2021	2022
Total no. of employees	153	158
Permanent employees	151	156
Temporary employees	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 2022 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. Clear procedures and quality assurance also ensure that we comply with the laws and regulations that govern our operations.

Regulatory compliance and anti-corruption

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. We monitor each area continuously to identify any regulatory or legal changes. That enables us to take timely action and adapt our operations.

For obligations that are governed by law, Hemsö has a clear delegation of responsibilities within the company and provides regular training for the people concerned. The principle for delegation of responsibilities is based on fields of expertise and the employee's ability to take responsibility for their own area of expertise. The cases for which regulatory and legal changes bring a need for action within the company are monitored regularly. Any need for action is materialised through various activities and included in the annual Group-wide business planning process. Monitoring takes place at management level. In 2022, 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 an open business climate and 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. Our aim is that all new employees will undergo training in Hemsö's Code of Conduct, where anti-corruption is a key element. In 2022, 44 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 report suspected cases of serious misconduct or irregularities. The whistleblowing system is an early warning system to reduce risks and uphold confidence. 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 2022, no cases of corruption were reported.



Responsible relationships across the entire supply chain

Through Hemsö’s business concept – to sustainably own, manage and develop public properties – we have a duty to create responsible relationships. We place high demands on both ourselves and our suppliers. Central guidelines and processes provide the basis for our responsible purchasing ambitions.

The demands we make on our suppliers are specified in our Code of Conduct for Suppliers, which is attached to our agreements. We completed ten 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 any sub-contractors. The aim is that all collaboration will be guided by Hemsö’s core values – accessible, reliable and progressive – the cornerstones of everything that we do.

Creating responsible relationships requires transparency at every

level of the supply chain. In contracting services, as in many other sectors, there is still a joint effort remaining to increase transparency and thereby create the conditions for taking joint responsibility and working with purchasing the way we want to. 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. During the year, we conducted a major review

of the sub-contractors that work with our new development to identify operational and financial risks. This process forms the basis for a project where we will continuously develop our monitoring of supplier compliance, including sub-contracting chains. In 2023, we will structure the way we work and create central targets with related process control.

We also see collaboration as a way for the property and construction industry to achieve responsible business. We can work together with our main partners to create conditions for our suppliers to comply with the requirements of the Code of Conduct and promote sound terms.

Human rights is at the top of the agenda for us and our principal owner, the Third Swedish National Pension Fund. The Fund 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 formed 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.



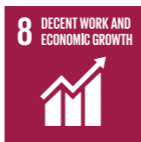
Goal 4 – Quality education

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 NollCO₂, Roadmap 2045 and Local Roadmap for a Carbon-Neutral Building & Construction Industry in Malmö 2030 (LFM30).

GRI Content Index

General Disclosures		Page	Comments
GRI 2: General Disclosures 2021	2–1	Organisational details	Hemsö Fastighets AB. The address of the head office is Linnégatan 2, Stockholm, Sweden. More information on page 2.
	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	2
	2–4	Restatements of information	
	2–5	External assurance	54
	2–6	Activities, value chain and other business relationships	6–7, 12–13
	2–7	Employees	44
	2–8	Workers who are not employees	44 We do not present information about those workers who are not employees and are contracted by our sub-contractors. We are reviewing our processes in order to include these in future reporting.
	2–9	Governance	14–15
	2–10	Nomination and selection of the highest governance body	14–15 Read more about the nomination and election of Board members in the Corporate Governance Report in Hemsö’s 2022 Annual Report from page 81 and onwards.
	2–11	Chair of the highest governance body	14–15 Read more about the chair of the highest governance body in the Corporate Governance Report in Hemsö’s 2022 Annual Report on page 81 and onwards.
	2–12	Role of the highest governance body in overseeing the management of impacts	14–15
	2–13	Delegation of responsibility for managing impacts	14–15, AR In the Corporate Governance Report in Hemsö’s 2022 Annual Report from page 81 and onwards.
	2–14	Role of the highest governance body in sustainability reporting	14–15, AR In the Corporate Governance Report in Hemsö’s 2022 Annual Report from page 81 and onwards.
	2–15	Conflicts of interest	14–15, AR In the Corporate Governance Report in Hemsö’s 2022 Annual Report from page 81 and onwards. 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 AP3, and 15 per cent of Sagax. They make up Hemsö’s Board.
	2–16	Communication of critical concerns	15, 47
	2–17	Collective knowledge of the highest governance body	In 2023, we will hold dedicated sustainability training for senior management.
	2–18	Evaluation of the performance of the highest governance body	14–15 In the Corporate Governance Report in Hemsö’s 2022 Annual Report from page 81 and onwards.
	2–19	Remuneration policies	14–15 The Board’s remuneration is not linked to sustainability.
	2–20	Process to determine remuneration	14–15 The Board’s remuneration is not linked to sustainability.
	2–21	Annual total compensation ratio	The mean salary is SEK 56,000. The highest paid employee relative to the mean salary is 8.5. The highest paid employee’s salary increase relative to the mean salary increase percentage is 203.85 per cent.
	2–22	Statement on sustainable development strategy	11 CEO statement on pages 4–5 of Hemsö’s 2022 Annual Report
	2–23	Policy commitments	15
	2–24	Embedding policy commitments	15 Our policies are linked to Hemsö’s sustainability strategy. They are embedded and therefore followed-up annually. The processes will be evaluated in 2023 to obtain clearer integration of the policies in the operations
	2–25	Processes to remediate negative impacts	12–13, 17–18, 23–25 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, we will conduct an exercise around risks that will include our entire sustainability agenda.
	2–26	Mechanisms for seeking advice and raising concerns	14–15
	2–27	Compliance with laws and regulations	14–15
	2–28	Membership associations	18
	2–29	Stakeholder engagement	19
	2–30	Collective bargaining agreements	41

Material topics		Page	Comments
GRI 3: Material Topics 2021	3–1	Process to determine material topics	19
	3–2	List of material topics	19
Economic performance			
GRI 3: Material Topics 2021	3–3	Management of material topics	6–11, 14–15
GRI 201: Economic Performance 2016	201–1	Direct economic value generated and distributed	9
Anti-corruption			
GRI 3: Material Topics 2021	3–3	Management of material topics	11, 13–15, 17, 47–48
	205–2	Communication and training about anti-corruption policies and procedures	47 All of our new employees (which also includes Group Management) are informed about our Code of Conduct, including business ethics. In 2023, we will be working to achieve a systematic process so that all employees are informed about the Code of Conduct every year, not only when they commence their employment.
	205–3	Confirmed incidents of corruption and actions taken	47
Materials and chemicals			
GRI 3: Material Topics 2021	3–3	Management of material topics	11, 13, 15, 17, 21–22
Own	Hemsö–1	Materials in new development that meet Hemsö’s environmental and health requirements	22 Proportion of products in development projects that meet the criteria for levels A and B in the SundaHus Material Data system.
Energy			
GRI 3: Material Topics 2021	3–3	Management of material topics	11–13, 15, 17, 26
	302–1	Energy consumption within the organisation	32
GRI 302: Energy 2016	302–4	Reduction of energy consumption	26
Emissions			
GRI 3: Material Topics 2021	3–3	Management of material topics	11–13, 15, 17, 21–25
	305–1	Direct (Scope 1) GHG emissions	33
GRI 305: Emissions 2016	305–2	Energy indirect (Scope 2) GHG emissions	33
	305–3	Other indirect (Scope 3) GHG emissions	33
Supplier environmental assessment			
GRI 3: Material Topics 2021	3–3	Management of material topics	11–15, 17, 48
	308–1	New suppliers that were screened using environmental criteria	48 Hemsö defines suppliers as those included in central procurements.
Employment			
GRI 3: Material Topics 2021	3–3	Management of material topics	13, 15, 17, 41–43
	401–1	New employee hires and employee turnover	44 We do not report age category or region, since we do not present employee turnover internally according to age or region. Hemsö has only 158 employees – 10 in Germany, 16 in Finland and 132 in Sweden
Training and education			
GRI 3: Material Topics 2021	3–3	Management of material topics	13, 15, 17, 41–43
	Hemsö–2	Percentage of employees who are satisfied with their opportunities for competence development	42
GRI 404: Training and Education 2016	404–3	Percentage of employees receiving regular performance and career development reviews	.

Material topics		Page	Comments	
Diversity, equality and non-discrimination				
GRI 3: Material Topics 2021	3–3	Management of material topics	13, 15, 17, 41–43	
GRI 405: Diversity and Equal Opportunity 2016	405–1	Diversity of governance bodies and employees	44	We do not include other minority groups in our reporting. In our employment processes, we are more focused on inclusion than is reported, but we do not follow-up or evaluate this aspect.
	405–2	Ratio of basic salary and remuneration of women to men	42	
Local communities				
GRI 3: Material Topics 2021	3–3	Management of material topics	6–11, 35	
Own	Hemsö–5	Place availability completed	9	
Supplier social assessment				
GRI 3: Material Topics 2021	3–3	Management of material topics	11–15, 17, 48	
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.
Customer health and safety				
GRI 3: Material Topics 2021	3–3	Management of material topics	11, 13, 15, 17, 38, 40	
GRI 416: Customer Health and Safety 2016	416–1	Assessment of the health and safety impacts of product and service categories	40	
Own	Hemsö–3	Reported accidents and incidents in Hemsö’s properties during the reporting period	40	
Product and service labelling				
GRI 3: Material Topics 2021	3–3	Management of material topics	12–13, 15, 17, 21–22	
GRI 417: Marketing and Labeling 2016	CRE8	Sustainability certifications and ranking of the property portfolio	22	
Customer satisfaction				
GRI 3: Material Topics 2021	3–3	Management of material topics	11, 13, 15, 17, 38	
Own	Hemsö–4	Results of customer satisfaction surveys	38	

Annual Accounts Act table

Area	Disclosure	Reference
Overall	Business model	6, 8
Environment	Policy and environmental issues	
	Risks and risk management related to environmental issues	
	Targets and results related to environmental issues	15, 17, 20–33
Employees and social conditions	Policy and social issues	
	Risks and risk management related to social issues	
	Targets and results related to social issues	14–15, 17, 34–44
Human rights	Policy and social issues	
	Risks and risk management related to social issues	
	Targets and results related to social issues	14–15, 17, 48
Anti-corruption	Anti-corruption policy and approach	
	Risks and risk management related to anti-corruption	
	Targets and results related to anti-corruption	14–15, 17, 46–49

Signing of the Sustainability Report

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

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

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

Stockholm, as of the date of our electronic signature.

Pär Nuder Chairman of the Board	Johanna Skogestig Board member	Maria Björklund Board member
Kerstin Hessius Board member	David Mindus Board member	Johan Thorell Board member
	Nils Styf Chief Executive Officer	

Auditor’s Limited Assurance Report on Hemsö Fastighets AB’s Sustainability Report and 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 2022. 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 Hemsö Fastighets AB 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 Control 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 and the Chief Executive Officer 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 and the Chief Executive Officer.

A Statutory Sustainability Report has been prepared.

Stockholm date according by our electronic signature.

KPMG AB

Peter Dahllöf
Authorized Public Accountant

Torbjörn Westman
Specialistmedlem i FAR



