

## Responsible business

Castellum’s sustainability efforts are all about conducting responsible business operations and creating long-term solutions. In addition, Castellum takes responsibility and creates value for our society, the planet, and future generations. Well integrated sustainability efforts contribute to better management and improved control of our properties. This leads to better competitive advantages as it creates more satisfied customers, dedicated employees and increased profitability.

### Organization and governance of sustainability efforts

Our sustainability efforts permeate all operations and are controlled via a management system comprising a common policy, guidelines, overall measurable objectives and detailed action plans. The aim of this work is to monitor, document, evaluate and improve Castellum’s sustainability activities. Castellum follows the precautionary principle, which is integrated into Castellum’s sustainability policy and business processes, and monitored via the company’s environmental management system. Activities are followed up annually and are regularly reported to Executive Group Management and the Board.

Castellum’s Head of Sustainability is responsible for conducting and developing the sustainability efforts of the Group as a whole. Each region has a Sustainability Coordinator, and sustainability efforts are actively integrated into operations.

Castellum’s Board of Directors annually adopts an updated sustainability policy and Codes of Conduct as well as continuously discussing and following up various efforts. In 2017, new, ambitious and measurable sustainability goals were adopted by the Board and incorporated into the current sustainability policy. Castellum’s agenda for the sustainable city (visualized below) consists of a number of ongoing goals on an annual basis and subgoals until 2030. It is an ambitious agenda wherein the most challenging objectives are to achieve net-zero CO2 emissions by 2030 and to obtain a gender-equal organization for all occupational categories. In order to achieve these goals, the involvement and commitment of all employees are required – something we actively encourage and support through, for example, regular educational activities.





**GLOBAL COMPACT**

Castellum has signed UN Global Compact, which is an initiative to coordinate matters of human rights, labor conditions, the precautionary principle and responsibility concerning the environment and anti-corruption. The Global Compact includes 10 principles.

**STEERING DOCUMENTS FOR SUSTAINABILITY ACTIVITIES**

Regulations that control Castellum's sustainability efforts:

**External regulations:**

- The UN Sustainable Development Goals
- Global Compact
- The Swedish Companies Act
- The Swedish Environmental Code
- The Work Environment Act
- Environmental Classification – Green Building, Miljöbyggnad, BREEAM, LEED, WELL
- ISO 14001
- Building Regulations of the National Board of Housing, Building and Planning
- Other applicable laws and regulations

**Important internal regulations**

- Sustainability Policy
- Code of Conduct
- Code of Conduct for suppliers
- Internal environmental management system
- Internal control processes
- Other instruction

Castellum's CEO is ultimately responsible for all sustainability work. Castellum's Sustainability Report is prepared in accordance with the GRI and reviewed by Deloitte. To maintain structured environmental activities, Castellum is currently working on being certified in accordance with ISO 14001 during the spring of 2018. This replaces our previous environmental certification, Miljödiplomering, of business operations. The Group's joint operational sustainability team develops activities, shares experiences and monitors relevant changes in the global environment. There is also a Sustainability Forum with the aim of involving development efforts directly with Castellum operations.

The Sustainability Forum consists of managers from the core business: HR, Communications, Project Development, Management, Regional CEOs, Finance and Purchasing. As Castellum's sustainability efforts require ever more committed and skilled employees; further training in sustainability issues is offered on a regular basis. During the year, all Castellum employees have undergone a mandatory web-based course in sustainability and codes of conduct. In future, the course will constitute part of the introduction for all new employees.

**Stakeholder dialogue**

To develop and improve operations, Castellum has identified and analyzed stakeholder expectations of our operations. The stakeholder dialogue was conducted in 2016 and is still considered up-to-date; thus, no new dialogue was carried out for 2017. The implementation of Castellum's

stakeholder dialogue and the development of the materiality analysis within the area of sustainability followed the same process: initially, a workshop was conducted with the Group's sustainability workgroup to update the materiality analysis based on Castellum's strategy and on changes in the outside world. Subsequently, web questionnaires were sent to selected customers and suppliers, as well as to the Board, Executive Group Management and all employees. These are Castellum's most important target groups and central to the company's long-term value creation. The purpose of these questionnaires was to determine whether the materiality analysis was in line with expectations of the company, as well as to collect development proposals for future sustainability efforts.

In addition to the stakeholder dialogue, Castellum conducts ongoing discussions on sustainability-related issues at board meetings, meetings with shareholders, and in everyday encounters with customers, employees and suppliers.

**The Castellum Spirit**

Castellum operates for the long term, and strives to work closely with customers and their businesses, as well as building long-lasting relationships with customers and other partners. Castellum employees are ambassadors for the corporate culture; how employees act is therefore crucial to how the company is perceived. In 2017, the Castellum Spirit was specifically defined, in order to better reflect the company and the existing corporate culture. In autumn, the result was launched internally to employees through workshops and

**Castellum's most important issues from stakeholder group perspective**

Stakeholders	Most important issues
<b>Customers</b>	<ul style="list-style-type: none"> <li>• More efficient use of resources</li> <li>• Environmentally and socially sustainable building materials and installations</li> <li>• Environmental certification of buildings</li> </ul>
<b>Board</b>	<ul style="list-style-type: none"> <li>• More efficient use of resources</li> <li>• Establishing attractive workplaces</li> <li>• Environmental certification of buildings</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Environmentally and socially sustainable building materials and installations</li> <li>• Adapting properties to climate change</li> <li>• Increased investment in renewable energy</li> </ul>
<b>Group management</b>	<ul style="list-style-type: none"> <li>• More efficient use of resources</li> <li>• Enhanced diversity and equality</li> <li>• Establishing attractive workplaces</li> </ul>
<b>Other employees</b>	<ul style="list-style-type: none"> <li>• More efficient use of resources</li> <li>• Establishing attractive workplaces</li> <li>• Environmentally and socially sustainable building materials and installations</li> </ul>

Table shows the most relevant issues for Castellum's key stakeholder groups, as expressed in the specific stakeholder dialogue conducted in autumn 2016.

information material. The latest employee survey shows that Castellum's corporate culture is strong and inclusive.

### Code of Conduct

The Code of Conduct, which applies to all Castellum employees, regulates how employees should behave toward each other as well as toward Castellum's tenants, suppliers, partners, and other stakeholders they meet in daily business life. It is based on Castellum values and the UN Global Compact principles, and the Code clarifies Castellum's position on human rights, working conditions, business ethics and information. Castellum is to provide quality service, abide by laws and regulations, never discriminate against anyone, and create a healthy working environment with a high safety level. Castellum also maintains focus on the gender equality issues compiled in the company's diversity plan.

Castellum operations, conducted in Sweden and Denmark, are subject to each country's laws and regulations concerning, for example, working conditions, occupational safety and freedom of association. Castellum's HR manual addresses issues such as working environment, equal opportunities, salaries, pensions and company cars. The immediate manager briefs each new employee on the manual, and the information is also available on the Group's Intranet.

Preventative efforts on ethics and corruption issues are conducted throughout the Group, where conduct in various everyday situations is discussed. A pivotal element is that all employees understand and follow the Code of Conduct. Castellum has a whistleblowing service, which can be reached via the

Group's web page and Intranet. The service aims to help both employees and external parties to act responsibly. All whistleblower cases are handled according to established procedures. Those reporting a whistleblower case receive prompt feedback and then the aim is to maintain a dialogue with the initial notifying person. He or she is also encouraged to contact the Compliance Department. All cases are handled confidentially.

In 2017, Castellum received around ten cases through the whistleblower function. Some of the cases led to a change in routines or to targeted communication efforts.

### Castellum's chain of suppliers

Castellum strives to use resources such as energy and water as wisely and efficiently as possible and to futureproof the real estate portfolio, i.e. by maintaining high sustainability requirements on new construction, extensions and reconstructions. Castellum has a Code of Conduct for Suppliers, which applies to all procurements.

Castellum has clear sustainability requirements for new construction and extensions and applies common sustainability programs for procurements. There are general sustainability requirements for procurements < SEKm 10 and for projects > SEKm10, a comprehensive sustainability program is applied (see p. 46 for more details). Creditors are the Group's largest suppliers, followed by construction contracts (i.e. construction companies), energy suppliers for heat and electricity, then engineering, planning, and IT services.

For major purchases and procurements, Castel-

### Impact on the surrounding world

Many of Castellum's sustainability aspects have an impact outside the company's legal framework; for example, on our customers, suppliers, and in the communities in which we operate. Castellum reports background descriptions for each essential sustainability aspect and precisely where in the company's value chain this aspect has an impact. See page 176 and GRI factors 103-1, 103-2 and 103-3 for more detailed information.

## Castellum's major sustainability areas and how they correlate with GRI Standards

Castellum's sustainability aspects	GRI Standards area
Adapting the properties to climate change	Emissions
Anti-corruption	Anti-corruption
Diversity and equality	Equality
Paying adequate tax	Economic performance
Efficient use of resources (energy, water and materials)	Energy, water, legal compliance
Establishing attractive workplaces	Employment and working conditions, training, health and safety
Monitoring suppliers for working conditions, human rights and environment	Evaluation of supplier working conditions, societal and environmental impact
Sustainable financing, e.g. "green MTNs"	-
Healthy premises that increase our tenant well-being	-
Increased investment in renewable energy	-
Environmental certification of buildings	Product responsibility
Environmentally and socially sustainable building materials and installations	-
Cooperation with customers to achieve a better sustainability performance	-
Creating attractive communities, e.g. offering apprenticeships	Local communities
Creating conditions for improved waste-sorting	Waste
Creation of smarter workplaces through modern technology, e.g. services to shared office space	-
Increase of green space and ecosystem services	-

The table shows how Castellum's sustainability aspects correlate with the aspects of the GRI Standards. A number of Castellum's sustainability aspects are considered to be of prime significance for the company's sustainability efforts and therefore extend beyond GRI's reporting system.

lum has the ambition to monitor suppliers and contractors according to Group-wide requirements. Monitoring takes place in various ways, partly through auditing Castellum's environmental management system, surveys, questionnaires and site visits. In 2017, Castellum purchased services or products from a total of 4,847 suppliers, of which the 73 largest suppliers, with a purchase volume > SEKm 10, accounted for 66% of the purchase volume. Furthermore, no significant changes occurred in Castellum's chain of suppliers during the year.

#### Working environment

Castellum protects and supports both employees and suppliers, and it is our responsibility that no one gets hurt, either physically or mentally, due to workplace activities. Castellum works continuously to develop and improve working environments within the entire Group. Castellum also has a Code of Conduct for suppliers where demands are placed on suppliers to meet the same requirements as Castellum regarding work environments. During the year, 12 work-related accidents were reported, 3 of which concerned Castellum employees. The percentage of sick leave within the Group remained low during 2017, corresponding to 2% (3).

To reach the Group's tough sustainability goals of net-zero carbon dioxide emissions by 2030 and a fossil-independent vehicle fleet by 2020, Castellum's employees must prioritize sustainable travel and meetings. During the year, the following guidelines were issued:

- Web meetings should be prioritized; e.g.
- 30% of Group Management meetings are to be conducted via the web in 2018
- Travels < 450 km should primarily be booked by train
- Environmental requirements are imposed on all travel; e.g. green vehicles should be selected when booking taxis
- Annual climate compensation for all of the Group's travels

#### Community involvement

For Castellum, community involvement is about offering healthy and productive urban environments where people feel good. It is also about contributing to urban development that encourages integration of different social groups.

Another important aspect for Castellum is to contribute to more young people and people with varied cultural backgrounds entering the labour market. Castellum holds stakeholder dialogues and participates in joint projects with other real estate owners and players to create better living environments together.

In 2017, a total of 57 young people worked at Castellum as vacation workers, interns, apprentices, with academic-degree projects, or as trainees. Fourteen of the young people were apprentices, which is equivalent to approx. 4% of Castellum's employees. In addition, Castellum shall also offer incentives to major-project entrepreneurs who create work opportunities for young people. During the year, Castellum also offered internships to people with non-Swedish background cultures who had recently come to Sweden.

One example of how Castellum works is Project Samspelet (Teamwork), which we initiated together with Peab for the new construction of Citypassagen in Örebro. Through Samspelet, we created a platform for interaction, inclusion and integration. The aim was also to create an interest in the construction and real estate industries, where the need for labour will be great in the next few years.

#### Developing local communities

Castellum has implemented several programs in the cities in which we operate. Currently, Castellum's program covers 100% of Castellum's properties. Castellum's commitment varies according to specific properties and local needs and the programs comprise a stakeholder analysis to investigate current needs. Depending on the

#### The primary focus for Castellum's sustainability efforts

Our stakeholder dialogues, combined with the company's own materiality analysis, define the Castellum focus to:

**THE PLANET** How we responsibly and effectively reduce resource use and carbon emissions that cause global warming.

**FUTURE-PROOFING** How we create a sustainable real estate portfolio in a changing world.

**WELLNESS** How we promote health, wellness and productivity.

**SOCIETY** How we can create better-functioning communities, featuring increased employment and involvement.

External priority	Higher	<ul style="list-style-type: none"> <li>• Customize the properties for climate change</li> <li>• Sustainable financing, e.g. "green MTN bonds"</li> <li>• Audit suppliers about working conditions, human rights and environment</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient use of resources (energy, water and materials)</li> <li>• Environmentally and socially sustainable building materials and installations</li> <li>• Further investments in renewable energy</li> <li>• Collaborate with customers to achieve higher sustainability performance</li> <li>• Healthy premises that increase tenant well-being</li> <li>• Environmental certification of buildings</li> </ul>
	High	<ul style="list-style-type: none"> <li>• Create conditions for waste sorting</li> <li>• Pay adequate tax</li> <li>• Anti-corruption</li> <li>• Increase the amount of green space and ecosystem services</li> </ul>	<ul style="list-style-type: none"> <li>• Work for more diversity and equality</li> <li>• Offer an attractive workplace</li> <li>• Create smarter workplaces through modern technology, e.g. services for sharing office space and smart technologies</li> <li>• Create attractive local communities, e.g. by offering apprenticeships</li> </ul>
		High	Higher

The matrix shows the results of stakeholder dialogues conducted through surveys during the autumn of 2016.

city's needs and interests, a local decision is made on how Castellum will get involved. Castellum's commitment in the programs currently includes how we measure and can affect the environment and social interaction in a positive way to improve the local community and the environments in and around our properties. Castellum, as a long-term player and community developer, is involved in developing both new and existing areas. The programs currently comprise 309 different commitments, including social involvement in our cities, and participation in city networks, sustainability networks and corporate associations where Castellum interacts with customers, municipalities

and other partners to develop cities. Castellum is also actively working with the community, schools and universities to offer young people apprenticeships and summer jobs.

Castellum's sponsorship and support to the local community primarily focus on promoting young people's education and health. During the year, Castellum sponsored the Science Festival, Young Entrepreneurship and local sports associations. Moreover, direct support was given to the City Mission and to the Swedish Childhood Cancer Foundation. In 2017, Castellum gave a total of SEKm 10.8 in direct support through sponsorships and other sustainability-related initiatives.



#### **Beekeeping in Kopparlunden**

Ecosystem services include all products and services from nature's ecosystem that contribute to human well-being. At Castellum we are actively working with ecosystem services together with our tenants. We evaluate ecosystem services in connection with new construction and larger projects. Pollination, natural water regulation and nature experiences are some examples. Hence, we are extra proud of our beekeeping in the Kopparlund area of Västerås. Beekeeping efforts are carried out in collaboration with Bee Urban and a local beekeeper, and this year, plantations with flowers that are particularly good for our bees have also been established in the area. The plants are in bloom for most of the season. So, in addition to beautifying the area, our plantations contribute to the bees being able to pollinate for a much longer period. And the honey? Well, naturally, we distribute it to our tenants in Kopparlunden.