

Castellum promotes development in the cities where it operates

For Castellum, as a long-term property owner and urban developer, it is important to contribute in various ways to sustainable urban enrichment through the development of new and existing areas. Alongside other social commitments, Castellum also cooperates with some 169 city networks and corporate associations to develop the cities where it conducts operations.

We also routinely cooperate with other parties to push development, share knowledge about new technologies and exchange experience. For example, Castellum is a member of the following organizations: the EPRA Sustainability Committee, theGRESB Benchmark Committee, the Swedish Energy Agency's Client Group for Premises (BELOK), the Center for Management in the Construction Sector (CMB) at Chalmers University of Technology, and Sweden Green Building Council. In addition, the company cooperates closely with local energy and sanitation companies, as well as universities and colleges.

Sustainable investments in Castellum's project development

By directing Castellum towards more sustainable investments, we not only take our own impact on the environment into account; our approach also promotes making the buildings more attractive for our stakeholders, reducing property management problems and costs, and facilitating closer monitoring.

All Castellum investments are made from a perspective of sustainability. Each investment issue is reviewed by the Group's Head of Sustainability and must also be approved from a sustainability perspective. These criteria are included in the planning stage and follow the entire project life-cycle in order to become a natural part of daily management in the next step. For the last few years, Castellum has worked on sustainability issues in connection with new construction and larger reconstructions. In 2018, the Group's joint sustainability program was further developed and divided into two different levels: investments under MSEK 10 and investments over MSEK 10. Castellum obtains environmental certification for all new constructions and larger reconstructions. For new production in Sweden, Miljöbyggnad level Gold applies; in Denmark and Finland, BREEAM Excellent applies. Other types of projects are certified.

SUSTAINABILITY PROGRAM FOR NEW CONSTRUCTION AND RECONSTRUCTION	
PROCUREMENT UNDER MSEK 10	
Generally, the following items are required: Code of Conduct, sustainability policy, environmental management system, waste plan, environmental plan, an environmental project manager and energy-efficient product choices — such as LED lighting and A-certified goods. All of this presumes the selection of sustainable building materials from both environmental and health perspectives, according to the assessments of the organization created for specifically this purpose: Byggarbetsbedömningen.	
COMPREHENSIVE SUSTAINABILITY PROGRAM FOR NEW CONSTRUCTION AND RECONSTRUCTION	
PROCUREMENT OVER MSEK 10	
<ul style="list-style-type: none"> • Miljöbyggnad level Gold* • Choosing renewable energy sources • Healthy indoor climate and carefully prepared moisture prevention work • Sustainable construction materials • Near zero-energy buildings* • Always investigate WELL health certification** • Create a more attractive building through esthetic decoration • Engage local artists in projects** 	<ul style="list-style-type: none"> • Install solar cells** • Investigate the possibilities of outdoor offices according to Castellum's WorkOut concept** • Create inviting stairwells** • Energy-efficient and environmentally friendly construction sites • Non-fossil fuel powered vehicles at construction sites • Restoration and increased amount of ecosystem services • Climate risk management • Incentives for entrepreneurs to create workplaces in projects

*For new production in Sweden, Miljöbyggnad level Gold applies; in Denmark and Finland, BREEAM Excellent applies. Other types of projects are certified.
 **Applies only to construction of office premises.

Castellum's sustainability commitments



GLOBAL COMPACT

Castellum has signed the 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 contains 10 principles.

As a responsible developer of societal progress, Castellum will be part of driving this development towards a sustainable society. Castellum regards the precautionary principle and society's requirements under laws and regulations as minimum requirements, and the company strives for continual improvements for the purpose of promoting sustainable development.

To achieve properly functional sustainability initiatives, Castellum will:

Overall

- Govern its operations in line with the UN's Sustainable Development Goals.
- Comply with Castellum's Code of Conduct, which is built on the UN Global Compact. All Castellum's employees and partners must understand and comply with their respective Codes of Conduct.
- Continually increase competence in sustainability through education and communication of sustainability issues.
- Routinely monitor, report on and improve our sustainability efforts.

Ecological sustainability

- Minimize carbon emissions in Scopes 1, 2 and 3, which promote global warming.
- Use natural resources responsibly and efficiently so as not to jeopardize the planet's limits, and thus our climate and the opportunities for future generations in a finite world.
- Build and manage from a service life perspective, and promote circular models.

- Promote increased biological diversity and limit the use and spread of environmentally hazardous products.
- All properties held for more than one year are to be environmentally inventoried, and these will be updated at least every ten years.
- Create conditions for responsible waste management through minimizing waste, guarding against pollutants and regarding waste as a resource for reuse and recycling.

Societal sustainability

- Offer comfortable, healthy environments for people in and around the properties we manage and for our employees' well-being.
- Create an equitable organization with a diversity reflecting the composition of society.
- Contribute to employment and young people's opportunities to enter the job market.
- Engage in issues that are significant for societal development.
- Call attention to and change discriminatory structures in the organization.
- Be an attractive employer and attract the best and most professional employees.

Financial sustainability

- Maintain long-term, sustainable financial growth in cash flows.
- Create business models for collaboration regarding sustainable investments.
- Maintain low financial and operational risk for a strong increase in value in the company while offering shareholders a competitive dividend.
- Use financial and human capital efficiently.



THE UN SUSTAINABLE DEVELOPMENT GOALS

At the UN Summit in September 2015, 17 global goals were adopted that will lead the world toward a sustainable and equitable future by 2030. Castellum has conducted surveys in accordance with the UN's global sustainability goals to analyze relevant goals for the company's operations. In 2017, these goals were implemented in Castellum's new sustainability strategy: *Castellum's Agenda for the Sustainable City 2030*.

Organization and governance of sustainability efforts

POLICIES 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 Swedish Work Environment Act
- Environmental Classification: Green Building, Miljöbyggnad, BREEAM, LEED, WELL
- ISO 14001
- Building Regulations from 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 instructions

Our sustainability efforts permeate all operations and are controlled via a management system comprising joint policies, 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 is monitored via the company's environmental management system. Activities are followed up annually and are regularly reported to 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. The work as Head of Sustainability and Sustainability Coordinator entails ensuring that the company's sustainability policy is observed, implementing measures that lead to Castellum's sustainability goals and monitoring climate-related risks and opportunities. Castellum's Board of Directors annually adopts a sustainability policy and Codes of Conduct, and routinely discusses and follows up on various efforts. In 2017, ambitious and measurable new goals regarding sustainability were drawn up and have now been worked into operations; their outcomes are shown in the outcome section. In 2018, a challenging objective was added: to increase the proportion of employees with international backgrounds.

Castellum's Agenda for the Sustainable City consists of a number of ongoing goals on an annual basis and milestones until 2030. It is an ambitious agenda wherein the most challenging objectives are to achieve net-zero carbon emissions by 2030 and to obtain a gender-equal organization for all occupational categories. Achieving these goals will require the involvement and commitment of all employees, which we actively encourage and support, for example, through regular educational activities.

Castellum's CEO is ultimately responsible for all sustainability work. Castellum's Sustainability Report is prepared in accordance with the GRI Standards and a limited assurance report provided by Deloitte. To maintain structured environmental work, Castellum is ISO 14001 certified. The Group has a joint operational sustainability group to develop the work, exchange experiences and monitor changes in the business environment. In addition, there is a sustainability forum for the purpose of involving development efforts in operations.

The sustainability forum consists of managers from core operations: 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. All Castellum employees have undergone a mandatory web-based course in sustainability and codes of conduct that is a part of the introduction for new employees.



THE PLANET

We will responsibly and efficiently reduce resource use and carbon emissions that cause global warming.



FUTURE-PROOFING

We will create a sustainable property portfolio in a changing world.



WELL-BEING

We will promote health, wellness and productivity.



CONDUCT

We will conduct business in a responsible manner in relation to the community as well as to our stakeholders.

Continuous improvement



1%

Water-use reduction per year

1.5%

Energy-efficiency improvement per year

Castellum's agenda for the sustainable city

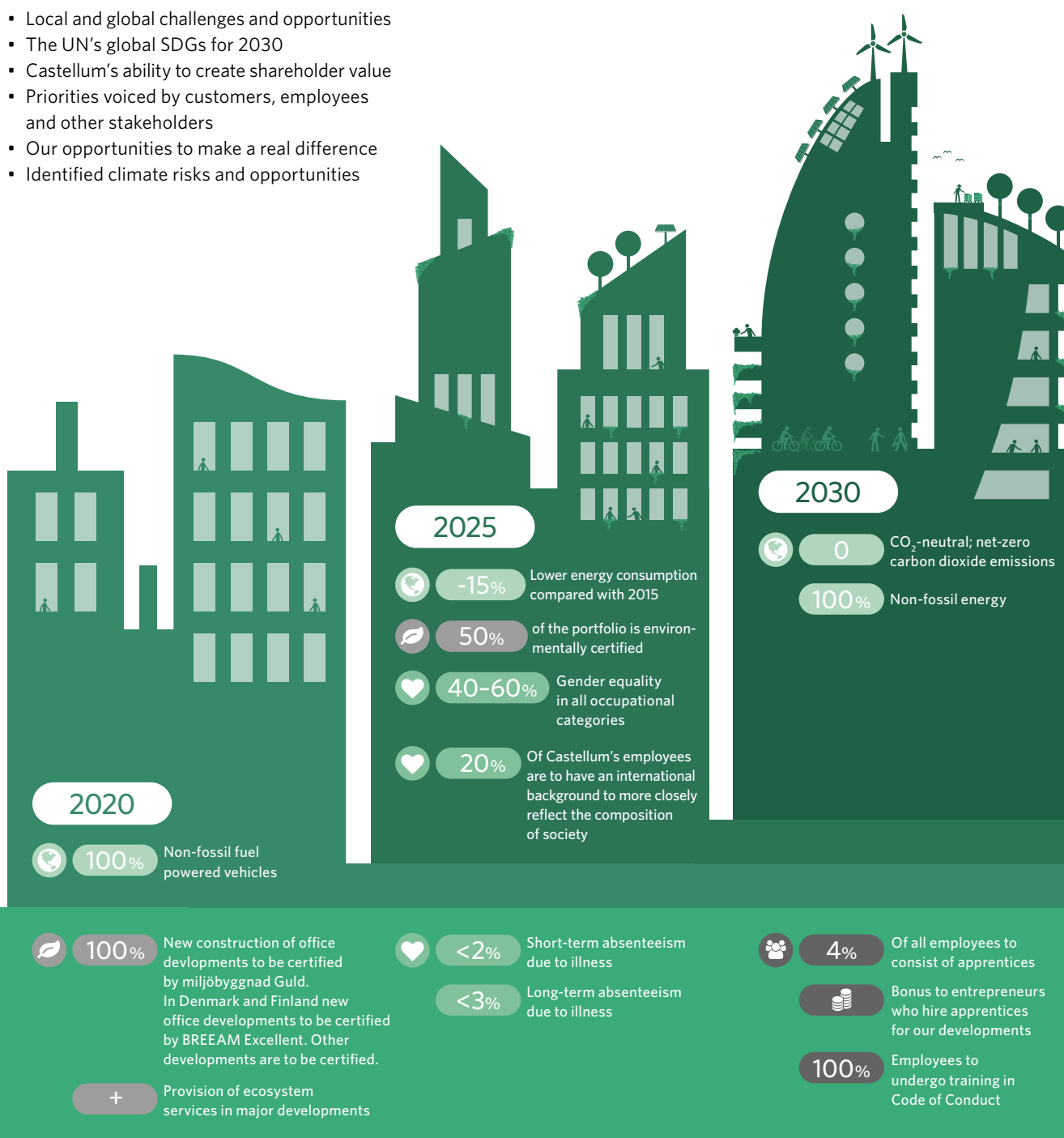
Our objective is clear — Castellum will be the most sustainable real estate company and a major player in building a sustainable society.

The purpose of our sustainability agenda is to ensure that we are a relevant and successful company, not just for today, but well into the future. Our agenda has been developed through analysis, dialogue and discussion. This agenda is primarily constructed upon:

- Local and global challenges and opportunities
- The UN's global SDGs for 2030
- Castellum's ability to create shareholder value
- Priorities voiced by customers, employees and other stakeholders
- Our opportunities to make a real difference
- Identified climate risks and opportunities

Focus areas and goals

Castellum's agenda for the sustainable city comprises four focus areas. In turn, these consist of 16 interim goals in total. On the following pages, the work in 2018 is presented from the perspectives of the planet, future-proofing, well-being and conduct. Furthermore, the outcomes of the goals linked to the respective focus areas are presented.



The planet

Direction of the focus area

We will responsibly and efficiently reduce resource use and carbon emissions that cause global warming.

Targets

- 15% in energy savings per square meter in 2025, compared with 2015 index and energy savings per >1.5% yearly in the like-for-like portfolio
- Net-zero carbon emissions and 100% non-fossil fuel energy by 2030
- 100% of all vehicles to be non-fossil fuel powered by 2020
- 1% water conservation per year in the like-for-like portfolio

Outcome

- -1% (0%) savings cf. 2015, and +3% (-6%) in like-for-like
- 86% (78%) less CO₂ emissions since 2007. 95% (95%) renewable energy
- 62% (34%) non-fossil fuel powered
- 1% water conservation (4%)

Efficient use of resources

Castellum's efforts to reduce the company's climate impact are ambitious, and are in progress throughout operations. Working efficiently to develop a more sustainable property portfolio has been a goal of the company since the mid-1990s. This work has yielded results, and Castellum is now among the most sustainable companies in the industry.

To future-proof Castellum's property portfolio and attain the global sustainability goals established by the UN and prioritized by the company, several challenging goals have been set. Buildings must be more energy-efficient, natural resources must be more efficiently utilized, biodiversity in urban environment must

be increased, renewable energy must be improved and changing weather conditions must be taken into account. Castellum is involved in the climate plans and policies of its customers and of government agencies. It supports international treaties such as the Paris Agreement, displays leadership and to the greatest extent possible influences the industry to reduce its climate impact. For example, Castellum was the first property company to sign the Swedish government's "Fossil Free Sweden" initiative, and also works actively with industry organizations such as the Sweden Green Building Council to develop environmental certification systems and the national initiative to create more sustainable buildings. Castellum is also the first property company in the Nordic region to have its climate targets approved by the Science Based Targets (SBT) initiative. Castellum's target is to achieve 100% climate neutrality in its operations by 2030, thereby supporting the UN's climate agreement and the national ambition for a fossil fuel-free Sweden.

More efficient energy use

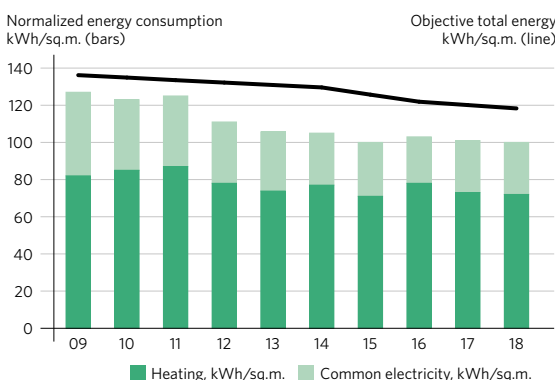
Castellum works continuously to reduce energy use by optimizing operations and investing in energy-efficient technologies. Over the past year, 93 developments comprising MSEK 73 were implemented, of which MSEK 5 pertained to investments in solar cells (6 facilities) for the purpose of enhancing efficiency. Energy use within the Group is systematically monitored and then analyzed in follow-up systems. The measures implemented are prioritized in order of greatest potential for enhancing efficiency.

Expansion is underway for Castellum's own portal for web-based property monitoring, to check values for operations, alarms, elevators and entries. This project saves energy and time, and simultaneously provides customer benefits in the form of better services through preventive measures. At present, 304 properties representing 2,213 thousand square meters are connected to the portal.

In 2018, the normalized energy consumption for heating and property electricity in the comparable portfolio (like-for-like) increased 3% year-on-year. The increase is due to the challenging weather conditions in 2018: a long, cold winter with increased need for heating and an extremely warm summer that involved

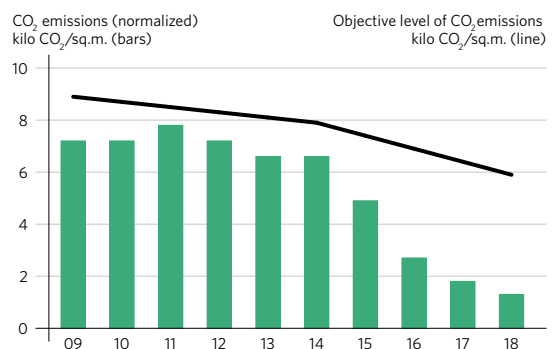
TARGET AND OUTCOME, ENERGY CONSUMPTION PER SQ. M.

Absolute consumption per square meter in the properties Castellum manages.



The actual change in the like-for-like portfolio was +3%. Castellum began systematically measuring energy consumption and heating in 2007, which is why it is utilized as a base year.

CARBON EMISSIONS



extra air conditioning. Another contributing factor was that over time it was not possible to maintain the full effect of 6% conservation, attained the preceding year, in property management. Heating use increased 1% in 2018, while electricity use increased 4%. Since 2007, energy consumption has decreased by a total of 28% per square meter. Castellum's heating consumption of 64 kWh per square meter can be compared with the industry average according to the Swedish Energy Agency's reference value for heating premises of 122 kWh per square meter. This means Castellum's buildings are 47% more energy efficient than the Swedish average for these premises.

Increased share of renewable fuels

Of Castellum's total carbon emissions, 13% are directly influenced by oil, gas, and service, benefit and pool vehicles (Scope 1); the remaining emissions — for example, purchased energy such as district heating and electricity, 84% (Scope 2), and travel by plane, train, taxi and private vehicles 3% (Scope 3) — can only be influenced indirectly.

To reduce emissions, work is underway to phase out fossil fuels; currently four oil furnaces are still in operation. Approximately 12% of Castellum's customers are responsible for their own heating and 22% for electricity on the property. A total of 1,219 kW of solar cells have been installed on Castellum's properties, equivalent to a total of approximately 8,500 square meters of solar cells. Six large solar cell facilities, equivalent to a total investment of MSEK 5, were built in 2018. In addition, there are two wind turbines on roofs, totalling 3 kW.

Castellum's use of district heating means that its carbon emissions are dependent on the fuel mix used by the district heating facilities. At present, Castellum makes use of 26 district-heating facilities, which account for 90% of the Group's total emissions.

Castellum is in dialogue with the district-heating suppliers with the highest carbon emissions per kWh in order to influence these suppliers to reduce emissions. The transfer to green district heating with renewable fuels is ongoing and currently amounts to 50% of our district heating suppliers.

During 2018, carbon emissions decreased by 2% per square meter; since 2007m they have decreased by 85% per square meter. Of Castellum's total energy use, 95% is renewable.

Since 2001, only green electricity has been used in the Group.

Almost all of Castellum's servers are now virtual, in principle. A virtual server means that a physical server has been converted into software, which reduces energy consumption.

Reduced amount of waste

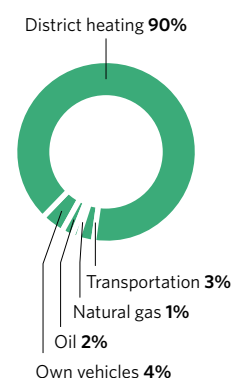
Castellum has long worked actively to reduce the amount of waste that goes to dumps by offering to household waste sorting facilities. Monitoring the work is complicated by several sanitation companies being hired, only a few of which can report follow-up in terms of weights. In addition, customer operations differ, which means their needs for waste management differ as well. Statistics are currently obtainable from 24% (20%) of the sanitation companies. The statistics include waste from buildings managed by Castellum, but not waste from projects or construction contracts.

Water consumption

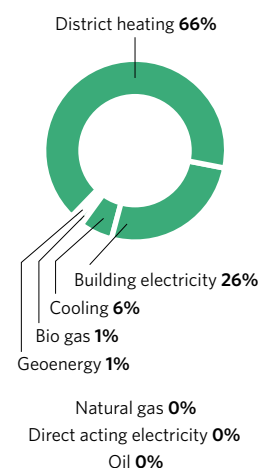
Castellum utilizes water from the municipal water system, monitors consumption and takes measures to reduce it.

In 2017, Castellum adopted a target of reducing water use per square meter in the like-for-like portfolio by 1% per year up until 2030. Conservation in the like-for-like portfolio was -1% year-on-year.

DISTRIBUTION OF CARBON DIOXIDE EMISSIONS



DISTRIBUTION OF TOTAL ENERGY CONSUMPTION



MULTI-YEAR OUTLOOK: ENERGY, CARBON EMISSIONS AND WATER, 2014-2018

	2018		2017		2016		2015		2014	
	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity
Total energy consumption	349,014	98	343,140	94	342,918	99	239,731	90	246,979	93
Total energy consumption, normalized	371,220	104	365,927	100	362,935	104	261,985	98	276,564	104
of which actual heating	238,494	64	244,060	64	244,529	69	167,522	61	168,896	61
of which normalized heating	260,699	70	266,847	70	264,546	75	189,776	69	198,481	72
of which electricity and cooling	110,520	33	99,080	30	98,389	29	72,209	29	78,082	32
Total CO₂e emissions	5,188	1.2	7,393	1.7	8,585	2.0	11,537	3.4	15,408	4.3
of which Scope 1	675	0.2	1122	0.3	608	0.1	639	0.2	854	0.2
of which Scope 2	4,362	1.0	6,133	1.4	7,747	1.8	10,720	3.2	14,339	4.0
of which Scope 3	151	0.0	138	0.0	230	0.1	179	0.1	216	0.1
Total water consumption	969,783	0.3	1,008,457	0.3	1,044,503	0.2	747,334	0.3	740,170	0.3