

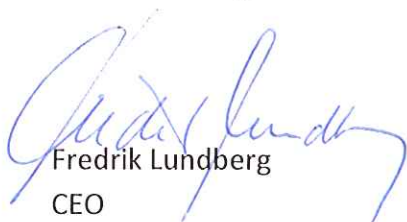
Stockholm, Sweden, May 24, 2017

Communication on Progress  
United Nations Global Compact

Statement by the CEO

I am pleased to confirm that L E Lundbergföretagen AB reaffirms its support of the ten principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption. L E Lundbergföretagen AB is committed to making the Global Compact and its principles part of the strategy, culture and daily operations. In our Communication on Progress report, we document the progress within L E Lundbergföretagen AB as well as within our major holdings. We also commit to share this information with our stakeholders, using our primary channels of communications.

Yours sincerely,



Fredrik Lundberg

CEO

L E Lundbergföretagen AB

# L E Lundbergföretagen AB (Lundbergs)

Lundbergs business concept is to own, manage and develop a number of companies by being an active, long-term owner. The portfolio of assets includes the wholly owned real estate company Fastighets AB L E Lundberg, the publicly traded subsidiaries Hufvudstaden and Holmen and the associated companies Industrivärden, Indutrade and Husqvarna. Lundbergs also has major shareholdings in Handelsbanken, Sandvik and Skanska.

## Strategy and objective

Lundbergs' objective is to generate a return on invested capital over time that substantially exceeds the yield on risk-free interest-bearing investments. Lundbergs' strategy is to generate such a return and value appreciation while maintaining a low risk. Investments focus mainly on companies characterized by solid market positions, strong and stable cash flow and that have their own products and brands. The financial risk is minimized by combining low indebtedness with good access to funds.

The time perspective of Lundbergs' ownership enables the companies and their management to adopt a long-term approach in their efforts to improve market positions and competitive strengths. Long-term ownership is accompanied by participation on boards of directors.

## Sustainability

### **Ownership and responsibility**

Lundbergs' business concept is based on a long-term approach and active ownership. The company's responsibility to its shareholders is to develop and maintain a financially sound and well-functioning company. This is achieved by such actions as taking responsibility in those environments in which we are active, and in relation to our employees, business partners and society at large.

Through active ownership, Lundbergs can influence the portfolio companies in such areas as the environment and the business environment. It is on the boards of directors of the various companies that Lundbergs conducts its development and value-creation work. Lundbergs has considerable competencies and longstanding experience within the sectors in which the portfolio companies operate. Responsible and persevering actions are a key prerequisite for enabling the portfolio companies over time to continue to be both profitable and sustainable operations.

Lundbergs is affiliated to and supports the UN Global Compact, which has been established with the aim of promoting responsible enterprise through-out the world. By complying with the UN Global Compact, the company undertakes that its operations will realize and integrate the principles concerning human rights, working conditions, environment and anticorruption.



Hufvudstaden



Husqvarna



Industrivärden



Indutrade



### **Our operations**

Since L E Lundbergföretagen AB has no in-house manufacturing operations of its own and only some ten employees, the impact of Lundbergs' Parent Company on the environment and the world at large is very limited. However, through active ownership via work on the portfolio companies' boards, it can influence the companies in these matters. Lundbergs' Board of Directors and management have formulated a code of conduct for the Parent Company and its wholly owned subsidiaries.

Lundbergs works to ensure that the approaches of the other portfolio companies are also shaped by the code of conduct, which means that they are expected to

- act in line with the legal requirements applying where the company is active
- act in line with the UN Global Compact; comply with applicable laws, regulations and international guidelines and policies governing the environment, anti-corruption, labor law and human rights
- implement investments by taking into account their long-term economic, social and environmental impact
- have relations that are characterized by high business ethics
- have workplaces that are characterized by openness, responsiveness and mutual respect and that distance themselves from any form of discrimination
- strive for openness, clarity och reliability in external communication.

### **Subsidiaries**

Fastighets AB L E Lundberg is quality, environmentally and energy certified in accordance with ISO 9001:2015, 14001:2015 and 50001:2011 which, through their enterprise management systems, ensure compliance with the business concept, strategy and focus in daily operations. By implementing continuous construction engineering improvements and more modern equipment in the properties, the carbon footprint is reduced, thus providing a solid base for sustainable development.

Hufvudstaden reports its work on sustainability issues in accordance with the Global Reporting Initiative (GRI) and participates in, for example, the Carbon Disclosure Project (CDP) sustainability survey, in which the company is ranked among the foremost property companies in the Nordic region. CDP is an international collaboration aimed at encouraging companies worldwide to reduce their impact on the climate and on natural resources.

Both Fastighets AB L E Lundberg and Hufvudstaden offer Green Leases, which entail that a concrete action plan is prepared together with the tenant, featuring measures that will contribute to improving the environment. Both of the companies are members of the Sweden Green Building Council (SGBC) and also have a number of properties that

are SGBC classified. This classification is achieved by means of an independent assurance that the building satisfies requirements in terms of energy, indoor environment and choices of materials.

Holmen is ranked 21 in the Global 100, an index that ranks the world's most sustainable companies. Holmen has reported to the CDP Climate program since 2007 and the company's annual report complies with the Global Reporting Initiative, GRI G4, at the Core level.

Below are an overview of the wholly-owned subsidiary Fastighets AB L E Lundberg, followed by some examples of current activities in the areas of Human Rights, Labour, Environment and Anti-Corruption from L E Lundbergföretagen AB's associated companies, subsidiaries and major share holdings. Additional examples and information can be found in the portfolio companies' annual and/or sustainability reports.

## **Fastighets AB L E Lundberg**

### **Sustainable enterprise**

As landlords and property and city developers, we have a large impact on people's everyday lives. For Lundbergs, sustainable development means meeting today's needs without sacrificing the possibilities of future generations to meet their own needs. Because a long-term approach and sustainability are mutually dependent, sustainability is a natural part of our business. Our sustainability efforts are based on environmental, social and economic value creation, with all three aspects important to creating a unified entity and a successful company. All of our work must be characterized by high ethical and moral standards.

### **Economic sustainability**

The foundation of economic sustainability is to create balanced economic growth that does not have a negative impact on ecological or social sustainability. It's important to take care of both people and natural resources. Lundbergs stands for sound values and, with our financial stability, we can take responsibility for our part of social progress. Long-term profitability is a fundamental requirement for us to be able to implement our strategies and achieve our goals. Profitability is also a requirement for sustainable development and responsible enterprise. With our stable financial position, we are a reliable business partner for both customers and suppliers, while simultaneously being an attractive employer for skilled human resources. Our customers feel secure with a property owner who is reliable, will honor its contracts and has the ability to invest in its properties.

### **Community responsibility**

Community responsibility is a matter of relationships with customers, employees, suppliers, community players and other stakeholders. In order to grow together, it is important for our stakeholders to share our values and we will introduce a Code of Conduct for suppliers in 2017. For Lundbergs, social responsibility also means that we are an involved party in the market areas where the company operates, and that we cooperate with customers, municipalities and other partners. Our employees are one of Lundbergs' principal assets. We create a culture where we and our customers can live better lives through our employees' involvement, skills and capacity for innovation. As an employer, we take responsibility and aim to provide a secure work environment and a good working atmosphere where our employees experience satisfaction and professional development.

### **Social responsibility**

Our social responsibility applies not only to our stakeholders and employees, but also includes a commitment to a sustainable society in matters large and small. As part of our endeavor to achieve our vision – to create sustainable urban environments – we also contribute to society through involvement and participation in urban development in the market areas where we operate.

Participation in industry associations and networks increases our knowledge and our ability to make a positive difference. For example, we may participate in city-center development

groups, city-center associations, the local business community, universities and sports clubs. At the company level, we are members of the Swedish Property Federation, where we pursue such issues as the development of rental apartments as a form of housing, better conditions for the construction of rental apartments and city-center development. We are also members of the Sweden Green Building Council, which is responsible for the SGBC certification system.

## Code of Conduct

Lundbergs' long-term success is dependent on managing its business in a responsible manner. Our Code of Conduct is a foundation for how Lundbergs employees are to conduct themselves both towards one another and towards customers and other stakeholders. It is based on the principles of the UN Global Compact, and clarifies Lundbergs' positions on human rights, working conditions, business ethics and information. Lundbergs must comply with laws and regulations, must not discriminate against anyone and must apply responsible business methods that exemplify a high level of business ethics and acceptable business practice. The company also has a policy for ethical guidelines that all employees have signed. The policy addresses issues of business ethics and how the company is to act towards employees, tenants, customers, suppliers and other stakeholders. One important aspect of the ethical guidelines is to clarify that Lundbergs does not accept any form of corruption. We also continuously perform supplier assessments in order to ensure that suppliers live up to the company's requirements.

## Environment and energy

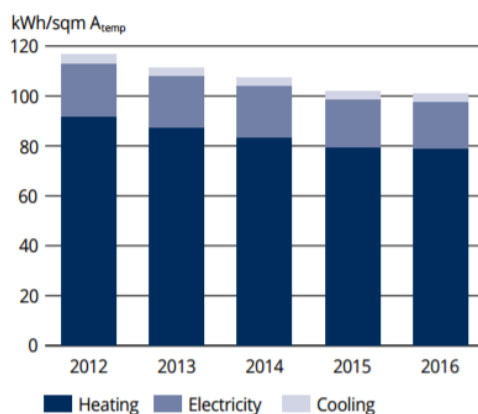
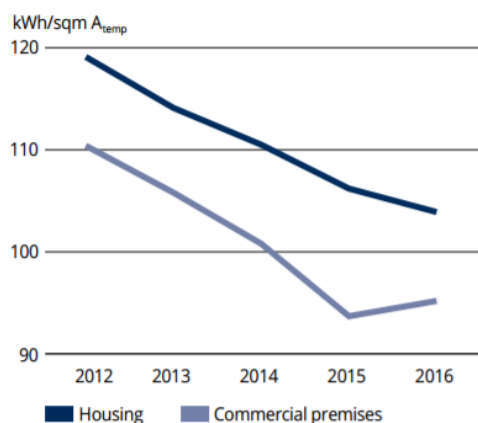
We safeguard the environment, both in our immediate vicinity and from a systems perspective. The aim is to take care of the assets we have, our properties and the areas around them, thus creating sustainable urban development. We also want to be part of the development of future sustainable solutions, and we are on the cutting edge when it comes to new products and services. Long-term investments in energy efficiency measures are a critical part of creating a sustainable future. We continuously look for improvements in construction engineering, updated technology in our properties and improved understanding of the issues both within and outside the company. We work according to clear objectives and with high performance demands. For many years, we have been one of a small number of companies that is quality, environmentally and energy certified according to the ISO 9001:2015, 14001:2015 and 50001:2011 standards. Lundbergs' carbon footprint is largely associated with our properties. Our operations must be performed with the minimum possible impact on the environment, and we must work proactively to minimize our carbon footprint. The consumption of energy by properties accounts for nearly 40% of energy consumption in Sweden. Reducing the environmental footprint of our operations continuously requires methodical work on numerous small improvements. Our long-term objective is for our total energy consumption to be below 100 kWh/sqm Atemp by 2020. Thanks to an intensive process, we are now close to our goal: in 2016, we consumed 101.2 kWh/sqm Atemp. We can declare with pride that we are one of Sweden's leading players in this area. Our prize in Sweden's leading energy contest organized annually by E.ON and Veckans Affärer is confirmation that we are on the right track. In 2016, we won in the energy



efficiency category, with the following commendation: *“Systematic efforts and a strong-willed leadership that can inspire others in an industry where there is a lot left to do.”*

We have consciously decided to invest in renewable electricity. Since January 1, 2016, Lundbergs only purchases wind-generated electricity and, in spring 2016, we commissioned a 1,100 square meter solar-panel power station located on the roof of the Lindens shopping mall in Norrköping. The power station is of significant size, and is estimated to generate 160,000 kWh/year, which is equivalent to the annual ordinary consumption of household electricity for some 70 apartments. Our Lyckan parking garage in central Norrköping has charging stations for electric cars. Demand for charging stations is increasing among both residential and office tenants. We employ two types of environmental classifications: Miljöbyggnad for new production and GreenBuilding for our existing portfolio. We aim to achieve the Miljöbyggnad gold level for new production of commercial premises, and silver for the new production of housing. All of our commercial tenants are offered the opportunity to sign Green Leases.

Total energy consumption <sup>1</sup>



1) Normal year adjusted values.

A<sub>temp</sub> – total internal area that is heated to more than 10 °C.

## **Human rights – example from Sandvik**

*Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and*

*Principle 2: make sure that they are not complicit in human rights abuses.*

### Health and safety

Maintaining a safe work environment will always be a top priority, out of respect for both Sandvik's employees and customers. The Group's performance is meeting growing expectations from its customers and other stakeholders. Health and safety is a significant competitive advantage to Sandvik.

### Diversity and inclusions

Sandvik's view is that diverse teams are more effective, more likely to think and act outside the box and contribute to greater creativity and innovation. Diversity and inclusion are integral parts of a modern society and, for Sandvik, a strong competitive advantage. Having the right mix of people, reflecting Sandvik's markets, will support the business and our ambition to meet the needs of global and local customers.

### Talent attraction, development and retention

Sandvik must ensure that it has the right people in the right positions. In order to retain the Group's market-leading position in a challenging market, a high-performing culture is important.

The goals for 2020 is to eliminate fatalities at Sandvik controlled locations, have a LTIFR of <1.0 and that 90% of the staff should have access to well-being programs. The target for LTIFR for 2016 was 1.7, which also was the outcome for the year. 90% of the surveyed locations had access to well-being programs.

## Labour – example from Husqvarna Group

*Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*

*Principle 4: the elimination of all forms of forced and compulsory labour;*

*Principle 5: the effective abolition of child labour; and*

*Principle 6: the elimination of discrimination in respect of employment and occupation.*

Our (Husqvarna Group) responsible sourcing program aims to reduce risks, ensure transparency and encourage positive change among suppliers.

Under the responsibility of the Group's purchasing team, we have sourcing expertise in Sweden, Germany, the US and China and local sourcing expertise at each production facility trained to monitor, align and communicate how suppliers meet our expectations.

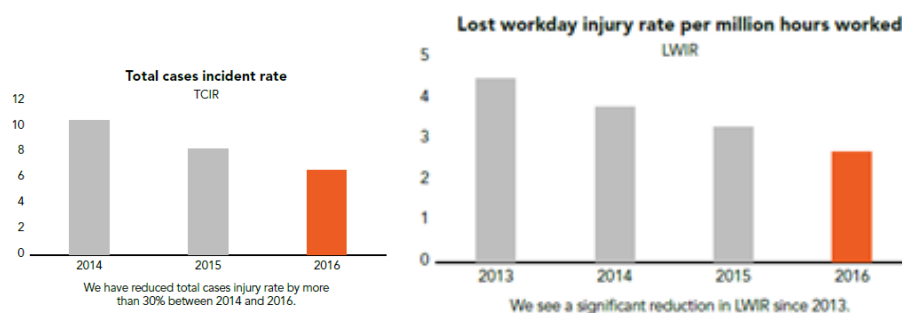
Established in 2013, our Supplier Code of Business Ethics applies to all suppliers of direct materials, indirect materials and services to any company in the Group and requires their full compliance. The Code covers legal compliance, fairness in business relations, respect for the individual, fair employment conditions, child labor, the environment, health and safety and fire prevention. We expect our suppliers to confirm that they are in compliance with our Code as part of our on-boarding process.

We select candidates for auditing based on their risk level. If non-compliances are unveiled, suppliers are required to submit corrective actions within two weeks.

We consider child and forced labor as zero tolerance issues. Eliminating suppliers because of non-compliance is a last resort. Rather, we work to address non-compliances in partnership with our suppliers. Cases of serious non-compliance must be resolved within a year with monthly follow-ups on progress. For selected high-risk suppliers, we also perform site-verification audits to ensure that corrective measures are in place.

The purchasing team is trained on the Code of Business Ethics and how to identify potential non-compliances. New members of the purchasing team have sustainability training on-site and through joint audits.

We held eight on-site sustainability courses for selected high-risk suppliers, which include the introduction of Code of Business Ethics and chemical legislation such as REACH and RoHS.





## Environment – example from Holmen

*Principle 7: Businesses should support a precautionary approach to environmental challenges;*

*Principle 8: undertake initiatives to promote greater environmental responsibility; and*

*Principle 9: encourage the development and diffusion of environmentally friendly technologies.*

### Holmen's environmental responsibility.

Holmen's environmental work focuses on efficient use of raw material and energy, with the forest playing a key role on the climate issue through its absorption of carbon dioxide.

Environmental and energy concerns play a natural role in Holmen's planning of its production and investments. Operations are characterised by resource-efficient use of renewable raw material and energy, and protecting the environment, applying the precautionary principle. Energy, chemicals and fibre are recovered as far as possible, in order to minimise the environmental impact of production.

Holmen's environmental work is characterised by constant improvements, which is conducted within the remit of the certified environmental and energy management systems. This ensures compliance with the requirements set in legislation and by government agencies, which is assured via statutory official inspections.

Holmen has been working on Group-wide environmental targets for sustainable development for several years. Increased production and use of products made from renewable forest raw material is important for the production itself and for the climate. Holmen therefore has a target of increasing growth in Holmen's forests by 25 percent by 2050 compared with 2007.

The Group's target for fossil fuels is to reduce their use at the mills by 75 percent by 2020 compared with 2005 levels. A reduction of 75 percent has been achieved by 2016. Extensive investments in bio-based energy production at the paperboard mills, and the adjusted energy strategy at the other mills have had a huge impact on fossil fuel use. The facility in Madrid was sold in mid-2016. Energy production at the mill is based on natural gas, a fossil fuel. The sale of the mill has thus resulted in a further drop in Holmen's fossil carbon dioxide emissions. For this reason, the target has been revised and from 2017 use of fossil fuel is to be cut by 90 percent from 2005 to 2020.

The third climate-related sustainability target is to increase company-produced renewable electrical energy as a proportion of total electricity use by Holmen. The target for 2020 is for production to reach 50 percent, compared with 31 percent for the base year 2005. In 2016 self-generated renewable energy accounted for 45 percent of Holmen's total electricity use. Access to water for the hydro power plants was slightly down in 2016 compared with 2015, leading to lower electricity production.

The Global 100 list of the world's most sustainable corporations is announced each year at the World Economic Forum in Davos, Switzerland. The ranking has been carried out by the Canadian analysis company Corporate Knights since 2005 and is based on a total assessment of the company's capacity to tackle issues of resource management, employees and financial management. Almost 5 000 companies were included in the assessment, with the hundred best featuring on the Global 100 index. Holmen secured 21st place and is the only forest industry sector company on this prestigious list.

## **Anti-corruption – example from Skanska**

*Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.*

### Act Ethically and Transparently

Skanska does business with a high degree of integrity and transparency. To support this, in 2016 the Group launched a new Code of Conduct and its first Supplier Code of Conduct. Together, these set the ethical direction for employees and external parties.

The new Code of Conduct has many examples, providing employees with hands-on guidance for living Skanska's values every day. It can be viewed at [codeofconduct.skanska.com](http://codeofconduct.skanska.com).

The Supplier Code states the behaviors Skanska demands from its supply chain. Skanska only works with customers that do not require compromising the Group's high standards.