

2023

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 in 1944.

Lundbergs' Sustainability Report encompasses the operations of the Parent Company L E Lundbergföretagen AB and subsidiaries. The performance of other publicly traded portfolio companies is 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 overriding principles guiding the activities that are implemented are described in this section, as are the results of the work.

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 nine 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 a long-term competitive return is the efficient management of sustainability risks and the ability to develop and capitalize on opportunities that arise

when conditions change. Lundbergs believes that long-term profitability and sustainability are closely connected.

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 invest in innovations, products and services that generate sustainable and 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.



About the sustainability report

Lundbergs' annual Sustainability Report satisfies 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. The report covers the 2022 calendar year. The most recent sustainability report was published in March 2022. Also see Notes 1 and 3, for further sustainability information.

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.

Significant sustainability issues

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.

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.

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

For the wholly owned operations' material sustainability topics, see below under *Wholly owned operations*.

Sustainability-related risks

For Lundbergs Fastigheter, see below under *Wholly owned operations*. For more comprehensive descriptions than below of Holmen's and Hufvudstaden's sustainability-related risks, refer to the separate Annual Reports of these two companies.

Holmen

Holmen is well positioned for the ongoing and necessary climate transition by providing its customers with fossil-free products and renewable energy at the same time as the growing standing timber acts as a carbon sink. There is a risk that

increasingly demanding permit processes will impede the development of the industry and the production of renewable energy. There is also a risk that the political decisions taken could affect how the forest can be utilized.

Hufvudstaden

Hufvudstaden's risks are mainly found within its project operations, particularly in respect of labor conditions and unfair competition.

There are also risks at the supplier level within the NK business area, since fashion is an industry facing a number of sustainability risks.

There are also risks concerning negative environmental impact, since the property sector accounts for a large share of society's energy consumption and emissions.

Hufvudstaden continuously assesses the real estate portfolio to take into account the effects of climate change. The climate-related risks encompass transition risks and physical risks.

Objectives

Climate change is one of our time's most important issues and the business community has a major responsibility to optimize the use of resources. Lundbergs encourages the portfolio companies to achieve company-specific targets that are aligned with the objectives of the Paris Agreement. The company is of the opinion that this is a prerequisite for continued competitiveness, regardless of industry affinity. Accordingly, Lundbergs has itself adopted the target of having climate-neutral operations in its wholly owned operations by 2030. This serves as both inspiration and support for other companies in their own decisions.

Lundbergs, like all of its portfolio companies, works actively to contribute to its parts of 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 (TCFD) as well as implementation of the Paris Agreement to combat climate change.

Managing sustainability work

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. Our representatives on the companies' boards of directors must act on the basis of Lundbergs' principles and be a clear imposer of demands on the companies concerning their sustainability efforts. A good ability to manage risks and opportunities related to the environment, social responsibility and business ethics contributes to the companies' success.

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

In all of our operations, we believe in an open business climate where high morals and business ethics serve as our lodestars. Sustainability work is conducted within the framework of Lundbergs' model for active ownership.

The starting point for the work is Lundbergs' Code of Conduct. Through the respective boards of directors, Lundbergs works to ensure that the spirit of the Code permeates the operations of all the portfolio companies.

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.

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 for both Lundbergs' investing activities and its property company:

- 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 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action



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 2022.

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

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, investors and financial market
- Society

For key stakeholders in the wholly owned operations, see below under *Wholly owned operations*.



EU's taxonomy

The EU has introduced a taxonomy with the aim of making it easier for investors and companies to identify and compare investments from an environmental sustainability perspective by having companies assess their activities against the Regulation's screening criteria.

For 2022, the proportion of net sales, investments and operating expenses that are covered (taxonomy-eligible) is reported, along with whether or not these are sustainable (taxonomy-aligned).

For the Group, the assessment is that the real estate operations are taxonomy-eligible, principally through the acquisition and ownership of buildings, the renovation of existing buildings and the construction of new buildings. At Holmen, this concerns forest management, electricity generation from wind power, electricity generation from hydropower and electricity generation from bio-energy, which are also adjudged to be taxonomy-eligible. More detailed information about the Group's taxonomy-related reporting can be found in Note 40 on page 88.

The table below shows the Group's taxonomy compliance for 2022.

Taxonomy assessment 2022

	Total (SEK m.)	Aligned (%)	Non-aligned (%)	Non-Eligible (%)
Group				
Net sales/revenues	30,385	13	9	79
Investments	3,715	35	36	29
Operating expenses	1,699	22	12	66
Lundbergs				
Net sales	1,736	43	51	6
Investments	774	41	56	3
Operating expenses	234	37	63	0
Holmen				
Net sales/revenues	25,903	11	-	89
Investments	1,923	47	-	53
Operating expenses	1,386	20	-	80
Hufvudstaden				
Net sales	2,746	10	62	28
Investments	1,018	6	89	5
Operating expenses	80	11	67	22

Definition of taxonomy-eligible

Net sales/revenues Net sales that derive from products and services that are associated with one or several of the taxonomy's financial operations.

Investments Capital expenditures that are associated with one or several of the taxonomy's financial operations.

Operating expenses Operating expenses that are associated with one or several of the taxonomy's financial operations.

Wholly owned operations

Since L E Lundbergföretagen AB's investment organization consists of around ten employees and has no manufacturing operations, 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.

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
- Our customers' perceived security
- Committed and development-oriented employees
- Developed anti-corruption work

Key stakeholders

- Customers and their stakeholders
- Shareholders
- Employees
- Suppliers
- Creditors

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 and 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 crisis is the most important large-scale issue of our time and Lundbergs Fastigheter, like other parts of society, needs to swiftly adapt its operations to minimize its climate impact. Lundbergs Fastigheter has already ratified the construction and civil engineering sector's roadmap for fossil-free competitiveness. 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. Lundbergs carries out regular measurements of all of the operations' emissions connected to Scope 1, 2 and 3; i.e. emissions throughout the value chain. The objective is that the operations will be climate neutral throughout the value chain by 2030.

GREENHOUSE GAS EMISSIONS, TONS CO₂e

Lundbergs	2022	2021
Scope 1	51	41
Scope 2	5,769	6,363
Scope 3	16,283	22,567
Total emissions	22,104	28,971
<i>of which, new builds</i>	-	5,050

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:

1. Reduce emissions connected to construction projects
2. Reduce energy consumption
3. Influence the customers' own sustainability activities



The most important tool we have in this transition is that our every decision is based on a high level of awareness. We endeavor to create tangible climate benefits by changing the way we build and the material we build with. To be able to relatively quickly evaluate a building method or a material is of vital importance to creating the fastest possible change. Examples of small changes that generate major climate benefits are using updated building materials in tenant-specific modifications and reuse projects.

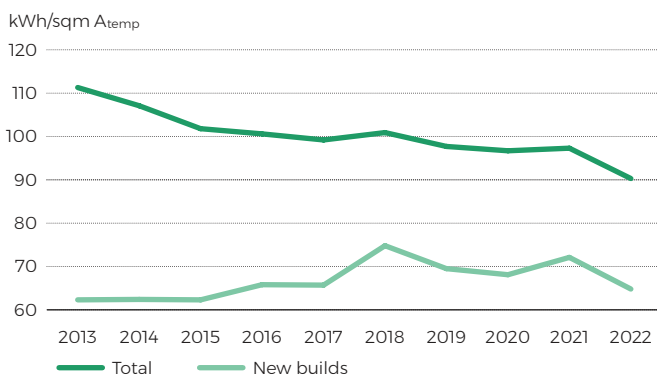
Energy use

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.

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. This work was further intensified in 2022 as a result of the energy crisis. We are proud to report that we are at the forefront in this area.

Lundbergs continues to invest in solar cells on the roofs of our properties, which combines climate benefits with favorable profitability. At the end of 2022, the company had installations with a total capacity of 1,000 MWh, corresponding to household consumption of electricity for slightly more than 400 housing units.

ENERGY USE IN LUNDBERGS FASTIGHETER



Atemp = space heated to above ten degrees Celsius

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 in which every product is assessed on the basis of its climate impact. This is a high-quality office concept with good basic functions that can be adapted to specific requirements.

The real estate operations continuously strive to reuse and recycle materials as much as possible when refurbishing. The volume of reused material in our refurbishments increased during the year, in particular in relation to tenant-specific modifications to offices. 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, Byggarubed-ömningen and Sunda Hus). The application of the environmental rules is monitored during annual internal audits.

Chemical products

Biological diversity is under immense pressure and Lundberg's 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.

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 years that Lundbergs has participated in the index. In 2022, 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 activity-based for several years.

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 studies – 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 2021 showed that a full 92% of the employees rank Lundbergs overall as a very good workplace, which is an increase of 7% since the most recent measurement. No cases of employee discrimination were reported during the year.



NOTE 1 – SUPPLEMENTS TO THE SUSTAINABILITY REPORT

Unless otherwise stated, the data presented below pertains to the wholly owned operations, as well as the subsidiaries Holmen and Hufvudstaden (Group).

For more detailed information concerning the subsidiaries' and the portfolio companies' sustainability reporting, refer to the annual and sustainability reports of the respective companies.

Stakeholder dialogs

To ensure that the Group companies focus on the issues that are most relevant for their key stakeholders, the Group companies have carried out stakeholder dialogs. These are presented in the sustainability reports of the respective companies. Lundbergs' stakeholder analysis is summarized below.

Stakeholders	Methods for engagement	Important issues
Shareholders	■ Annual Report and quarterly reports ■ Website and press releases ■ Sustainability ratings and surveys ■ General shareholder meetings	■ Business ethics and governance ■ Economic performance ■ Sustainable business models ■ Climate and resource efficiency ■ Diversity and inclusion
Employees, existing and potential	■ Continuous information disclosure to employees ■ Career development discussions ■ Employee surveys ■ Trainee programs ■ Conferences ■ Staff meetings	■ Business ethics and governance ■ Diversity and inclusion ■ Employee development ■ Commitment in the organization ■ Work-life balance ■ Climate
Creditors, investors and financial market	■ Annual Report and quarterly reports ■ Website and press releases ■ Sustainability ratings and surveys	■ Business ethics and governance ■ Economic performance ■ Sustainable business models ■ Climate and resource efficiency ■ Diversity and inclusion
Board members and management teams in portfolio companies	■ Continuous communication and meetings ■ Board meetings ■ Management group meetings	■ Business ethics and governance ■ Economic performance ■ Sustainable business models ■ Climate and resource efficiency ■ Diversity and inclusion
Society	■ Annual reports ■ Website and press releases ■ Media ■ Various collaboration groups	■ Societal impact in general ■ Sustainable business models ■ Business ethics and governance ■ Environment and climate ■ Diversity and inclusion

BUSINESS ETHICS AND GOVERNANCE

Group, %	2022	2021
Companies that have signed the UN Global Compact	100	67
Companies that have a whistleblower function	100	100
Companies that have an anticorruption policy	100	100
Companies that have a Code of Conduct	100	100
Companies that have a work environment policy	100	100
Companies that have a Code of Conduct for suppliers	100	100

Other portfolio companies, %	2022	2021
Companies that have signed the UN Global Compact	100	89
Companies that have a whistleblower function	100	100
Companies that have an anticorruption policy	100	100
Companies that have a Code of Conduct	100	100
Companies that have a health and work environment policy	100	100
Companies that have a Code of Conduct for suppliers	100	89

EQUALITY, GROUP

Gender breakdown, women, %	2022	2021
Employees	29	29
Managers	28	27
Management groups	27	21
Board of Directors	28	30

GREENHOUSE GAS EMISSIONS, TONS CO₂e

Group	2022	2021
Scope 1	58,097	96,660
Scope 2	35,516	66,633
Scope 3	647,484	576,359
Total emissions	741,097	739,651

Lundbergs	2022	2021
Scope 1	51	41
Scope 2	5,769	6,363
Scope 3	16,283	22,567
Total emissions	22,104	28,971

Holmen	2022	2021
Scope 1	57,968	96,600
Scope 2	28,927	59,500
Scope 3	627,538	550,700
Total emissions	714,433	706,800

Hufvudstaden	2022	2021
Scope 1	78	19
Scope 2	820	770
Scope 3	3,663	3,092
Total emissions	4,561	3,880

The companies report according to GHGP and figures refer to the market-based allocation method. However, different reporting boundaries have been set in the various companies' reporting. For more detailed information, refer to the various companies' annual reports.

Emissions, all portfolio companies

We encourage our portfolio companies to set measurable climate targets in line with the Paris Agreement. All ten of the portfolio companies have set measurable climate targets and eight of these have set climate targets according to Science Based Targets.

Work environment

A total of 56 accidents and close calls were reported to the companies during the year. These have been addressed in the requisite manner in the respective companies.

Whistleblower matters and anticorruption

No whistleblower matters were reported during the year. Nor were any cases of corruption reported during the year and no cases of infringement of the companies' codes of conduct were detected.

NOTE 2 – TAXONOMY

The Taxonomy Regulation is a classification tool that currently covers certain economic activities with a significant climate impact, as well as climate change adaptation measures.

Under the Regulation, the proportion of net sales, investments and operating expenses that are taxonomy-eligible and taxonomy-aligned must be reported. The KPIs have been calculated in accordance with the definitions in 1.1.1, 1.1.2 and 1.1.3 of Annex I to the Commission Delegated Regulation on Disclosure Obligations in accordance with Article 8 of the Taxonomy Regulation.

An eligible economic activity is considered to be aligned with the Regulation – environmentally sustainable – if it fulfills the substantial contribution criteria for at least one of six environmental objectives, does no significant harm to any of the remaining five objectives and complies with the minimum social safeguards. For 2022, alignment has been assessed against only the first environmental objective – climate change mitigation.

The tables below show the consolidated taxonomy performance. Please see the annual report of each company for separate taxonomy reporting in greater detail.

Minimum safeguards

Screening has taken place of alignment with the requirements of the Taxonomy Regulation in relation to minimum safeguards and all activities meet the criteria for classification as taxonomy-aligned.

LUNDBERGS REAL ESTATE OPERATIONS AND HUFVUDSTADEN

Assessment of taxonomy alignment

Lundbergs and Hufvudstaden have made the assessment that the taxonomy-eligible activities for net sales and operating expenses are Acquisition and ownership of buildings (activity 7.7). In terms of investment, much of this relates to activity 7.7, but investments are also made in properties that are not taxonomy-aligned. Where applicable, these are allocated to the taxonomy-eligible activity; activities 7.1–7.6 are therefore also eligible activities (see definition on page 91). Taxonomy alignment is screened at property level.

Acquisition and ownership of buildings

Substantial contribution to climate change mitigation – Properties with Energy Performance Certificate (EPC) class A fulfill the substantial contribution criterion. Properties built¹ fulfill the criterion if they have energy performance below the threshold value set by the industry association Fastighets-

ägarna Sverige for the assessment of which buildings are within the top 15% of the national building stock in terms of energy efficiency.

Do no significant harm (DNSH) – climate risk and vulnerability assessments have been made for all investment properties (in accordance with Appendix A of the Taxonomy Regulation). Based on the results, an assessment has been made of whether each individual property is exposed to significant risk of economic damage. The greatest potential climate risks are primarily floods as a result of heavy precipitation or rising water levels. Properties with little or no risk are considered to fulfill the DNSH requirement for a climate-adapted property. Properties with significant risk fulfill the DNSH requirement if there is an action plan (which is followed up annually) for the climate adaptation work for the risk-exposed property.

¹ Built refers to the date when the construction permit application was submitted, no later than December 31, 2020. At year-end 2022, there are no properties built after December 31, 2020, which are covered by other criteria for fulfillment of the substantial contribution criterion.

Net sales

The Group's net sales consists of SEK 28,434 m. (Note 3) and SEK 1,950 m. (Note 4 – see details under the Holmen section on the next page). Taxonomy-eligible net sales attributable to activity 7.7 includes rental and service revenue as well as Hufvudstaden's revenue from other operations. The alignment of taxonomy-eligible net sales is tested against economic activity 7.7, environmental objective 1, and this is considered to be aligned if the criteria described in the section above are met. Of the Group's total net sales of SEK 30,385 m., taxonomy-eligible net sales amounts to SEK 3,614 m. (12%), of which SEK 1,020 m. is aligned (3%).

Investments

Investments relate to value-adding measures and acquisitions of investment properties (Note 17) and to investments in inventories and intangible assets (Notes 14, 15 and 18). If a property is taxonomy-aligned, investments in the property are eligible and aligned and are reported under activity 7.7. Investments in a property that is not taxonomy-aligned are assessed at project level by being tested against technical screening criteria for substantial contribution and for DNSH for the eligible economic activity for the individual investment. These are reported under the respective activity (7.1–7.6). The precautionary principle is applied to the assessment of taxonomy alignment, which

NET SALES 2022

Economic activities (1)	Codes (2)	Absolute net sales (3)	Substantial contribution criteria								Do No Significant Harm criteria (DNSH)									
			Proportion of net sales (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of net sales, 2022 (18)	Taxonomy-aligned proportion of net sales, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
Unit		SEK m.	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/-	T/-
TAXONOMY-ELIGIBLE ACTIVITIES																				
Aligned activities																				
Acquisition and ownership of buildings	7.7	1,020	3	100	-	-	-	-	-	-	Y	-	-	-	-	Y	3	-	-	-
Harvesting of own forest	1.3	758	2	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	2	-	-	-
Electricity generation from wind power	4.3	208	1	100	-	-	-	-	-	-	Y	Y	Y	-	Y	Y	1	-	-	-
Electricity generation from hydropower	4.5	1,009	3	100	-	-	-	-	-	-	Y	Y	-	-	Y	Y	3	-	-	-
Electricity generation from bioenergy	4.8	853	3	100	-	-	-	-	-	-	Y	Y	-	Y	Y	Y	3	-	-	-
Total aligned activities		3,849	13	100	-	-	-	-	-	-							13	-		
Non-aligned activities																				
Acquisition and ownership of buildings	7.7	2,594	9																	
Total non-aligned activities		2,594	9																	
Total eligible activities		6,443	21														13	-	-	-
TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Non-eligible net sales		23,942	79																	
TOTAL		30,385	100																	

Aligned net sales at each company

Lundbergs Real Estate Operations' taxonomy-aligned net sales amounts to SEK 752 m., which corresponds to 43% of the total net sales of real estate operations. Holmen's taxonomy-aligned net sales amounts to SEK 2,829 m., which corresponds to 11% of Holmen's total net sales. Hufvudstaden's taxonomy-aligned net sales amounts to SEK 268 m., which corresponds to 10% of Hufvudstaden's total net sales.

means that if there is no basis on which to assess compliance, the investment is deemed to be non-aligned. Of the Group's investments of SEK 3,715 m., eligible investments amount to SEK 1,720 m. (46%), of which SEK 377 m. is taxonomy-aligned (10%).

Operating expenses

Eligible operating expenses in investment properties relate to costs required to maintain the basic standard and functionality of the property, which include renovation, property upkeep, property management, and day-to-day and scheduled maintenance and repairs. If a property is taxonomy-aligned, then taxonomy-eligible operating expenses for the property are also aligned. Operating expenses are not tested at project level, which means that operating expenses for a property that is not taxonomy-aligned are classified as non-aligned. Of the Group's operating expenses of SEK 1,699 m., eligible operating expenses amount to SEK 296 m. (18%), of which SEK 96 m. is taxonomy-aligned (6%).

HOLMEN

Assessment of taxonomy alignment

The activities that are assessed as being taxonomy-aligned (and taxonomy-eligible) are harvesting of own forest (activity 1.3) and electricity generation from wind power (activity 4.3), hydropower (activity 4.5) and bioenergy (activity 4.8).

In its work to assess the taxonomy alignment of the activities, Holmen has screened these criteria against internal processes and procedures, current legislation and requirements under the various certifications that Holmen holds. Examples of topics assessed in relation to the activities are the climate benefit of forest management and the individual design and properties of each power plant.

Net sales

Holmen's net sales consists of eligible parts of Note 3 and parts of Other revenues as described in Note 4. Other revenues that are included are the sale of by-products, renewable energy certificates, emission allowances and forestry assignments as well as parts of rental and leasehold income and other revenues, which together amount to SEK 1,950 m. Eligible revenue from harvesting own forest comprises mainly external sales of timber and pulpwood, while revenue from electricity generation consists mainly of external sales of electricity, support services to stabilize the electricity system and green electricity certificate revenues.

Of the Group's total net sales of SEK 30,385 m., eligible and aligned net sales amounts to SEK 2,829 m., which is equivalent to 9%.

Investments

Investments refer to Holmen's investments in forest assets (Note 16) and investments in tangible and intangible assets (Notes 14, 15 and 18). Eligible investments in harvesting own forest include the purchase of forest

INVESTMENTS 2022

Economic activities (1)	Codes (2)	Substantial contribution criteria								Do No Significant Harm criteria (DNSH)										Taxonomy-aligned proportion of investments, 2022 (18)	Taxonomy-aligned proportion of investments, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		Absolute investments (3)	Proportion of investments (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)							
Unit	SEK m.	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/-	T/-			
TAXONOMY-ELIGIBLE ACTIVITIES																							
Aligned activities																							
Charging stations for electric vehicles in buildings ¹	7.4	4	0	100	-	-	-	-	-	-	Y	-	-	-	-	Y	0	-	E ²	-			
Instruments for measuring energy performance of buildings ¹	7.5	3	0	100	-	-	-	-	-	-	Y	-	-	-	-	Y	0	-	E ²	-			
Renewable energy technologies ¹	7.6	9	0	100	-	-	-	-	-	-	Y	-	-	-	-	Y	0	-	E ²	-			
Acquisition and ownership of buildings	7.7	360	10	100	-	-	-	-	-	-	Y	-	-	-	-	Y	10	-	-	-			
Harvesting of own forest	1.3	267	7	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	7	-	-	-			
Electricity generation from wind power	4.3	596	16	100	-	-	-	-	-	-	Y	Y	Y	-	Y	Y	16	-	-	-			
Electricity generation from hydropower	4.5	20	1	100	-	-	-	-	-	-	Y	Y	-	-	Y	Y	1	-	-	-			
Electricity generation from bioenergy	4.8	30	1	100	-	-	-	-	-	-	Y	Y	-	Y	Y	Y	1	-	-	-			
Total aligned activities	1,289	35	100	-	-	-	-	-	-							35	-						
Non-aligned activities																							
Construction of new buildings	7.1	247	7																				
Renovation of existing buildings	7.2	426	11																				
Energy efficiency equipment ¹	7.3	39	1																				
Acquisition and ownership of buildings	7.7	631	17																				
Total non-aligned activities	1,343	36																					
Total eligible activities	2,632	71															35	-	-	-			
TAXONOMY-NON-ELIGIBLE ACTIVITIES																							
Non-eligible investments	1,083	29																					
TOTAL	3,715	100																					

¹ Includes installation, maintenance and repair. For full definition, see box on page 91.

² "E" stands for "Enabling".

Taxonomy-aligned investment in each company

Lundbergs Real Estate Operations' taxonomy-aligned investments amount to SEK 320 m., which corresponds to 41% of the total investments of real estate operations. Holmen's taxonomy-aligned investments amount to SEK 913 m., which corresponds to 47% of Holmen's total investments.

Hufvudstaden's taxonomy-aligned investments amount to SEK 56 m., which corresponds to 6% of Hufvudstaden's total investments.

Information on investments

All investments reported in activities 7.1-7.7 relate to investment properties. Of the SEK 267 m. in taxonomy-aligned investments relating to harvesting of own forest, SEK 198 m. relates to forest assets, SEK 51 m. to tangible fixed assets and SEK 18 m. to leases. Of the SEK 596 m. in taxonomy-aligned investments relating to wind power, SEK 592 m. relates to tangible fixed assets and SEK 4 m. to intangible fixed assets. Of the SEK 20 m. in taxonomy-aligned investments relating to hydropower, SEK 14 m. relates to tangible fixed assets and SEK 6 m. to intangible fixed assets. Of the SEK 30 m. in taxonomy-aligned investments relating to bioenergy, SEK 30 m. relates to tangible fixed assets.

machinery, the construction of forest roads and the acquisition of forest properties, while investments in electricity generation include upgrades, new facilities and acquisitions.

Of the Group's investments of SEK 3,715 m., eligible and aligned investments amount to SEK 913 m., which is equivalent to 25%.

Operating expenses

Operating expenses (also assessed as taxonomy-eligible) for Holmen are repairs and maintenance, as well as research and development.

Eligible operating expenses relating to harvesting own forest include the development and maintenance of the forest in the form of thinning, road maintenance, clearing and fertilizing.

Eligible operating expenses in electricity generation comprise minor renovations and maintenance of equipment for electricity generation as well as various forms of development work, such as the project planning of new wind farms.

Of the Group's operating expenses of SEK 1,699 m., eligible and aligned operating expenses amount to SEK 280 m., which is equivalent to 17%.

Assessment of criteria fulfillment

Holmen has assessed the fulfillment of the criteria relating to substantial contribution and criteria relating to DNSH as specified in Annex I to the Commission Delegated Regulation on climate change mitigation. The Group's forest

management plan together with the prepared climate benefit analysis, which indicates increased carbon sequestration and that legislation ensures continued land use for forestry, are considered together to fulfill the requirements for substantial contribution in relation to forest management. Forest management takes place in accordance with the Group's certifications, which together with the legislative requirements and prepared climate change adaptation plan ensure that the forest management will do no significant harm. In the assessment of the Group's generation of wind power, hydropower and bioenergy taking place in accordance with specified criteria, an analysis has been made of the individual design and properties of each power plant and climate change adaptation plans prepared for each activity.

The KPIs for net sales, investments and operating expenses are calculated as follows

$$\text{Proportion of taxonomy-eligible activities} = \frac{\text{(Eligible activities)}}{\text{(Total activities)}}$$

$$\text{Proportion of taxonomy-aligned activities} = \frac{\text{(Aligned activities)}}{\text{(Total activities)}}$$

Aligned activities = environmentally sustainable activities.

OPERATING EXPENSES 2022

OPERATING EXPENSES 2022																							
Economic activities (1)	Codes (2)	Absolute Operating Expenses (3)	Proportion of Operating Expenses (4)	Substantial contribution criteria						Do No Significant Harm criteria (DNSH)										Taxonomy-aligned proportion of Operating Expenses, 2022 (18)	Taxonomy-aligned proportion of Operating Expenses, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)							
Unit	SEK m.	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/-	T/-			
TAXONOMY-ELIGIBLE ACTIVITIES																							
Aligned activities																							
Acquisition and ownership of buildings	7.7	96	6	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	6	-	-	-			
Harvesting of own forest	1.3	235	14	100	-	-	-	-	-	-	Y	Y	Y	Y	Y	Y	14	-	-	-			
Electricity generation from wind power	4.3	6	0	100	-	-	-	-	-	-	Y	Y	Y	-	Y	Y	0	-	-	-			
Electricity generation from hydropower	4.5	31	2	100	-	-	-	-	-	-	Y	Y	-	-	Y	Y	2	-	-	-			
Electricity generation from bioenergy	4.8	8	0	100	-	-	-	-	-	-	Y	Y	-	Y	Y	Y	0	-	-	-			
Total aligned activities	376	22	100	-	-	-	-	-	-								22	-					
Non-aligned activities																							
Acquisition and ownership of buildings	7.7	200	12																				
Total non-aligned activities	200	12																					
Total eligible activities	576	34															22	-	-	-			
TAXONOMY-NON-ELIGIBLE ACTIVITIES																							
Non-eligible operating expenses		1,123	66																				
TOTAL		1,699	100																				

Taxonomy-aligned operating expenses in each company

Lundbergs Real Estate Operations' taxonomy-aligned operating expenses amount to SEK 87 m., which corresponds to 37% of the total operating expenses of real estate operations.

Holmen's taxonomy-aligned operating expenses amount to SEK 280 m., which corresponds to 20% of Holmen's total operating expenses.

Hufvudstaden's taxonomy-aligned operating expenses amount to SEK 9 m., which corresponds to 11% of Hufvudstaden's total operating expenses.

Taxonomy-eligible economic activities

Lundbergs Real Estate Operations and Hufvudstaden

- 7.1 Construction of new buildings
- 7.2 Renovation of existing buildings
- 7.3 Installation, maintenance and repair of energy efficiency equipment
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6 Installation, maintenance and repair of renewable energy technologies
- 7.7 Acquisition and ownership of buildings.

Holmen

- 1.3 Harvesting of own forest
- 4.3 Electricity generation from wind power
- 4.5 Electricity generation from hydropower
- 4.8 Electricity generation from bioenergy

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.