

Castellum's sustainability efforts

Vision

Castellum's sustainability efforts are a natural, integrated part of its operations; over time, the company will become a leader in sustainability and promote sustainable development. Castellum regards society's requirements under laws and regulations as minimum requirements, and the company strives for continual improvements with clear goals aimed at promoting sustainable development. As a responsible agent of societal progress, Castellum will be part of driving this development forward.

Strategy

Castellum's operations should promote sustainable development, and its sustainability initiatives should be integrated into its operations, yielding tangible results. This work permeates the entire business from ownership, property management and property portfolio development to customer relationships, employees and financing. Corporate social responsibility is crucial to the company's success, and its work drives profitability and long-term shareholder value. All actions should be marked by a high level of expertise, good business ethics and accountability.

Attitude to climate change and the planet's limits

Castellum acknowledges the scientific evidence that human activity is accelerating climate change. Overstepping the planet's limits involves great risk for our future. To promote a global agenda, Castellum must therefore govern its operations and set goals in line with the UN's Sustainable Development Goals and the international climate agreement. To future-proof Castellum's portfolio, buildings will be made more energy-efficient, life cycle perspectives will be taken into account in investments, responsibility for natural resources and biological diversity will be assumed, the share of renewable energy will be increased and operations will be adapted to climate change. Castellum will be involved in the climate plans and policies of its customers and of government agencies, it will display leadership and to the greatest extent possible will influence the industry toward a greener approach.

Castellum regards the impact of a changed climate as a significant risk that over the long term constitutes a risk to our operations, our properties and our tenants. If extreme weather arises — floods or heavy rains, for example — it causes damage and disruptions in several ways: directly to the property or neighboring infrastructure (e.g. electrical outages, wastewater backing up out of drains, or disruptions to public transportation to and from our properties). Therefore, Castellum has implemented specific risk analysis processes for all investments in order to take into account such climate risks as the risk of flooding, land erosion and vulnerability to extreme weather.



Castellum is the first real estate 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.

Castellum's climate goals have been reviewed and approved by the Science Based Targets Initiative (SBT), a collaboration between the Carbon Disclosure Project (CDP), the UN, the World Resource Initiative (WRI) and the World Wildlife Fund (WWF). The purpose of the SBT is to guide companies across the globe in defining carbon emissions and in establishing scientifically correct objectives in line with the goals of the Paris Agreement on reducing global warming.

Castellum's strategy for reducing its environmental impact focuses on several areas, including:

- Converting to 100% renewable energy
- Reducing energy consumption in our properties
- Converting to a fossil fuel-free vehicle fleet by 2020
- Orientation toward reduced climate impact in developments

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.



Well-being

Direction of the focus area

We will promote health, wellness and productivity.

Objectives

- Equality among all occupational categories by 2025
- <2% short-term sick leave
- <3% long-term sick leave
- By 2025, 20% of Castellum’s employees are to have international backgrounds to more closely reflect the composition of society.

Outcome*

- The following distributions regarding equality:
 - Group Management: 44% women, 56% men
 - Regional management groups: 40% women, 60% men
 - Admin/customer service: 32% women, 68% men
 - Project and business development: 24% women, 76% men
 - Support functions: 65% women, 35% men
 For more detailed information, see the diagram below.
- 1.6% short-term sick leave
- 2.2% long-term sick leave
- 6% of Castellum’s employees have an international background. For more detailed information, see the diagram at right.

Working environment

Castellum protects and supports both employees and suppliers, and it is our responsibility that no one becomes ill, either physically or mentally, or is injured owing to their work. Castellum works routinely on developing and improving 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 working environments. During the year, 18 work-related accidents were reported, 8 of which involved Castellum employees. Total sick leave remained low, at 3.8% (2.0).

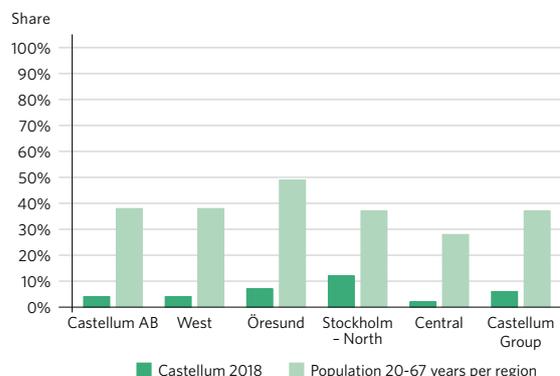
To reach the Group’s tough sustainability goals of net-zero carbon emissions by 2030 and a non-fossil fuel powered vehicle fleet by 2020, Castellum’s employees must prioritize sustainable travel and meetings.

Castellum’s guidelines include the following requirements:

- Travel over 450 km should primarily be booked by train
- Environmental requirements are imposed on all travel (e.g. green taxis should be booked)
- Annual climate compensation for all of the Group’s travel

DIVERSITY AT CASTELLUM IN 2018, BY REGION*

International backgrounds decrease from 7% to 6% in 2018

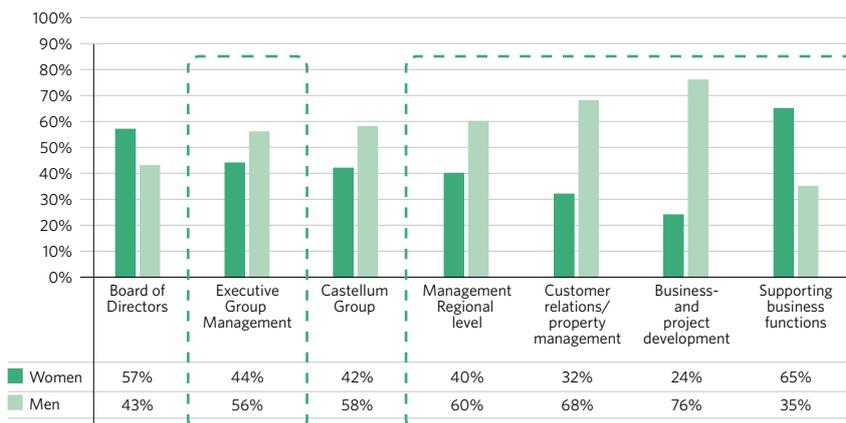


The number of employees with foreign backgrounds at Castellum in 2018, compared with foreign backgrounds among the populace aged 20-67 in the same locations and respective regional head office. Source: Statistics Sweden

Equality involves a distribution in the range of 40-60%. Green markers are subject to goal tracking in accordance with Castellum’s sustainability strategy. Action plans must be drawn up annually by the HR division, with focus on the least equal and larger occupational groups, which are monitored at a detailed level (e.g. customer relations/property management).

*Note for 2018 employee turnover statistics: Castellum has transitioned to the Full-Time Equivalent (FTE) principle as of 2018. FTE takes into account actual work time during the year; deductions are made, for example, for level of service and actual time of employment during the year. Example: an employee who begins employment on July 1 and works 70% (28 hrs/wk) up through December 31 is counted as 0.35 FTE (employed for 50% of the year at 70% employment)

EQUALITY AT CASTELLUM, 2018*





Education, %		
University	24%	27%
Upper secondary school	14%	33%
Compulsory school	0%	2%
Division of labor, %		
Customer relations/ property management	22%	44%
Business and project development	2%	7%
Support functions	15%	8%
Group Management	1%	1%
Employment type, %		
Permanent employees	36%	60%
Part-time employees	2%	1%
Employment type, %		
Permanent employees	38%	61%
Project employees	0%	1%
Temporary employees	1%	0%

Adds up to 100% per category. For more detailed information, see the diagrams on page 71: "Diversity at Castellum in 2018, by region" and "Equality at Castellum in 2018."

All data in the HR section is based upon actual data. The information has been compiled and assured by Castellum's HR Department. Regional HR information has been broken down by county for Sweden. Castellum operations in Denmark and Finland have few employees, so these have been included in the statistics for Sweden.

THE FOUR MOST IMPORTANT ADJECTIVES IN OUR WORLD

Castellum's values consist of the four key words:

- Personal
- Passionate
- Proactive
- Reliable

how we will differentiate ourselves from our competitors. It will also be a clear symbol of the new Castellum: all employees are committed to a shared fundamental vision that permeates everything we do.

We are a part of society

Alongside a unified organization under one common brand, one important sub-goal has to be a commonly shared view of careers, leadership and diversity. Castellum strives to create gender balance in leadership as well as among employees. The company has guidelines for gender equality and diversity as part of its sustainability policy. In 2018, Castellum adopted a Group-wide gender equality policy with clear objectives. This means that by 2025, Castellum will have achieved a long-term gender equality balance in leadership positions and all professional categories (40–60%) as well as an increased share of employees with international backgrounds that reflects the actual composition of our communities over the long term.

At the moment, there is positive gender equality representation, both on the Board and in the company's Group Management. The total proportion of women in the company was 42% (38%) at year end. In employee surveys, Castellum is pleased to note that it distinguishes itself as a workplace where the people surveyed feel they are treated equally based on gender and ethnic origins.

Castellum's guidelines for gender equality and diversity contain concrete action plans to ensure a better-balanced company. There is currently a relatively large imbalance in certain professions and trades, while other categories strongly uphold our gender-equality objectives.

Castellum participates in the Jobbsprånget internship program run by IVA, the Royal Swedish Academy of Engineering Sciences, where newly arrived immigrant academics with residence permits are provided with the opportunity to work as interns in the business community for a period of four months.

We are carrying out a bonus program for all employees wherein it is possible for all participants to share in all earnings improvements. This contributes to an inclusive culture where operational objectives are a natural part of everyday activities.

Our Trust Index indicates satisfied employees

Every 18 months, an employee survey is carried out, in which all Castellum employees have a chance to voice their opinions about Castellum as employer, both from an employee and a management perspective. The last survey was in June 2017, and the response rate was 88%. 85% of employees stated that Castellum was a very good place to work. Castellum's trust

index ended up at 81% — a weighted value of all questions and responses, comparable to an employee-satisfaction index. Employee survey results constitute an important tool in future development efforts on behalf of the company and employees. The next employee survey will be conducted during the second quarter of 2019.

The factors that distinguish Castellum are pride in the company as a workplace, its perception as gender equal and the friendly atmosphere among colleagues. The primary area identified as requiring further development was leadership. This area feels like a natural step to concentrate on, especially after the launch of freshly updated fundamental corporate values. In 2018, a Group-wide management program was introduced in which 15 people took part. An additional leadership program will start in January 2019.

Inspiring workplaces create satisfied employees

Castellum wants to take good care of its employees, and works on company wellness through various activities and wellness subsidies, as well as providing regular company healthcare and advanced health insurance benefits. Wellness activities are both preventative and rehabilitating, with the aim of promoting a continued state of well-being for employees. During the year, our Stockholm office earned WELL certification. Absenteeism at the company remains low, equivalent to 2% (1%), of which 2% (1%) for women and 2% (1%) for men.

The occurrence of work-related injuries at Castellum is very low, at 1 per thousand of time worked. During the year, work-related injuries consisted of cuts, falls, and injuries while being transported to and from work. Injury figures are low for Castellum's suppliers as well, who reported 10 work-related injuries for the year. The following type of work injuries occurred under supplier responsibility: slips, falls, cuts and crushing injuries.

It is important to us at Castellum to practice what we preach. A large part of our operations involve creating inspiring workplaces for our customers, which we have also taken note of as regards our own workplaces. In planning these offices, we have placed great importance on creating workplaces that make our employees feel comfortable and are adapted to specific existing needs. The offices feature many coordination and meeting places; they encourage mobility and action and are wired with smart technology.

Commitment, clarity and expectation

Castellum works as much with competence development as with designing motivational work situations to create committed employees.

Employee dialogues and appraisal reviews are to be carried out annually so that objectives can be set and followed up, as well as to determine

competence development requirements. In the course of 2018, 77 (87%) of all employees took part in performance reviews: 74% of women and 80% of men (EPRA Emp-dev).

Strengthening the Group through continual improvement efforts — known as “Best Practice” — is a continuous process. Joint development work is under way in the Group, as are exchanges of experience among the regions in order to make competence available throughout the organization. The company-wide development teams provide strong background conditions for continuous improvement, and these groups consist of participants who represent all regions. The groups regularly discuss issues within specific areas, such as leasing, IT, facility management, project development, sustainability, communication, purchasing and personnel.

Work within these multi-regional project groups has constituted a central element in the internal development efforts currently being driven by the corporation. From these contexts, we benefit greatly from our new organizational structure, which turns out to be very suitable for this kind of work. Several project groups were ongoing at year end, focused on everything from implementation of a new operational

system to strategic development groups from business-critical areas. The Group also runs an intranet channel where experience and specialized knowledge can be easily exchanged among employees, regardless of geographical location.

Most important with the experience exchange is to inspire and learn from each other and continuously meet in various group formations for internal exchanges of knowledge. These meetings are valued internally. Another annual event is Castellum Day, where all Castellum employees meet to enrich knowledge, exchange experience and tips, and strengthen the company bond.

Competence development takes place via internal as well as via external resources. Within Castellum, competence development is broadly defined; it can be education adapted to a particular employees’ job description, but it can also be within an area that the Group is currently focused upon. During the year, completed education hours at Castellum totalled 6,874, which amounts to approximately 18 hours per employee per year (EPRA Emp-Training). The mandatory Web-based sustainability training introduced in 2017 was also taken by all new employees in 2018.

HR'S AMBITIONS:

- Support organization management with work tools characterized by logic, simplicity and clarity. Doing the right thing should be easy.
- Work with a focus on solutions, and with a great deal of ambition in all processes.
- Stimulate continual development and training of managers.
- Make Castellum an attractive employer through working actively on leadership, manager supply, competence development, succession issues and talent pools.

EMPLOYEE TURNOVER*

Employee turnover	Number of employees 2018	Of which women 2018	Number of employees 2017	Of which women 2017
New employees during the year				
under 30	4	49%	24	40%
30-50	18	52%	41	56%
over 50	2	68%	11	55%
Total new employees	23	53%	76	51%
Share of new employees	6%		19%	

EMPLOYEE TURNOVER*

Employee turnover	Number of employees 2018	Of which women 2018	Number of employees 2017	Of which women 2017
Employees who left during the year				
under 30	5	15%	8	54%
30-50	21	53%	60	60%
over 50	10	60%	27	29%
Total number of leavers	36	49%	95	44%
Proportion of leavers	10%		24%	

*Note for 2018 employee turnover statistics: Castellum has transitioned to the Full-Time Equivalent (FTE) principle as of 2018. FTE takes into account actual work time during the year; deductions are made, for example, for level of service and actual time of employment during the year. Example: an employee who begins employment on July 1 and works 70% (28 hrs/wk) up through December 31 is counted as 0.35 FTE (employed for 50% of the year at 70% employment)

ABSENTEEISM 2018

	Men	Women	Total
Sick leave, Castellum (Absentee-rate)	3.8%	3.6%	3.8%
of which short-term sick leave	1.5%	1.7%	1.6%
of which long-term sick leave (Lost-day rate, counted after day 15)	2.3%	2.0%	2.2%
Number of stress-related sick leave cases per thousand, Castellum (Occupational disease rate)	0.6 per thousand	1.4 per thousand	0.9 per thousand
Work-related injuries Castellum, per thousand (Injury rate. Minor injuries are included)	2.3 per thousand	0.0 per thousand	1.4 per thousand
Work-related injuries at Castellum suppliers, number (Injury rate. Minor injuries are included)	10	0	10
Work-related deaths: Castellum employees	-	-	-
Work-related deaths: Castellum suppliers	-	-	-

GENDER PAY RATIO 2018 (EPRA DIVERSITY-PAY)

	Women base salary*	Men base salary*	Women, total remuneration**	Men, total remuneration**
Group Management***	93%	95%	93%	95%
Other employees***	101%	103%	101%	103%

*Key figure relates to average salary according to market salary statistics from Mercer, IPE. **Key figures relate to average salary of total remuneration. ***For further information on salaries for Group Management and other employees, fees and benefits, see Note 11, page 138-139.

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As of year end Castellum had 381 employees, of whom 42% were women. No seasonal variations occur. The proportion under collective bargaining agreements was 24%.