

Sustainability Guidelines

Hemsö's owner's directive states that Hemsö shall be a sustainability leader among companies in the public properties segment.

Business concept

To sustainably own, manage and develop public properties

Vision

We strengthen the backbone of society



1. Introduction

Hemsö's vision is to strengthen the backbone of society. The properties that we develop and manage have a major impact on the local community. Hemsö's business concept is to sustainably own, manage and develop public properties. Long-term responsibility from an economic, environmental and social perspective shall permeate the day-to-day operations of our business.

1.1. External sustainability frameworks

Hemsö's owner's directive states that Hemsö shall be a sustainability leader among companies in the public properties segment. Sustainability and sustainable development are defined by a number of external frameworks and standards including the UN Sustainable Development Goals, the 2030 Agenda, the Paris Agreement, with its goal of limiting global warming and its effects, national climate targets, the Global Reporting Initiative (GRI) and GRESB (the Global Real Estate Sustainability Benchmark), and the UN Global Compact. GRI is a global standard for sustainability and sustainability reporting. GRESB is an industry-specific reporting framework for the sustainability performance of assets, which also helps to define sustainability for property companies.

1.2. Internal governance

Hemsö's sustainability initiatives are guided by the above frameworks and governed internally by a sustainability policy with related guidelines, which also summarise Hemsö's material sustainability topics. In turn, Hemsö's various guidelines include such documents as procedures, directions and instructions that describe how the work should be conducted in detail and are used to support the day-to-day operations. Due to the broad sustainability perspective that Hemsö has adopted, the organisational responsibility for several of these sustainability topics lies with functions such as HR, legal affairs, purchasing, development projects and property management. The Sustainability Department is a resource for, and cooperates where relevant with, these functions, in both the day-to-day operations, and in conjunction with sustainability reporting and sustainability communication. How Hemsö work with development projects, communication, purchasing, and transactions is governed by guidelines for each function.

Sustainability initiatives are targeted and prioritised in accordance with the GRI standards, which involves prioritising the topics that are of major importance to Hemsö as well as

important to our stakeholders. Hemsö has conducted a materiality assessment to identify the sustainability topics that are relevant to its operations. This includes dialogue with stakeholders including employees, tenants, shareholders, financiers and suppliers. The starting point for sustainability initiatives is to handle all relevant topics systematically, but to prioritise those with a major environmental or social impact.

Hemsö's material sustainability topics and long-term sustainability objectives are reviewed every year. The sustainability topics are integrated with the company's strategic focus and business plan. Hemsö's sustainability performance for the material sustainability topics is reported in the annual sustainability report, in accordance with the Core option of the GRI Standards. Reports are also submitted to GRESB every year. The Sustainability Report has been reviewed by a third party since 2019.

Hemsö's long-term objective is to integrate sustainability governance, as far as possible, with other operational governance and the responsibilities, processes and procedures of each business area.

2. Sustainability objectives

Sustainability initiatives shall contribute to the social and sustainable development of Hemsö as a company, economically, environmentally, and socially. They shall strengthen Hemsö's competitiveness and brand and contribute to the ability to obtain sustainable finance.

We shall focus specifically on the following:

- offer secure, healthy, and safe environments for all of the people who use our buildings and properties
- be an attractive employer for existing and prospective employees
- contribute to social development by working with public property development and innovation in our day-to-day operations.
- ensure efficient use of human and natural resources
- take responsibility for any negative impacts that Hemsö's operations have on society, the environment or the climate and minimise them
- show long-term, sustainable financial growth in accordance with yield requirements

3. Hemsö's sustainability topics

The sustainability topics that are material to the operations and a description of how Hemsö aims to manage them, based on how this process is carried out in Sweden, are presented below. In many cases, this is directly applicable to all countries. In some cases, the prioritisation of material topics for the operations in Germany and Finland may 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 OHS apply to all countries.

3.1. Climate impact

Hemsö's climate impact is mainly derived from the energy used in buildings, new development and conversion projects, material selection and transportation. Business travel by air and road accounts for a minor share of Hemsö's total climate impact but also contribute to total CO₂ emissions.

Hemsö has adopted a Climate Strategy with the goal of achieving net zero emissions in the existing portfolio by 2035. Hemsö is striving for net zero emissions in development projects.

Property management

Climate impact in property management is addressed by energy efficiencies in the properties and by replacing fossil fuels with environmentally sustainable alternatives. Climate impact shall also be considered when selecting materials and, wherever possible, renewable materials and low-carbon materials shall be prioritised over materials produced from non-renewable raw materials or in carbon-intensive production processes. Project Sustainability Requirements specifies the requirements for reducing the climate impact of conversions and refurbishments.

Development projects

The climate impact of new developments is mainly derived from the choice of building materials, transportation and use of materials. The completed building's climate impact is determined by the chosen energy system, and the shape, location, and design of the building. The Project Sustainability Requirements sets requirements to reduce the climate impact from the construction phase and to prevent climate risks. Hemsö measures the climate impact of all new development projects.

Acquisitions

Reducing the impact on the climate is also incorporated into Hemsö's acquisition process. The sustainability procedure in acquisitions focuses on energy performance and energy supply and checks whether the property's location entails any specific risks from climate change. Risks such as flooding, landslides or high energy use are considered and form part of the decision-making process for a potential acquisition.

Sustainability Report

Hemsö compiles and presents its carbon footprint in a sustainability report every year, in accordance with the GHG Protocol.

3.2. Energy

Energy use is one of Hemsö's material sustainability topics and the issue is a top priority both environmentally and economically. Energy-efficient buildings are also a condition for Hemsö to obtain and retain sustainable finance.

Property management

Hemsö works systematically with energy efficiency in its existing buildings. The objective is to reduce energy use in the property portfolio in accordance with the sustainability targets defined in the sustainability policy. The energy management system is described in the Energy Guidelines document. Hemsö's long-term strategy is to gain control over all properties by renegotiating agreements to transfer responsibility for energy consumption to us. In Germany and Finland, this is the tenant's responsibility in most cases.

The environmental impact of the operations is reduced with energy-efficient buildings and by replacing fossil fuels with more environmentally sustainable alternatives. Electricity is procured centrally in Sweden and Hemsö only purchases hydropower with a guarantee of origin. Finland procures wind-powered electricity and in Germany, procurement currently takes place locally.

Development projects

The construction projects that Hemsö works with offer major opportunities to impose requirements on energy performance. In new developments, Hemsö shall always establish a property management perspective and make

a long-term assessment of the investment for the chosen energy system, where impacts on the environment and climate change are considered. The design of the building should also be considered in order to minimise energy consumption. Project Sustainability Requirements govern the energy requirements for new developments. Environmental certification serves as support for energy-related issues in construction projects.

Acquisitions

A prioritised goal for Hemsö is to reduce energy use in its existing portfolio, which means that the acquisition candidates should also be audited from an energy perspective. Guidance is provided by the Transaction Process Guidelines and the appendix Sustainability Procedure for Acquisitions.

Sustainability Report

Hemsö reports its energy use every year in sustainability reports (GRI and GRESB).

3.3. Environmental certification of buildings

Hemsö's aim is to environmentally certify all newly constructed buildings. For Hemsö as a property owner, the environmental certification process involves an independent quality review of the planning documents and construction process, which provides greater assurance of the quality of the finished building and is advantageous from a property management and environmental perspective. It also creates opportunities to obtain sustainable finance in accordance with Hemsö's sustainability bonds framework. In addition, environmental certification also strengthens Hemsö's creditworthiness, brand and reputation as a long-term and responsible player.

Development projects

Choice of certification is described in *Project Sustainability Requirements*.

The ability to achieve certification for large-scale and extensive conversions will be explored.

Project Sustainability Requirements governs requirements related to environmental certification.

Property management

When an environmentally certified building is handed over to Hemsö's asset and property management organi-

sation, special conditions related to each certification are to be elucidated. In particular, this applies to SGBC, where certification received must be able to be verified after the building has been in use for about two years and ten years, respectively. The manager of each property is responsible for reviewing and as required, adapting older rental agreements so that Hemsö has control of the conditions that could impact certification. Existing properties without certification can also be certified by property management according to, for example, BREEAM In- Use.

Acquisitions

In acquisitions, Hemsö will investigate the extent to which environmental certification is feasible and the impact on the possibility of achieving sustainability targets for certification and financing as part of the due diligence process. Where possible, Hemsö shall request documentation from the seller relating to the certification, including all documentation pertaining to building materials. The results of the audit are communicated to the asset and property management organisation when the transaction is completed.

Sustainability Report

The sustainability report contains details of the percentage of Hemsö's new development projects that meet the sustainability targets for certification (GRI). Reporting is also made to GRESB.

3.4. Waste

The management of the waste that a property's operation generates at various stages is a key aspect of Hemsö's sustainability work. New developments, conversions, and tenant adaptations, in particular, generate large amounts of waste. In addition to this, waste is generated in conjunction with daily operation of buildings and from tenants' operations. The document, Waste Procedures at Hemsö, contains further information on waste, responsibility, and management.

Property management

Hemsö's property management shall actively contribute to efficient solutions for waste management and sorting in the buildings to optimise conditions to recycle materials. Needs vary depending on the tenant's operations. When Hemsö's property management takes over a property from development or transaction, a review is carried out

with the tenant to adapt the waste management to the requirements of the operations and the municipality. Waste management is also to be checked regularly with the tenant at tenant meetings.

The conditions for cooperation between the tenant and Hemsö on waste management are defined in the rental agreement. Hemsö's objective is to have as much control as possible to be able to influence costs and implement improvements and to obtain statistics for the sustainability report.

For conversions and refurbishments, a re-use inventory should be carried out to determine the materials and fixtures that can be re-used.

Development

Construction projects (new developments and conversions) generate large amounts of waste that must be disposed of. Hemsö will primarily work to prevent waste, since it is both financially and environmentally costly to manage. In Project Sustainability Requirements, demands are set out for the prevention and control of waste in development projects, as well as demands for proactively working with the conditions for waste management in completed buildings. For conversions, a demolition inventory and re-use inventory are carried out in accordance with Project Sustainability Requirements.

Acquisitions

In the property inspection during the due diligence process for property or company acquisition, Hemsö is to investigate if there is capacity for efficient source-sorting. The results of this check are conveyed on completion of the acquisition to the asset and property management organisation, which in its ongoing work has to plan for optimal waste management for the property.

3.5. Physical climate risks

Climate change may lead to a several consequences for Hemsö's operations and properties, such as flooding, fewer zero crossing periods (meaning when the temperature varies between plus and minus degrees), risk of moisture damage, collapse, landslides and erosion due to deteriorated land stability (caused by fluctuating groundwater levels or higher flows in water courses). A common factor for all three countries in which Hemsö operates is that rising temperatures combined with increased or de-

creased precipitation increase the risk of extreme weather events and their consequences. Rising temperatures also increase water content in snow making the snow layer heavier, which could cause large roofs to collapse. Cellar and basements risk flooding during heavy rain. Hemsö's climate strategy stipulates long-term objectives to reduce physical risks linked to climate change.

Property management

All properties in Hemsö's portfolio are to be audited on the basis of climate risk (flooding, heat, heavy rain, etc.) When properties are located in risk areas, an analysis should take place of potential preventive measures and whenever necessary added as actions in the strategic plan for the property.

Development

Climate risk is taken into account at the investigation stage of new developments. If required, measures are taken at an early stage in regard to location, execution, external protection and so forth. In more recent zoning plan, measures for adapting to climate change have usually been investigated and are specified. In the absence of such requirements, a separate investigation may be necessary.

Acquisitions

Climate risk is highlighted in all due diligence processes and knowledge/information about any identified risks follow the property into the property management stage.

3.6. Material selection and chemicals

3.6.1. Control of materials and products

Chemicals occur in Hemsö's operations, primarily in construction materials and products used in the production and operation of the properties. To ensure a healthy working and indoor environment for tenants and users, and to reduce the environmental impact of chemicals in production and use, Hemsö and its suppliers are to select their material using the SundaHus Material Data database. The approach and criteria are described in detail in *Hemsö's Procedure for SundaHus*.¹⁾

Property management

Products and materials used in property operations must meet Hemsö's requirements in accordance with the specifications in Procedure for SundaHus. This tool for material selection is only available in Sweden to date. In the long

term, Hemsö will investigate the possibilities of working in a corresponding manner in Finland and Germany.

Development

Materials and products that are used in new developments must meet the requirements specified in Hemsö's Procedure for SundaHus and be registered in SundaHus Material Data. The procedure also comprises the demands made on environmental certification.

Acquisitions

In conjunction with acquisitions, a check is made of whether the seller/property owner uses any strategy for material selection and chemicals that could give Hemsö an overall view of the materials contained in the building. If documentation is available, it should be requested and handed over to Hemsö's asset and property management organisation on completion of the acquisition.

Sustainability Report

Until further notice, Hemsö reports in its Annual Report the proportion of materials and products in development projects that meet Hemsö's requirements.

3.6.2. Environmental contaminants in existing buildings and land

A property may contain many environmentally harmful substances. Environmentally harmful substances and materials, such as asbestos, PCBs and heavy metals, may be present in buildings. In the case of land, earlier operations, environmentally harmful substances in rubble under buildings, spillage in conjunction with oil-fired heating systems or oil separators, cause the occurrence of environmentally harmful substances. It is primarily Hemsö as property owner that is responsible for ensuring that no environmental or health hazards arise.

Property management

Where there is a legal requirement of decontamination and disposal, each property manager is responsible for ensuring that this is done within the prescribed time. For the substances and materials affected by conversion projects, the property manager is responsible for controlling, sorting and managing the waste in accordance with laws and regulations. This is regulated by property owner responsibilities.

Development

For new developments, refurbishment, demolition of buildings and excavation work, an inventory is to be conducted to identify the occurrence of environmental contaminants so that these can be taken care of or decontaminated and disposed of in the demolition process. This is regulated by property owner responsibilities, which have been delegated to project directors.

Acquisitions

The occurrence of contaminated soil and/or environmental contaminants in building materials is investigated as part of Hemsö's due diligence process. Information on environmentally harmful substances in buildings and land, and any necessary decontamination measures, is submitted to the asset and property management organisation on completion of acquisition.

3.7. Indoor environment – healthy buildings

The indoor environment is a high priority for Hemsö, since our objective is to offer a safe and healthy environment for everyone who spends time in our buildings and on our properties. Through its responsibilities as property owner, it is Hemsö's duty to ensure that there is no negative impact on the health of tenants from anything connected with the building or the property. The indoor environment is affected by various factors such as the design of the building, installations and material selection, as well as the way in which the building is used and maintained.

Property management

Factors of importance for the indoor environment and the health of tenants include radon, noise, moisture, lack of ventilation, and chemical emissions from building and fitting materials. In Hemsö's property management, the technical manager is responsible for ensuring that the active work in preventing inconveniences is implemented by the operating companies and that there is compliance with official requirements, as well as that controls are implemented and documented.

SundaHus Miljödata, DeDu and Greenview are the tools for this work.

Development

Environmental certification is used for construction projects to ensure important qualities related to the indoor environment, such as the correct sizing of ventilation systems, in-

door air quality, daylight and materials. In addition, the treatment of contaminated soil may need to be ensured, since soil contamination can also affect the indoor environment. For large-scale conversions, environmental certification can serve as a tool for ensuring the quality of the indoor environment. It is possible to use the manual for certification as a checklist for key parameters, but without implementing the final certification. SundaHus Material Data is also used as a tool for ensuring material selection.

Acquisitions

When Hemsö undertakes a property acquisition, it is important to identify aspects that may impact the indoor environment and be regarded as inadequate. This often involves technical aspects that can be identified on inspection of the building and through control of the documentation related to official requirements. For acquisitions, Hemsö is to check this as part of the due diligence process. The documentation received during the acquisition process is provided to the asset and property management organisation and is taken care of in the ongoing property management process.

Sustainability Report

Hemsö does not specifically report on the indoor environment topic, but internal environment issues are included in the report, for example, through environmental certification.

3.8. Safety, security and accessibility

As a property owner, Hemsö is responsible for the technical standards and safety of its properties, which includes the health and safety of those who live, work and spend time in and around the company's properties, and accounting for the needs of its tenants in regard to security and accessibility. In the properties that Hemsö owns and manages, there are generally accessibility requirements pertaining, for example, to adaptation for disability and health and safety. Property owner responsibilities have been delegated to property managers and project directors who have undergone training to meet their obligations.

In brief, safety and risk work entails that Hemsö starts from a zero vision in terms of accidents related to the properties. Preventive safety rounds and inspections are conducted in all properties at established intervals to check fire safety, fall protection and lifts, etc.

Sustainability Report

Hemsö's annual sustainability report records injuries and accidents that have been reported in connection with deficiencies in its responsibility as property owner.

3.9. Customer satisfaction

By working in accordance with our watchwords of accessible, progressive and reliable, and the general objectives of offering safe and healthy environments in our properties, Hemsö builds long - term relations with its tenants. Satisfied customers are a prioritised sustainability issue for Hemsö. A customer survey is conducted every year to measure customer satisfaction and identify opportunities for improvement. The result of the survey is summarised in a Customer Satisfaction Index (NKI) and is also the basis of Hemsö's property management and customer services.

Hemsö's customer work is described in the Property management process – Customer care. The NKI survey is not currently conducted in-house in Finland and Germany but Hemsö participates in a NKI survey in Finland.

Sustainability Report

Hemsö reports the results of the most recent customer satisfaction survey in its annual sustainability report.

3.10. Social sustainability

Hemsö's properties are part of the social infrastructure and our premises create conditions for education, health care and justice system services – all of which are fundamental to a sustainable society. Hemsö sees a clear connection between being a reliable and long-term owner of public properties and opportunities to contribute to social sustainability by making conscious and well - informed choices. Through new developments and the development of existing properties, Hemsö provides the local community with new premises for public services. By way of correctly prioritised activities, Hemsö wants to contribute to sustainable development based on its role as a property owner. Extended responsibility, in which social sustainability issues are included, also creates the conditions for Hemsö to receive some financing, through so-called sustainability bonds.

Sustainability Report

In its sustainability report, Hemsö provides various examples of the company's social commitment and responsibility and reports places and beds created in education and nursing homes.

3.10.1. Business ethics and anti-corruption

Hemsö's objective is always to build long-term relations, in which quality and sustainability expectations are met and sound business ethics are applied. Hemsö renounces corruption and unethical behaviour, and demands transparency, integrity and honesty in all aspects of our business. This is regulated in Hemsö's *Code of Conduct for Suppliers*. There has been a whistleblower function on the external website which can be used by both external persons and Hemsö's own employees.

Sustainability Report

Hemsö reports any breaches in its sustainability report.

3.10.2. Suppliers

Hemsö's primary suppliers are contractors for development projects and property management, and electricity and heating suppliers. Hemsö's purchasing is characterised by high ethical standards, respect for human rights, professionalism, objectivity, a long-term approach and fair treatment. Hemsö's suppliers are expected to comply with agreed sustainability, quality and reliability requirements. Purchasing and purchasing processes at Hemsö are governed by the *Guidelines for Purchasing* and *Code of Conduct for Suppliers*.

Sustainability Report

Hemsö reports the results of the follow-up of suppliers in its annual sustainability report.

3.10.3. The Hemsö Gift

The Hemsö Gift aims to facilitate and enrich the everyday life of people who use our properties. It must be outside Hemsö's regular operations and is adapted to the wishes of tenants and operations, such as an experience or meal. The Hemsö Gift is awarded once per year to a selection of the applications submitted.

Further details of the principles can be found in the document, Instructions for the Hemsö Gift.

3.10.4. Sponsorship

Hemsö provides sponsorship that is to generate added value for all parties. In the document, Guidelines for communication, there is a description of how Hemsö is to act in relation to sponsorship.

3.11. Occupational health and safety at Hemsö

Health and safety in Hemsö and conditions for employees are important matters and Hemsö's Head of HR is responsible for the strategic work on these issues. The HR efforts are based on the fundamental view that everyone is equal, and that all employees are to have the same opportunities, rights and obligations. The guidelines for health and safety at Hemsö are on the intranet.

3.11.1. Competence development

Hemsö prioritises competence development through training, seminars, conferences, new work duties and participation in various projects. All employees create an individual development plan in consultation with their immediate manager at the annual performance assessment. The development plans are also used to ensure that Hemsö's business goals are achieved by the company having the necessary expertise in both the short and long term.

3.11.2. Diversity, equal opportunity and non-discrimination

Hemsö's work environment is to be characterised by respect and trust for the individual, as well as openness, involvement and cooperation between employees. Through its systematic OHS management, Hemsö works to achieve a work environment that is safe, stimulating and developing for all employees. The work environment at Hemsö is to be characterised by a climate in which all employees have equal rights, opportunities and obligations.

All employees are to be treated equally, fairly and with respect regardless of ethnic origin, gender, age, nationality, disability, religion, sexual orientation, membership of trade union organisations or political affiliation. Hemsö is a company to develop in.

All employees are to have a healthy balance between work and leisure and there is to be a long - term focus on employees' health. All employees are to be offered, for example, physical activity subsidies, massage and regular health checks.

3.11.3. Crisis management

Procedures for how Hemsö's employees are to act in the event of a serious event at one of Hemsö's employee's workplaces or in our properties are contained in the Guidelines for crisis management.

3.11.4. Internal environmental aspects

All employees at Hemsö are to apply the guidelines for business travel and company cars and the guidelines for purchasing.

In the event that Hemsö leases its offices from an external landlord, Hemsö is also to take sustainability topics into consideration by:

- promoting a positive work environment in the premises
- using Hemsö's *checklist for a sustainable office*
- working to optimise energy consumption in the premises
- working to optimise waste management
- applying green IT, which entails making sustainable product choices in terms of constituent components and energy consumption, as well as optimising the utilisation of the technical systems
- selecting eco labelled furnishings (wherever possible)

The local manager for each office is responsible for observing the internal environmental aspects.

Sustainability Report

Hemsö only reports internal environmental aspects related to climate impact. The climate reporting includes a statement of figures on emissions from company cars and business travel.

4. Boundaries

The guidelines comprise the operations in Sweden, and in Germany and Finland as appropriate. Hemsö's role and opportunity for influence as a property owner differs between the various countries since the relationship between tenant and landlord is regulated in different ways. This entails that Hemsö in certain instances assigns different priorities to sustainability issues in the different countries.

5. Roles and responsibilities**5.1. CEO**

The CEO approves the guidelines and makes a recurring annual assessment of the guidelines' relevance and decides on any revisions to be made.

5.2. Head of Communications

The person responsible for sustainability issues in Hemsö's Group Management.

5.3. Head of Sustainability

Responsible for overall coordination of sustainability initiatives in Hemsö and reports to Hemsö's Head of Communications. When changes are made to the content of these guidelines, these must be clearly indicated on the intranet.

5.4. Head of Region, Finland

Responsible for sustainability targets applicable in the operation in Finland.

5.5. Head of Region, Germany

Responsible for the sustainability targets applicable to the operations in Germany.

5.6. Head of Transactions

Responsible for sustainability requirements related to the transaction process.

5.7. HR Director

Responsible for sustainability issues in the HR area and the concept of 'sustainable employees.' Works together with the Sustainability Department on social sustainability issues, and is ultimately responsible, together with the chief legal counsel, for issues related to the Code of Conduct.

5.8. Chief legal counsel

Hemsö's chief legal counsel is the company's compliance officer. Overall responsibility, together with the Head of HR, for issues related to the Code of Conduct.

5.9. Development managers

Responsible for securing sustainability requirements relating to development projects in accordance with these guidelines.

5.10. Property management managers

Overall responsibility for the sustainability requirements of each property in accordance with these guidelines.

5.11. Employees

Each employee is responsible for taking into account Hemsö's principles for responsible and sustainable business, including relevant policies and guidelines, in their daily work, in decision-making and other respects.

Managers and employees with functional responsibility have particular responsibility to observe these guidelines in their area.

6. Management of these guidelines

Activity	Description
Maintenance and updates	The Head of Sustainability updates the Guidelines as required. A review is to be made at least annually or as required, with respect to the changed conditions in the business environment or within Hemsö.
Approval	The CEO approves the guidelines, including any amendments to these.
Implementation	The Head of Sustainability ensures that these guidelines are communicated, and that the organisation has information about the content and its significance.
Monitoring and control	The Head of Sustainability and other managers are to monitor compliance and report any deviations to the CEO to ensure effective internal control.