



**LUNDBERGS**

Communication on Progress, United Nations Global Compact

Stockholm, Sweden, May 6, 2021

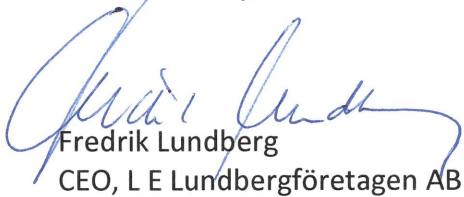
Statement by the CEO

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

# NSO

**Sustainability Report**

# Sustainable value creation

A great deal has changed since Lundbergs was founded as a construction company in 1944 but today's investment company is still characterized by the same fundamental values.

Creating value over time requires a comprehensive approach to sustainability. Long-term responsibility, sound business sense and a stable financial position are equally important guiding stars today as when Lars Erik Lundberg founded the company over 75 years ago.

## Long-term perspective

Lundbergs began as a construction business, and developed into a real estate owner with its own real estate portfolio. Since the purpose was to own, manage and develop real estate over the long term, it was natural right from the start to place great emphasis on sustainability. Creating attractive residential environments in resource-efficient properties made with durable materials at a reasonable cost laid the foundation for long-term value creation.

Today's Lundbergs has evolved into an investment company which, in addition to wholly owned real estate operations, has major holdings in eight publicly listed companies. The long-term perspective continues to be a guiding principle in the company's investment operations. Through active ownership, Lundbergs wants to contribute to create the conditions for long-term sustainable value generation in the portfolio companies.

## Responsible ownership

Sustainable business is about using resources more efficiently, paying attention to social and environmental issues and developing profitability. A prerequisite for long-term sustainable profitability is the efficient management of sustainability risks and the ability to develop and capitalize on opportunities that arise when conditions change.

Lundbergs invests in companies and operations in areas where it has expertise and, as a long-term owner, it accepts a clear responsibility. Investments focus on companies that have solid market positions, strong and stable cash flows as well as their own products and brands. Through active ownership, financial strength and access to funds, stability and freedom of action are created for the companies to develop and to invest in sustainable, profitable operations. In this way, Lundbergs takes its societal responsibility through sound values and stable finances.

## Direct and indirect sustainability impacts

Lundbergs comprises of wholly owned companies and shareholdings in publicly listed companies. These two types of ownership form the foundation for managing sustainability issues.

In the wholly owned companies, Lundbergs has direct influence over sustainability issues in terms of strategies, operational implementation and reporting. Lundbergs influences its publicly

listed portfolio companies through its active ownership. The management and responsibility for sustainability strategies, implementation and reporting lay with the boards of directors and management teams of the respective companies. Accordingly, Lundbergs' sustainability impact occurs indirectly through its work on the boards of directors of the publicly listed companies.



The sustainability perspective is an important and integrated part of Lundbergs' business model, in which a long-term approach and sustainability are interdependent. The purpose of this committed and active ownership is to create long-term value and growth.

The most material and business-critical sustainability issues for Lundbergs 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 dealt with in regular risk-management and organizational-development processes.

## Changes in the business environment

To develop the portfolio companies and their values over time, it is important for Lundbergs to understand how the business climate develops and changes. Global trends such as globalization, urbanization and digitalization, as well as opportunities and risks that result from climate change are all features of the continuous business intelligence analysis under way in the company.

Lundbergs, like all of its portfolio companies, works actively to contribute to the 17 UN Sustainable Development Goals (SDGs). With regard to the consequences of climate change, Lundbergs monitors the development of external requirements, for example, from the EU's Sustainable Finance Action Plan, and voluntary reporting requirements in the form of the recommendations of the Task Force on Climate-related Financial Disclosure's (TCFD) as well as implementation of the Paris Agreement to limit the global warming.

## Wholly owned operations and publicly listed portfolio companies

Lundbergs' Sustainability Report includes the operations of the Parent Company L E Lundbergföretagen AB and the wholly owned subsidiaries. Publicly listed portfolio companies are not consolidated in the Sustainability Report.

The section *Wholly owned operations* below comprises the operations of the Parent Company and its wholly owned companies. The purpose of Lundbergs' consolidated sustainability work and the over-riding principles underlying the activities that are implemented are described in this section, as are the results of the work.

The *Publicly listed portfolio companies* section describes the sustainability work conducted within the framework of Lundbergs' active ownership. The section concludes with examples of sustainability work in the publicly listed companies.

## Wholly owned operations

Since L E Lundbergföretagen AB's investment organization has no manufacturing operations and only consists of around ten employees, the impact on the environment and the wider world is limited. The direct impacts on the environment and the external world occur primarily through the wholly owned operation, Lundbergs Fastigheter.

Almost 100,000 people are in some way affected by the company's real estate operations each day. This includes people who live in its apartments, work in its offices and visit its retail properties.

## Direct sustainability impact

Lundbergs' real estate operations play an important role in the daily lives of people, and we have built, managed and developed urban environments over 75 years. The combination of offices, residential, retail and meeting places is important for creating attractive urban environments. Lundbergs' direct contribution to the creation of a sustainable society is based on commitment, participation and interaction around urban development.

## UN's Global Sustainable Development Goals

Lundbergs aims to contribute toward the SDGs that are most closely related to its business operations and are most material to the company.

The following SDGs have been identified as the most material to Lundbergs:

- Goal 3: Good health and well-being
- Goal 5: Gender equality
- Goal 7: Affordable and clean energy
- Goal 8: Decent work and economic growth
- Goal 9: Industry, innovation and infrastructure
- Goal 10: Reduced inequalities
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 16: Peace, justice and strong institutions

*Lundbergs works with the UN Sustainable Development Goals (SDGs) that are most closely related to its business operations. In 2020, a new objective was adopted of having climate-neutral operations throughout the value chain by 2030.*

**2030** Klimatneutral värdekedja  
Lundbergs Fastigheter



### Significant sustainability issues

On the basis of implemented materiality and stakeholder analyses, the following operation-critical sustainability topics have been deemed as the most relevant for Lundbergs' key stakeholders:

- Shareholder value
- Responsible governance by capitalizing on sustainability-related business opportunities and managing sustainability risks
- A sustainable business with reduced environmental and climate impact throughout the value chain
- Satisfied customers and commitment in the market areas served by Lundbergs Fastigheter
- Committed and development-oriented employees
- Developed anti-corruption work

#### Key stakeholders

Main stakeholders of the wholly owned operations:

- Customers in residential, office and retail properties
- Shareholders in Lundbergs
- Employees
- Suppliers
- Creditors

### Managing sustainability work

Lundbergs' Board of Directors has established a Code of Conduct that applies to the Parent Company and to wholly owned subsidiaries. The Code of Conduct means that representatives of Lundbergs are expected to:

- Act in line with the relevant legal requirements where the company operates
- Act in line with the UN Global Compact by complying with applicable laws, regulations and international guidelines and policies governing the environment, anti-corruption, labor law and human rights
- Undertake 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 communications

The Code of Conduct is based on the ten international principles of the UN Global Compact on human rights, labor rights, environmental considerations and anticorruption. Lundbergs adopted the UN Global Compact in 2016 and has supported it since then, thereby committing itself to realizing and integrating these principles in its operations.

### Policies and governing documents

Lundbergs applies a number of policies and governing documents, in addition to the Code of Conduct, to support both managers and employees and to ensure compliance with the UN Global Compact and its principles regarding human rights, labor conditions, environment and anticorruption.

The policies are included in the introduction of new employees and are available on the company's intranet. Education in the policies is provided continuously to the entire real estate company in the form of education programs. In recent years, the company has also provided education in digital security and GDPR to the workforce. Lundbergs protects its stakeholders' integrity and manages information in a responsible manner. Lundbergs has well-developed anti-corruption work. The Code of Conduct, the Code of Conduct for Suppliers and careful procurement procedures contribute to the reduction of corruption risk.

A whistleblower function has been established to make it easier for anyone who wants to provide information about irregularities that contravene prevailing legislation, ethics, moral codes or Lundbergs' policies. The function enables employees, customers, suppliers and business partners to provide information and simultaneously be guaranteed anonymity. All reports are received and investigated by an external party. No reports were received in 2020.

#### Sustainability-related policies and governing documents

- Alcohol and drug policy
- Business ethics policy
- Discrimination policy
- Diversity policy
- Ethical guidelines
- Gender equality plan
- Information policy
- Insider policy
- IT policy
- Whistleblower function

### Sustainability-related risks

Lundbergs' greatest sustainability risks are related to its real estate business's operations and the purchasing process within property management. These risks mainly involve the environment and working environment, but they can also occur in the areas of working conditions and corruption. Although Lundbergs has not identified any risks in its operations related to human rights, such risks may exist in its supply chain. Lundbergs Fastigheter has a central safety committee and every place of work has a safety officer. Safety inspections are implemented and documented, and any shortcomings are rectified.



### Sustainability work

Lundbergs Fastigheter's long-term vision is to be the leading developer of sustainable urban environments where people, companies and organizations can develop in cooperation. Through commitment, inquisitiveness, openness and by taking responsibility, the real estate company wants to take the lead in the development of attractive and sustainable urban environments. Long-term profitability is a fundamental requirement for being able to implement the company's strategies and achieve its goals. Another requirement for sustainable development is balanced economic growth and profitability that takes into account people and the environment.

With its stable financial position, Lundbergs is a reliable business partner for both customers and suppliers. Tenants feel secure with a property owner that honors its contracts and has the ability to invest in its properties.

### Environment & climate impact

Lundbergs protects the environment, both its immediate surroundings and from a systems perspective. The aim is to take care of the assets the company possesses and to look after its properties and the areas around them – to create sustainable urban development. The company also wants to take part in the development of future sustainable solutions and aims to be at the cutting edge when it comes to developing new products and services.

The climate is one of the most important issues of our time and Lundbergs Fastigheter, like other parts of society, needs to swiftly adapt its operations to minimize their climate impact. Lundbergs Fastigheter has already adopted the construction and civil engineering sector's roadmap for fossil-free competi-

teness. Due to the company's responsibility as a large-scale client and its major impact on the surroundings, however, it has raised its level of ambition. In 2020, Lundbergs Fastigheter measured all the Scope 1, 2 and 3 emissions of its entire operations; i.e. emissions throughout the value chain. This work has resulted in a newly adopted objective of having climate-neutral operations throughout the chain by 2030.

The roadmap to climate neutrality by 2030 includes a multitude of various projects and transitional measures. In the near future, for example, there are projects whereby building materials of a lower quality will be replaced by more sustainable alternatives. Longer term, there are more structural challenges involving methods and processes to facilitate, for example, the possibility for the efficient reuse of materials. These are issues that Lundbergs Fastigheter cannot resolve by itself, but where the company can be a driving force for change. Lundbergs Fastigheter has broken down its overriding objective into three distinct directions:

- Reduce emissions connected to construction projects
- Reduce energy consumption
- Influence the customers' own sustainability activities

In 2020, the company continued to work with life cycle assessments (LCAs) in new-build projects, including in conjunction with the LINK Business Center office project in Linköping, thereby generating improved sustainability results. These assessments are a good instrument for demonstrating the climate impact of new-build projects and the measures that can be implemented to ensure it can be reduced.

### SOLAR ENERGY

Lundbergs Fastigheter annually increases production of solar cell-produced electricity. In 2020 about 350,000 kWh was produced.

### Energy use

The business shall be conducted with the least possible negative environmental impact. In close dialogue with energy suppliers, the aim is to increase the proportion of renewable or recycled energy used in the company's properties. Lundbergs only sources electricity generated from wind energy. Between 2012 and 2020, CO<sub>2</sub> emissions were reduced by a full 45%.

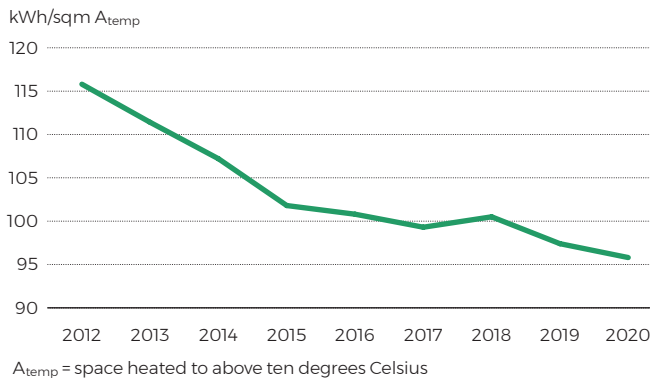
Long-term energy efficiency investments are a key feature of its sustainability work. By continuously seeking improvements in construction techniques and installing increasingly modern technology, the proactive work to improve the quality of its properties and reduce energy consumption continues.

### Resources and waste

A major environmental impact is the resources required to build and renovate properties, as well as the waste generated by construction operations.

One clear way of reducing the lifecycle carbon footprint of a building is to create offices and residential that suit as many different users as possible. This reduces the need to remodel or renovate commercial premises and homes when a new tenant moves in and promotes buildings with long useful lifespans. One way of systematizing construction and reducing tenant-specific modifications over time has been to create a uniform office standard. This is a high-quality office concept with good basic functions that can be adapted to specific requirements.

### ENERGY USE IN LUNDBERGS FASTIGHETER



The real estate operations continuously strive to reuse and recycle materials as much as possible when refurbishing. The company sets clear and stringent environmental rules for its contractors, subcontractors, suppliers of materials and consultants. The materials that are supplied must be approved or recommended by one of the environmental assessment systems (Nordic Swan Ecolabel, Basta, Byggarubedömningen and Sunda Hus). The application of the environmental rules is monitored during annual internal audits.

### GENERATION PEP

Lundbergs Fastigheter supports Generation Pep's vision - that all children and young people should have the opportunity and desire to live an active and healthy life.



### Chemical products

Biological diversity is under immense pressure and Lundbergs' operations need to be conducted using as few chemicals as possible. Chemical products are used by property janitors to maintain properties for example, and chemicals marked as Environmentally Hazardous may not be used. If it is not possible to source the best product for the purpose, then the product with the lowest environmental impact should be chosen and the discrepancy noted. Compliance with this procedure is monitored by annual internal audits.

### New technology

One of our properties has been equipped with energy storage in order to evaluate the underlying technology. Lundbergs is one of the first real estate companies to invest in this technology and is therefore influencing its development. Demand for charging stations for electric and hybrid vehicles remains high from both residential and office tenants. The company now has a total of about 200 charging stations in the property portfolio and it is continuously planning more. Lundbergs Fastigheter is collaborating with a company in Gothenburg that has developed a technique for recovering water from washing machines for reuse in the machine. In Örebro, a pilot project is under way whereby central control of district heating will occur by measuring temperatures out in the properties. In addition, tests are being conducted in the balancing market for electricity trading, with the aim of discovering the obstacles that could conceivably arise when the power grid is complemented with local battery storage.

### Satisfied customers

Lundbergs is dependent on its customers being satisfied with the company as a landlord. As customer feedback is of the utmost importance, customer satisfaction is measured in three segments: residential, offices and retail. In residential, the company has been top ranked by AktivBo for many years, and the Customer Satisfaction Index (CSI) score for offices has similarly been highly positive over the three years that Lundbergs has participated in the index. In 2020, Lundbergs Fastigheter achieved a top-three ranking in both of these surveys, a unique achievement for a company in the property sector.

Quality and attention to detail have always been a cornerstone of Lundbergs' operations. This applies to everything from the selection of materials to interaction with customers. It is in the detail that our commitment becomes visible. Lundbergs attaches considerable value to long-term customer relations. If customers are retained over the long term, the need for refurbishment is reduced and the operations become more sustainable.

### Committed and development-oriented employees

Lundbergs' corporate culture is based on the values of commitment, sound business sense, innovation and respect. As an employer, the company aims to accept responsibility and provide a safe and secure work environment and a healthy working atmosphere where employees thrive and develop. To focus further on management and employeeship, Lundbergs Fastigheter's headquarters in Norrköping have been remodeled into an activity-based office.

### Great Place to Work

Lundbergs cooperates with the Great Place to Work organization, which works with employee satisfaction surveys. The method is based on more than 30 years of studies of employee experiences at various workplaces. Two types of study – employee perspective and manager perspective – are implemented and the focus is on how committed employees are. The survey provides insight into potential problem areas that must be addressed. Lundbergs conducts this survey every second year, and the survey conducted in 2019 showed that a full 85% of the employees rank Lundbergs overall as a very good workplace. No cases of employee discrimination were reported during the year.

All employees	Executive Management Team	Other managers	Other employees	Total
Women	4	5	62	71
Men	8	16	90	114

All employees	Executive Management Team	Other managers	Other employees	Total
Under 30 years		1	17	18
30 – 50 years	8	16	80	104
Over 50 years	4	4	55	63

Proportion of sick leave in relation to planned work time, %	Man	Woman	Total
	2.09	6.01	3.53

Other employees <sup>1</sup>	under 30 years	30 – 50 years	over 50 years	Total
Permanent employees	15	77	55	147
of whom, women	8	34	17	59
Total	17	80	55	152
of whom, women	10	35	17	62

<sup>1)</sup> In addition to the Executive Management Team and other managers, Lundbergs has a total of 152 employees, five of whom are temporary.



## Publicly listed portfolio companies

Lundbergs has major holdings in eight publicly listed portfolio companies with total revenues of around SEK 390 billion and more than 90,000 employees. The companies are active in different industries and geographies. The value chains of the companies, in the form of suppliers and customers, in turn influence many more people, not only in Sweden but also globally.

### Indirect sustainability impact

Lundbergs has an indirect sustainability impact through its publicly listed portfolio companies. Through dedicated ownership and good knowledge of the individual companies' business conditions, Lundbergs influences the publicly listed companies primarily through its work on their boards of directors and nomination committees. A good ability to manage risks and opportunities related to the environment, social responsibility and business ethics contributes to the companies' stability.

The long-term ownership that Lundbergs represents provides its portfolio companies with the opportunity to focus on innovation and further development, and to build strong market positions and improved competitiveness. The management and responsibility for sustainability strategies, implementation and reporting lay with the boards of directors and management teams of the respective companies. As an active owner, Lundbergs supports the portfolio companies in their development towards more profitable and sustainable operations.

The results of the publicly listed portfolio companies' sustainability efforts are presented in each company's Sustainability Report.

### Significant sustainability issues

The portfolio companies differ in type and span varying operations and geographic areas. The sustainability challenges are complex and each company needs to analyze the sustainability of its operations. The operation-critical sustainability topics listed below have been deemed as the most relevant for Lundbergs' key stakeholders:

- Shareholder value
- Financial stability
- Long-term and sustainable business models that contribute to long-term and sustainable profitability
- Responsible governance by encouraging the utilization of sustainability-related business opportunities and managing sustainability risks
- Climate and gender equality work conducted on the basis of distinct goals within a specific time frame
- Responsible investments through active ownership and stakeholder dialogs
- Responsible employer

## About the sustainability report

Lundbergs' annual Sustainability Report satisfies both the requirements of the Swedish Annual Accounts Act for statutory sustainability reporting and the expectations of sustainability information requested by stakeholders, such as shareholders, investors, analysts, employees and customers.

### Key stakeholders

Main stakeholders publicly traded operations:

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

### Managing sustainability work

For the public companies, sustainability work is conducted within the framework of Lundbergs' model for active ownership. The starting point for the work is Lundbergs' Code of Conduct (see page 24). Through the respective boards of directors, Lundbergs works to ensure that the spirit of the Code permeates the operations of all the portfolio companies.

### Active sustainability work in the portfolio companies

All publicly listed companies comply with the UN Global Compact.

#### Handelsbanken

In the "Hållbara Bolag 2020" (Sustainable Company 2020) survey, which ranked the risk work conducted by publicly traded companies, Handelsbanken was ranked first in the category of "banks".

#### Holmen

Holmen's operations contributed climate benefits corresponding to 6.4 million tons CO<sub>2</sub>e in 2020, equal to 12% of such emissions in Sweden.

#### Hufvudstaden

According to the Global Real Estate Sustainability Benchmark (GRESB), Hufvudstaden is an industry leader in sustainability.

#### Husqvarna Group

The first Swedish listed company to have its climate goals approved by the Science Based Targets initiative (SBTi). The company has set a target of reducing its absolute carbon emissions by 35% throughout the value chain by 2025, with 2015 as the base year.

#### Industrivärden

As a knowledgeable, active and responsible owner, Industrivärden develops long-term successful portfolio companies, thus promoting sustainable social development.

#### Indutrade

During the year, Indutrade set new sustainability targets, including that the operations will be climate neutral no later than 2030.

#### Sandvik

In 2020, Sandvik was once again included in the Dow Jones Sustainability Index. This is one of the most prestigious, global sustainability indexes, which lists the 10% most sustainable companies in respective sector.

#### Skanska

Skanska Sweden aims to halve its carbon emissions by 2030, and to be completely climate neutral by 2045.

## GRI index

Index	Description	Page	Comments
<b>Organizational profile</b>			
102-1	Name of the organization	47	
102-2	Activities, brands, products and services	3	
102-3	Location of headquarters	65	
102-4	Location of operations	23, 66	Lundbergs conducts operations in Sweden.
102-5	Ownership and legal form	65	
102-6	Markets served	23	
102-7	Scale of the organization, including total number of employees, operations, net sales, and capitalization	85-93	
102-8	Information on employees and other workers	27, 66	In the wholly owned operations, all employees are employed in Sweden.
102-9	Supply chain	24, 26, 28	
102-10	Significant changes to the organization and its supply chain		No significant changes to the organization and its supply chain have occurred since the preceding Annual Report.
102-11	Precautionary Principle or approach	24-26	
102-12	External initiatives	22, 23	
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<b>Strategy and analysis</b>			
102-14	Statement from senior decision-maker	6-11	
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102-16	Values, principles, standards, and norms of behavior	14, 22, 24	
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102-18	Governance structure	53-57	
<b>Reporting methodology</b>			
102-40	List of stakeholder groups	24, 28	
102-41	Collective bargaining agreements		Lundbergs applies collective bargaining agreements.
102-42	Identifying and selecting stakeholders	24, 28	
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102-44	Key topics and concerns raised	24, 28	
<b>Reporting method</b>			
102-45	Entities included in the consolidated financial statements	48	
102-46	Defining report content and topic boundaries	22-23	
102-47	List of material topics	24, 28	
102-48	Restatements of information		No sustainability disclosures from the preceding year have been changed in the report.
102-49	Changes in reporting	23	No accounting policies were adjusted during the year; the financial statements comprise the Parent Company and the wholly owned subsidiaries.
102-50	Reporting period	28	
102-51	Date of most recent report	28	
102-52	Reporting cycle	28	
102-53	Contact point for questions regarding the report	105	
102-54	Claims of reporting in accordance with the GRI Standards	28	
102-55	GRI content index	29	
102-56	External assurance	99	The sustainability report has not been examined by external auditors. The auditor confirms that Lundbergs has prepared a statutory sustainability report.
<b>SPECIFIC DISCLOSURES</b>			
<b>Economic</b>			
103-1/2/3	Management approach	24, 28	
205-2	Communication and training about anticorruption policies and procedures	24	
205-3	Confirmed incidents of corruption and corrective actions taken	24	
<b>Environmental</b>			
103-1/2/3	Management approach	24, 28	
302-1	Energy consumption within the organization	26	
302-4	Reduction in energy consumption	26	
305-5	Reductions in energy requirements of products and services	26	
<b>Social</b>			
103-1/2/3	Management approach	24, 28	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		During the year, four close calls and one minor accident were reported. These did not result in any serious personal injuries.
405-1	Diversity of governance bodies and employees	27	
406-1	Incidents of discrimination and corrective actions taken	27	

## **The auditor's opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the sustainability report, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.