

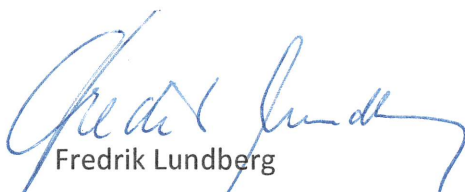
Communication on Progress, United Nations Global Compact

Stockholm, Sweden, May 23, 2018

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.

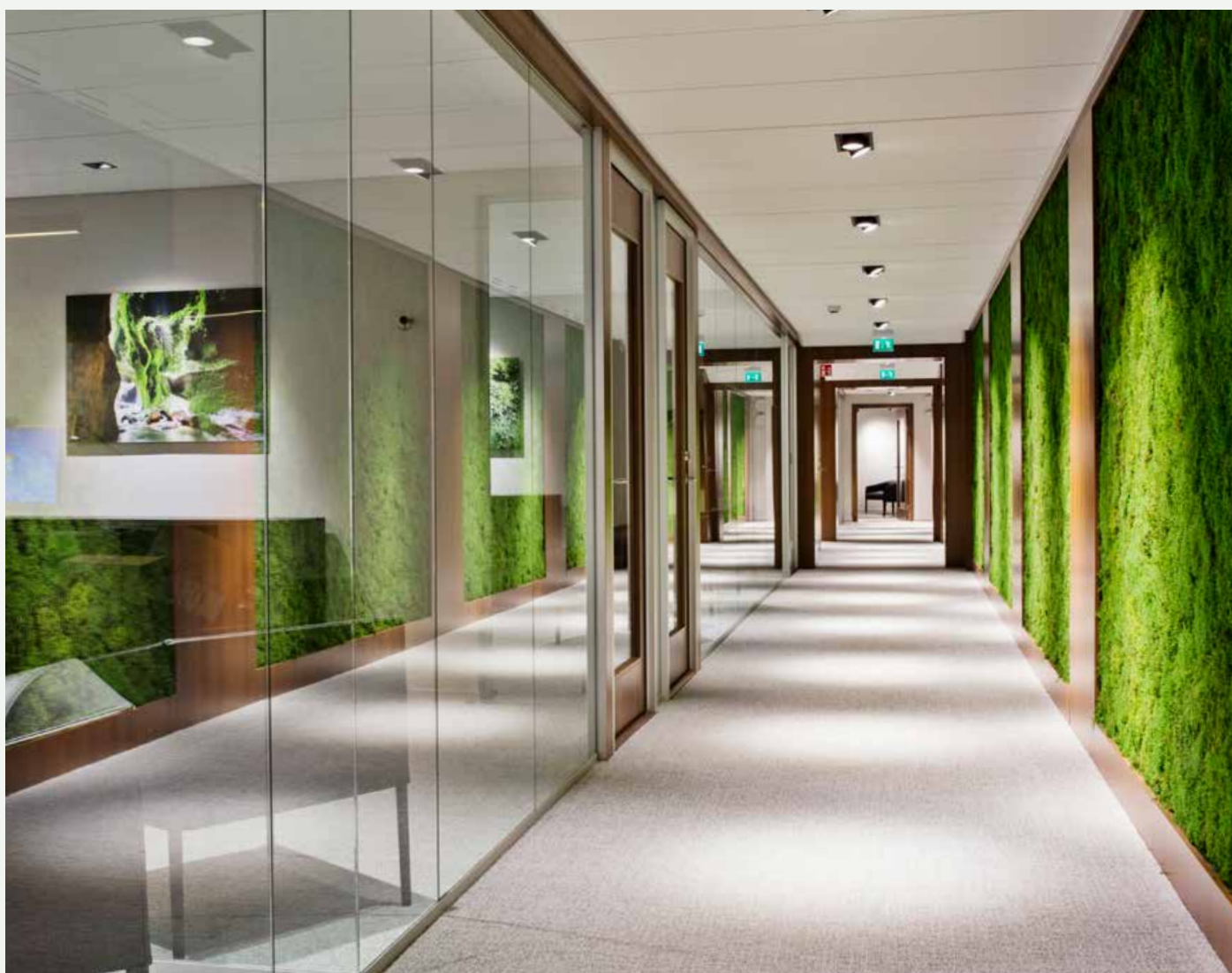
Yours sincerely,



Fredrik Lundberg
CEO, L E Lundbergföretagen AB

Lundbergs as an investment company

By being an active, long-term owner, Lundbergs manages and develops a number of portfolio companies. Clear leadership, responsibility and sound, sustainable business acumen are important values that characterize Lundbergs' work. Responsible, patient ownership is a key prerequisite for enabling companies to continue to develop and to invest in sustainable and profitable operations.



Objective, business concept, strategy and value creation

Objective

Lundbergs' mission is to generate a healthy absolute return for its shareholders through growth in dividends and net asset value.

Business concept

Lundbergs is an investment company that manages and develops a number of portfolio companies based on long-term, active ownership.

Strategy

A favorable return and value growth are to be achieved by Lundbergs

- being an active owner in its portfolio companies
- investing in accordance with clear criteria
- having a strong financial position that creates freedom of action.

Long-term, active ownership

Lundbergs invests to develop companies and values over a long period of time. With long-term, stable ownership, the portfolio companies and their respective managements are provided with the

opportunity to work for strengthened market positions, increased competitiveness and sustainable value creation. In this way, Lundbergs also has the opportunity to promote sustainable development and value creation outside the borders of its own company.

Lundbergs' ownership takes its starting point in excellent knowledge of its portfolio companies' conditions. The boards of directors of the portfolio companies play an important role in their companies' development and take decisions on overall strategies.

Lundbergs' active ownership takes place through genuine and engaged work on the companies' boards. A board of directors that possesses broad competence has greater potential to see the big picture and at the same time identify significant risks and opportunities. Being engaged in the nomination committees' work on appointing boards of directors is thus one of Lundbergs' priority areas for promoting sustainable value creation. Lundbergs places particular importance on the selection of a chairman of the board in the respective companies.

Ownership is also characterized by a strong belief in the management's importance for success and in competent leaders taking and being given responsibility. Decentralization is crucial for the companies' successful development.

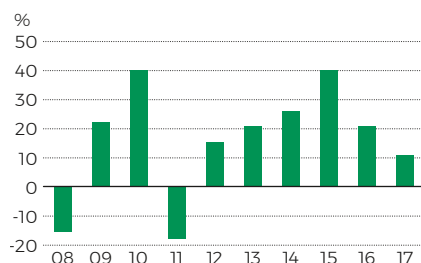
Investment criteria

Investments focus on companies listed on the Swedish stock exchange that have solid market positions, strong and stable cash flows and their own products and brands. Lundbergs has excellent knowledge of the companies and industries they invest in. That knowledge, in combination with the organization's collective experience and a deep analysis, constitutes the foundation for investment decisions.

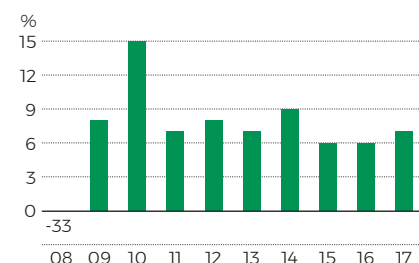
Financial freedom of action and preparedness

Lundbergs places a high priority on work to ensure it has the financial ability to utilize opportunities and cope with challenges. The financial risk is minimized by combining low indebtedness with good access to funds.

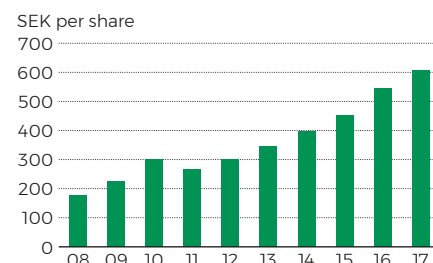
TOTAL RETURN



DIVIDEND GROWTH



NET ASSET VALUE AFTER DEFERRED TAX



Fastighets AB L E Lundberg's properties are leveraged to a maximum 50 percent of the market value; listed shareholdings must be unleveraged. In addition to bank loans, operations are financed through corporate bonds and commercial paper.

Favorable, even growth in dividends and net asset value

Lundbergs' mission is to generate a healthy absolute return for its shareholders. This is achieved through growth in dividends and net asset value. Over the past five years, net asset value per share, excluding dividends and after deferred tax, has grown by an average of 15% annually. Annual dividend growth over the same period has been 7%. During

2017, net asset value per share after deferred tax increased 11.4%. Total annual return on the share has averaged 23.3% per year over the past five years and 14.7% over the past ten years. Total annual return over the past 20-year period has averaged 15.1%.

Management expenses in relation to the holdings measured at market value amounted to 0.08% (0.08) in 2017.

Cash flows reinvested in operations

One of the fundamental criteria when Lundbergs invests is owning a company with strong cash flows.

During the year, Lundbergs received a total of SEK 2,607 m. from dividends from portfolio companies and funds from real

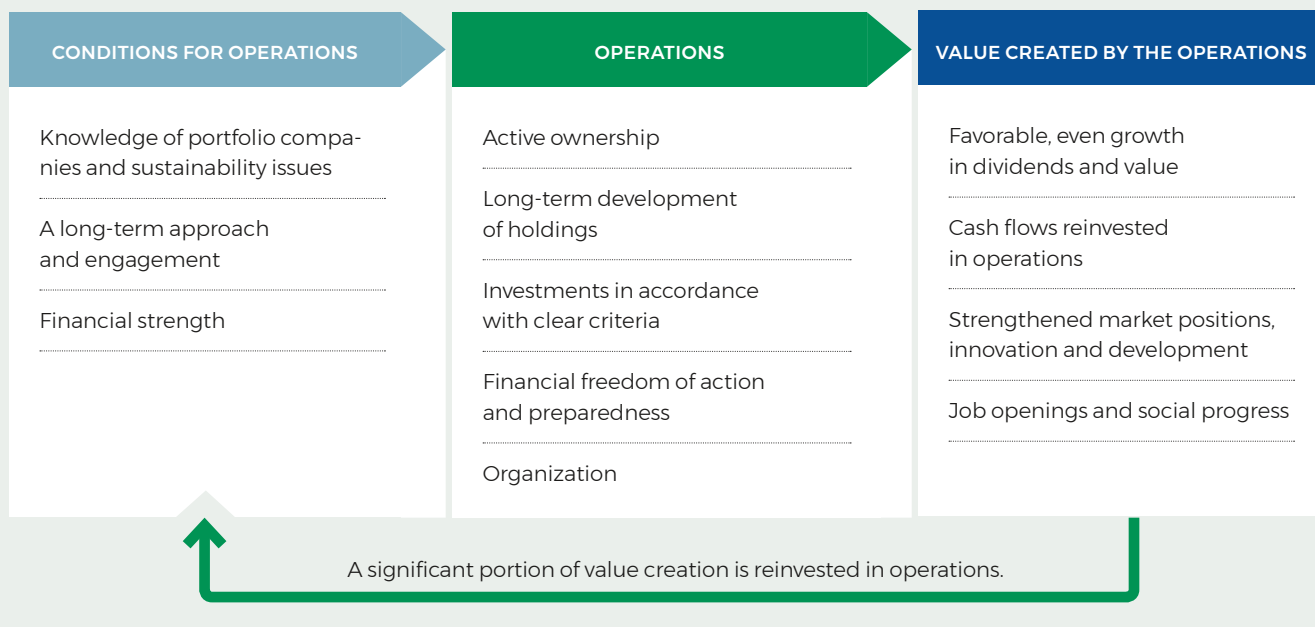
estate operations and sales of securities and properties. SEK 785 m. was invested in shares and SEK 732 m. in properties. Dividends to the company's shareholders amounted to SEK 694 m.

Organization

Lundbergs' investment work is performed in a small organization with many years of collective experience and solid competence. The organization consists of some ten employees, including the personnel of the subsidiary L E Lundberg Kapitalförvaltning AB. Organizationally, the wholly owned real estate company is separated from the Parent Company and is assigned the same status as the Group's other portfolio companies.

A model for responsible and sustainable ownership

Lundbergs invests for the long term, starting from financial strength and sound knowledge of its portfolio companies. This creates stability and freedom of action for the companies to develop and to invest in sustainable, profitable operations. Active ownership aimed at developing the companies long term promotes value creation for shareholders, the portfolio companies and society.



Sustainability

A long-term approach and sustainability are preconditions for each other. Issues involving long-term value creation and sustainability are an integral part of the overall governance of the company, for which the Board of Directors and the CEO are ultimately responsible.

Sustainability efforts take their starting point in Lundbergs' Code of Conduct, which is based on the ten international principles of the UN's Global Compact on human rights, labor rights, environmental considerations and anti-corruption. The company adopted the Global Compact in 2016 and has supported it since then, thereby committing itself to realizing and integrating these principles in its operations. Lundbergs' annual report constitutes the Communication of Progress that is to be reported annually to the UN's Global Compact.

The Parent Company, L E Lundberg-företagen, including the wholly owned subsidiary L E Lundberg Kapitalförvaltning AB, has no in-house manufacturing operations of its own – only some ten employees – and its impact on the environment and the world at large is therefore very limited. For these reasons, no earnings indicators are provided in these areas. The company makes its mark by being a long-term, active owner in the portfolio companies. Through its governance, Lundbergs has an impact on nine portfolio companies with nearly 120,000 employees and sales of goods and services of approximately SEK 390 billion. In this way, Lundbergs has the opportunity to promote sustainable development and value creation outside the borders of its own company.

Lundbergs' Board has established a Code of Conduct that applies to the Parent Company and to wholly owned subsidiaries. Through the respective boards of directors, Lundbergs will also work to ensure that the spirit of the Code

permeates all of the portfolio companies. The Code of Conduct means that the portfolio companies are expected to:

- act in line with the legal requirements applying where the company is active
- act in line with the UN Global Compact through complying 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 and reliability in external communication.

The Code of Conduct is further clarified in a number of underlying documents. A business ethics policy and a diversity policy were implemented in 2017.

The following policy documents thereby form the basis for the Company's sustainability efforts:

- Business ethics policy
- Insider policy
- Information policy
- Code of Conduct
- UN Global Compact guidelines
- Diversity policy.

A whistleblower function has been established for anonymous reporting of violations of the Code of Conduct and/or its underlying documents. No reports of violations of the Code of Conduct or other rule violations were made in 2017.

Sustainability impact and materiality

The most significant and operation-critical sustainability issues have been identified on the basis of a risk and opportunity perspective through business intelligence, industry analysis, sustainability analysis in the value chain and discussions in Lundbergs' management. The issues are handled in regular processes for risk management and organizational development.



In 2017, the subsidiary Holmen was named one of the world's most sustainable companies by capturing 21st place on the Global 100, an index of the one hundred most sustainable companies in the world.

The following areas have been deemed the most relevant for reducing risks and creating sustainable values for Lundbergs' key stakeholders:

- long-term, sustainable profitability
- creating jobs, innovation, development and growth
- being an active owner through such measures as efficient governance and handling ESG¹⁾ risks in the portfolio companies
- capitalizing on business opportunities in the field of sustainability
- promoting diversity and attracting and retaining talents
- counteracting corruption in own operations
- transparently reporting the company's challenges and opportunities.

Lundbergs' key stakeholders

- Shareholders in Lundbergs
- Creditors
- Employees in the Parent Company and portfolio companies
- Board members and management groups in the portfolio companies

Opportunities and challenges

As a long-term owner, it is natural that business intelligence issues are integrated into both own operations and in decisions concerning the portfolio companies. The companies are investigated in connection with investments and both risks and opportunities in such areas as sustainability issues are taken into consideration. Monitoring takes place primarily through the companies' boards of directors.

Transparency

Transparent, properly functioning communications promote the company's business operations by furnishing the stock market with correct, relevant, clear and reliable information in accordance with applicable regulations. Transparency



Job opportunities are created in the portfolio companies and their subcontractors. The total number of employees in the nine portfolio companies is about 120,000.

also promotes increased confidence in management, employees and owners, as well as increased knowledge of Lundbergs' objectives and direction. The main principles for Lundbergs' external disclosure of information are:

- treating all stakeholders on the stock market equally
- submitting information of a price-sensitive nature correctly and on time, in accordance with Lundbergs' insider policy
- meeting legal requirements and observing the stock market rules in force
- maintaining a high ethical level
- ensuring the reliability of the information by maintaining special channels and procedures for communication.

Strengthened market positions, innovation and development

The long-term ownership that Lundbergs represents provides its portfolio compa-

nies with the opportunity to build strong market positions with good staying power and better competitiveness. Through offering a long-term perspective and financial strength, Lundbergs gives the companies good opportunities to invest in innovation and further development. The companies have an obligation to conduct their operations in a sustainable manner.

Job opportunities and social progress

The portfolio companies and Lundbergs also contribute to social progress. Job opportunities are created in the companies and their subcontractors, thus providing individuals with the opportunity to grow. Society receives tax revenues, thus creating conditions for innovation and social structure.

¹⁾ ESG (Environmental and Social Governance) – a company's responsibility for how it impacts society from an economic, environmental and social perspective.