

# Sustainability

At Serneke, we believe that focused sustainability work and strong community involvement go hand-in-hand with long-term growth with good profitability. By virtue of our size, we have both an opportunity and a responsibility to contribute to a more sustainable development. Through our activities, we contribute to the development of towns, cities and society as a whole.

One of the construction and civil engineering industry's biggest sustainability challenges is to reduce the environmental impact related to construction and production. The construction industry uses large amounts of material resources and energy. Statistics from IVA (Royal Swedish Academy of Engineering Sciences) and the Swedish Construction Federation indicate that the overall environmental impact of construction processes in Sweden amounts to approximately 10 million tons of carbon dioxide equivalents per year, four million tons of which come from housing projects and six million tons from civil engineering projects. This is a comparable amount to the emissions from all passenger cars in Sweden, and more than all trucks and buses generate.

In addition to the direct impact during the construction phase, there is an impact from use as well as from demolition.

For several years, Serneke has been active with structured efforts to continuously make improvements in all stages of the valuechain. These efforts are conducted within our own organization, but also in collaboration with customers, partners and suppliers.

Other sustainability areas that are highly relevant for the construction and civil engineering industry are social responsibility, ethics and anti-corruption issues. There are also structured and continuous efforts being conducted regarding these issues in connection with all activities carried out within the Group.

## PRIORITIES AND OVERALL OBJECTIVES

The sustainability efforts are based on a materiality analysis, in which the most important and relevant aspects of sustainability have been identified. The central parts focus on an active commitment to society and minimizing the risk of injury to persons, property and the environment, as well as continuously reducing the direct and indirect impact on the environment. In addition, the operations are conducted in a way that ensures financial sustainability, thereby enabling continued value creation for customers, employees, communities and shareholders – in the short and long term. A strong employer brand and the confidence of all stakeholders is crucial for achieving objectives.

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## VALUES

Together with the Code of Conduct, Serneke's values comprise the overall guidelines for all activity within the company. A common approach makes it easier to make the right decisions, and it increases transparency to the outside world and attractiveness among both current and future employees. These values also provide an important foundation in the quest to be the next generation of construction companies. The values are:

- Commitment and Courage
- Simplicity and Power to act
- Honesty and Respect
- Visionary and Solution-oriented

## ABOUT THE SUSTAINABILITY REPORT

This statutory sustainability report is submitted by the Board of Serneke Group AB, but does not form part of the formal annual accounts. Serneke's business model is presented on page. 19. The sustainability framework is presented on pages 30–32, work environment aspects on pages 33–35, environmental aspects on pages 36–37 and anti-corruption on page 38. Risk descriptions can be found on pages 59–61. Unless otherwise stated, the information relates to the entire Serneke Group, including subsidiaries.



### STARTING POINTS

Sustainability work within Serneke is conducted on a long-term basis, with materiality, transparency and clear governance as the main guiding principles.

- **Materiality** We focus on what is most important to our business and where we have the greatest opportunity to make a difference.
- **Transparency** Our target is full transparency. What we report should be relevant and linked to the most material issues for our operations.
- **Clear governance** The CEO is responsible for the overall coordination and monitoring. Reporting and monitoring at all Regular Board Meetings. Continuous monitoring and feedback in each project.

# Governance and Framework

As a complement to the existing legislation, Serneke's Board of Directors and management have together formulated and adopted a framework that sets the guidelines for Serneke's actions as a responsible company and employer. The framework consists of both internal regulations and guidelines as a link to external principles and recommendations. Key regulations and guidelines are presented below.

## CODE OF CONDUCT

The Code of Conduct includes Serneke's guidelines for suppliers and partners. It also describes the relationship with employees and other stakeholders, and the policy on gifts and bribes. It applies to the Board of Directors and all employees of Serneke. All employees must abide by its principles in their daily work. Serneke's Group management is responsible for compliance with the Code of Conduct. Monitoring is continuous within the framework of the ongoing operations.

## GROUP POLICIES

Serneke has several policies to clarify regulations and instructions. Among these are the aforementioned Code of Conduct and purchasing policy that clarify ethical positions, internally as well as for our suppliers. The environmental policy describes Serneke's comprehensive approach to environmental issues and overall principles for the management and monitoring of the environmental work. The alcohol and drug policy describes Serneke's position on alcohol and illicit drugs. The main principle is that all employees are prohibited from being under the influence of alcohol or illicit drugs at work.

## GLOBAL COMPACT

Serneke adheres to both the UN Global Compact and the Universal Declaration of Human Rights. The Global Compact was introduced in 1999 by the UN former Secretary General Kofi Annan and is currently, with over 6,000 corporate members from 135 countries, the largest global initiative for corporate responsibility and sustainability issues. Corporate members commit

themselves to live up to ten principles on human rights, the environment, labor standards and anti-corruption, and respect these throughout the value chain.

## ILO CORE CONVENTIONS

Serneke follows the International Labor Organization's (ILO) eight Core Conventions regarding a minimum standard for working conditions worldwide. This regards basic human rights in the workplace.

## INDUSTRY-WIDE AGREEMENTS

In addition to the aforementioned framework, Serneke adheres to a number of industry-wide agreements and guidelines. These include, among other things, an industry-wide agreement that aims to combat bribery and corruption in the publicly funded construction and property sector.

## CERTIFICATIONS

Serneke Bygg AB and Serneke Anläggning AB are certified according to ISO 14001:2004 (environment) and ISO 9001:2008 (quality).

## ORGANIZATION AND RESPONSIBILITY

Serneke is a nationwide company with several business areas that operate in close cooperation with one another. The Group's operations are divided into four business units, which operate on the basis of a regional structure. The ongoing sustainability efforts are carried out by the Group, within the business areas and in close cooperation with clients and customers. Collaboration between the business areas and the central support functions enables high quality and a continuous exchange of experience. The development is monitored using a well-structured plan, with the CEO having ultimate responsibility. The CEO is also responsible for the continuous reporting to the Board of Directors. The responsible managers in each business area are responsible for implementation.

## MONITORING AND CONTROLS

The construction and civil engineering industry is subject to extensive regulations and continuous external review regarding environmental and technical aspects as well as safety and working environment laws. Along with the internal regulations, these control procedures ensure a consistently high level of quality. The principal external controls include monitoring and auditing of clients and stakeholders associated with the project, audits in relation to ISO certification and re-certification, inspections by the Swedish Work Environment Authority, the Swedish Tax Agency's control of personnel ledgers and the trade unions' job site and workplace inspections and ongoing monitoring.

# A safe work environment

The construction and civil engineering operations include work activities that may be associated with risks for the individual employee. Serneke conducts extensive efforts to minimize the risk of serious incidents and accidents to the greatest degree possible. Preventative measures, well-developed procedures and systematic monitoring form the core of these efforts.

Work environment-related issues, physical as well as social, constitute an integral part of daily operations and are in focus both at the Group and business area levels and in the projects. There is collaboration at all levels in terms of health and safety aspects.

## PREVENTATIVE MEASURES

Identification of potential risks forms the basis for effective safety efforts. Serneke works actively to identify risks, both overall and in each project. The work is based on a regular annual overall risk analysis, in which different types of operational risks are analyzed and monitored. Collected data on incidents and accidents, as well as outcomes from employee surveys and health surveys are used as a basis. The risk analysis is then used to develop the relevant measures and a plan to implement

them. In addition to annual follow-up procedures, structured and regular monitoring of incidents and accidents takes place at both the Group and business area level. Within the projects, risk analysis is always carried out at all stages of work.

Serneke has a Quality, Environment and Work Environment department (KMA) that visits the Group's projects to monitor and identify areas of improvement. Twice a year, joint meetings with safety officers are held to review procedures and areas of improvement. In 2017, the KMA department recruited several new coordinators to best support the projects.

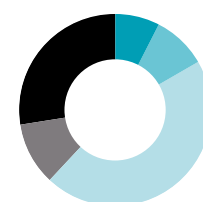
## ACCIDENTS AND INCIDENTS 2017

In 2017, nine accidents occurred that resulted in absence of more than eight hours and/or medical treatment with subsequent sick leave. The actual number is likely larger, with those accidents not being reported. During the year, the KMA department has been actively involved in the dissemination of information to increase the reporting of accidents and incidents. The objective is to report all incidents, regardless of whether they concern Serneke's own employees or subcontractors.

## ACCIDENT RATE

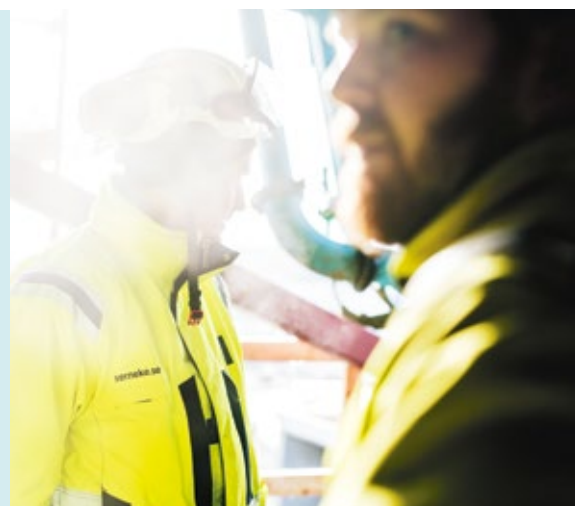


## TYPE OF ACCIDENT AND INJURY



## CRISIS EXERCISE 2017

Safe workplaces are of the highest priority for both management and on job sites. At the end of the year, a crisis exercise was carried out for Serneke's crisis management team. The purpose of the exercise was to further enhance understanding of the challenges involved in a crisis event – and increase the ability to effectively manage them. The group that participated in the exercise consisted of the Deputy CEO, the Managing Directors of the Construction, Civil Engineering and Project Development business areas, the HR manager, KMA manager and communications department. The exercise was conducted using an external consultant and an opponent group consisting of four people from the site management for one of Serneke's own major construction projects. The scenario used for the exercise was a serious workplace accident with injuries and deaths.



# A stimulating workplace

Being a next generation construction company also entails the employer perspective. Serneke has a strong employer brand characterized by clear values and ambitious objectives. The pursuit of continued growth provides a good opportunity for those who want to develop and grow in responsibility.

Competition among talented, experienced and dedicated employees is high. Serneke's ability to identify, develop, attract and retain the right employees with the right skills and attitude is crucial to the Group's continued success. Employees' skills and performance are crucial for achieving set goals and continuing to develop as a company.

Serneke offers employment on market terms and conditions, good opportunities for ongoing competence development, and a stimulating, safe and healthy work environment. In addition to external recruitment, goal-oriented work is carried out to enable high internal mobility.

## CONTINUED STRONG GROWTH IN 2017

As at year-end, the number of employees in the Group was approximately 1,000. In recent years, recruitment rates have been high, and in 2017 alone the organization grew by about 160 new employees. Reinforcements have been made in all areas of the Group, both in the business areas and centrally. The high proportion of white-collar workers, about 50 percent of the average number of full-time employees, provides competitive advantages early in the planning phase of each assignment.

## DEVELOPMENT OF HR FUNCTION

To support the Group's continued expansion, HR has been expanded during the year with additional HR coordinators in Gothenburg and Malmö. During the year, a review of the function was also initiated to

enable wider and more qualified support for the organization within all of HR's areas of responsibility. As part of this work, the implementation of a new HR system began during the year, which will enable increased efficiency and higher quality of delivery to the organization in areas such as recruitment, training, payroll auditing and employee talks.

## SKILLS DEVELOPMENT

Continuous professional development is offered for both blue-collar and white-collar employees. In addition to the compulsory courses in areas such as health and safety and environmental protection, opportunities for further training are offered based on function and skills profile. During the past year, a structured skills inventory was carried out in the Construction and Civil Engineering business areas. In parallel, a common training catalog was created that describes which courses are required for their respective positions – as well as the courses offered.

## EQUALITY AND DIVERSITY

Everyone within Serneke, regardless of gender, ethnicity, sexual orientation, age, religion or other beliefs is given the same opportunity of recruitment and career development. Diversity and equality are undisputed values and we are convinced that a clear position strengthens our brand in relation to both customers and employees.

The proportion of women in the organization is still relatively low but has increased by more than 60 percent since 2015. The stated objective is that both sexes should be represented among final candidates in all recruitment processes. The goal for 2020 is to reach a 40 percent gender distribution in all recruitment and senior positions. In total, the proportion of women was 17 percent at the end of the year.

## ANONYMOUS REPORTING OF INCIDENTS

During the year, an online feature was implemented that allows all employees to anonymously report incidents of sexual harassment at the workplace to a third party. The purpose of the function is to ensure that any irregularities are brought to the attention of Serneke in the event using the normal communication channel via the immediate supervisor or HR function is not possible.

## HEALTH PROMOTION

At Serneke, physical activity is encouraged. In addition to health care contributions, a variety of exercise opportunities are provided. Our head offices have a gym that all Group employees have access to. In addition, the internal sports club Serneke IF arranges ski trips, running, yoga and cycling. Serneke is also a partner in Fjätervålen's mountain wintersports facility. The aim is for the facility to function as a recreation center and training center for all employees.

## PERIODIC EMPLOYEE SURVEYS

Significant focus is placed on measuring and monitoring the attitudes of employees and the initiatives undertaken within the Group. Regular employee surveys are an important part of this work. A more extensive survey is conducted every two years. The latest survey, conducted in 2016, showed continued positive commitment among employees. Employees enjoy their colleagues and the good atmosphere in the workplace, there is strong confidence in Serneke's management and 95 percent of all employees would recommend Serneke as an employer to friends and acquaintances.



PROPORTION OF BLUE-COLLAR WORKERS TO WHITE-COLLAR WORKERS



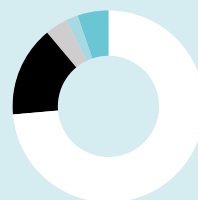
■ Blue-collar workers, 40%  
 ■ White-collar workers, 60%

PROPORTION OF WOMEN AND MEN



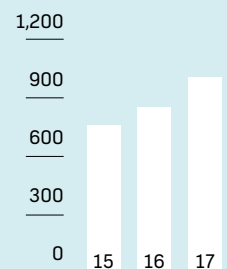
■ Women, 17%  
 ■ Men, 83%

PROPORTION OF EMPLOYEES BY BUSINESS



■ Construction, 73%  
 ■ Civil Engineering, 15%  
 ■ Project Development, 4%  
 ■ Property Management, 2%  
 ■ Other divisions, 6%

NUMBER OF EMPLOYEES



# Sustainable value chain

The environmental impact of the construction and civil engineering industry is large, particularly in terms of greenhouse gas emissions. Serneke strives to continuously reduce consumption of resources and environmental impact in all business areas. The work occurs at all levels of the organization and is an integral part of all activities within the Group, from purchasing that takes this into consideration to good sorting and handling of waste.

The environmental impact of construction and civil engineering projects comprises a direct impact from the project itself and an indirect impact as a consequence of the operation and use of the property or building. Serneke focuses on minimizing environmental impact during construction. Through the planning, selection and documentation of construction and materials, environmental performance is optimized for the use and demolition stages as well.

The processes with the highest environmental impact in construction and civil engineering comprise energy consumption in projects and at workplaces, resource consumption, and waste and transport.

## PURCHASING

The majority of purchases Serneke conducts are locally in the specific projects. On a larger scale, purchasing activities and supplier relationships are regulated in accordance with the applicable Code of Conduct, adopted purchasing policy and environmental policy. Environmental considerations should always be used as a parameter in each procurement process. At the project level, the purchasing work is also governed by defined requirements, environmental as well as social, from clients and customers. It can be anything from specific materials to ensuring the projects at the overall level meet specific assessment criteria, such as SundaHus or Basta.

## ENERGY USE

Serneke actively works to reduce energy consumption from its operations. The Group continuously conducts energy surveys to identify efficiency and improvement measures. In 2017, a detailed energy survey was carried out of ongoing construction projects and parts of the property portfolio. Energy efficiency measures can be identified and implemented by reviewing the use of electricity, heat, lighting, construction machinery, transport, etc. By 2020, Serneke will have surveyed 100 percent of the Group's energy consumption, in accordance with current legislation.

Serneke advocates the use of renewable energy. Since 2013, Serneke has had an agreement with Svensk Naturenergi AB, which provides the majority of offices and projects with electricity from wind power.

In 2017, Serneke's energy consumption rose sharply, largely due to the acquisition of S ve flygplats in 2016 and overall in several construction projects. In 2017, renewable electricity accounted for approximately 95 percent of total electricity consumption.

## RESOURCE EFFICIENCY AND WASTE MANAGEMENT

One of Serneke's highest priority environmental issues is resource consumption and waste management. The construction and civil engineering industry accounts for about one-third of all waste generated in Sweden and about a quarter of the hazardous waste. The objective of the Group is to minimize resource consumption, reduce waste generation and reduce the proportion of unsorted waste.

Within the Group, we work on the so-called "waste hierarchy". The order of priority entails first and foremost preventing waste material, followed by reusing, recycling, and, finally, depositing in

landfills. The hierarchy applies on the condition that it is environmentally appropriate and economically feasible.

An important aspect of the effort to reduce the amount of waste is to increase the accuracy of the calculation of how much material will be needed. Concrete is one of the materials with a high environmental impact. In the Civil Engineering operations, extra focus has therefore been placed on minimizing spillage in concrete work, with good success. With a target of less than 2 percent spillage, a volume of less than 1.5 percent has been measured in the projects reviewed.

## INTERNAL ENVIRONMENTAL EDUCATION

All Serneke employees are offered training in environmental issues. The program takes a holistic approach to environmental issues and legislation and makes use of solid advice on limiting the environmental impact of the company's own operations. On occasion, there are also opportunities to exchange experiences between the different business areas and projects.

## ENVIRONMENTAL CERTIFICATION

We have extensive experience and are well-versed in working with different types of environmental certifications. Within the organization, there is qualified competence within the certification systems BREEAM, LEED, the Nordic Swan ecolabel, and the Sweden Green Building Council. Through the certifications, systematic work on environmental and sustainability issues is facilitated all the way from planning to operation. The benefits are many, both for property owners, entrepreneurs and society at large. Examples of this include more efficient use of energy in operation, a healthier indoor climate and reduced use of building materials with hazardous substances.

### GAMLESTADS TORG

Together with Platzer, Serneke is developing "Gamlestads torg" in Gothenburg, a project comprising two buildings including Gamlestadens Resecentrum. The project is being carried out in accordance with the LEED environmental certification, a globally recognized certification for buildings. When assessing environmental performance, LEED takes into account the environment, water, energy, material choices and indoor climate.

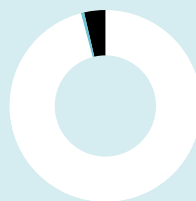


DISTRIBUTION ACCORDING TO THE WASTE HIERARCHY



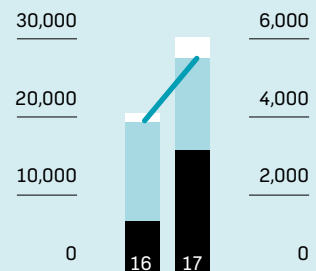
- Energy recovery, 37%
- Recycling, 41%
- Reuse if needed by waste contractor, 19%
- Refuse dump, 3%

DISTRIBUTION OF ENERGY TYPES



- Renewable, 96%
- Fossil, 0,5%
- Nuclear power, 3,5%

ENERGY CONSUMPTION, MWH, SEK MILLION



- Buildings
- Operation
- Transports
- Rate of consumption



## Major focus on ethics and anti-corruption

For Serneke, it is important to act ethically. It strengthens competitiveness and contributes to a high level of trustworthiness.

Serneke respects the laws and regulations of the jurisdiction where we operate. We have zero tolerance for all forms of corruption, including all types of bribery and corruption. The Code of Conduct describes the basic principles of how managers and employees throughout the organization are to conduct their daily work and contact with suppliers, competitors and other third parties. It also clearly defines policies on areas such as gifts, drugs and alcohol, and potential conflicts of interest.

Serneke is characterized by extensive delegation of responsibility and authority.

The Group gives employees extensive freedom with their responsibility and encourages quick and aggressive leadership. The culture encourages commitment, responsibility and ethics in relationships and a positive interaction with society as a whole. Through clear governance and monitoring of the projects throughout the entire development chain, we prevent risks and ensure that the ethical guidelines are followed.

### INDUSTRY AGREEMENT ON BRIBERY

In December 2015, several major players in the Swedish construction industry signed an agreement to combat bribery and corruption in the publicly-funded construction and property sector. Apart

from several nationwide construction companies, the Swedish Construction Federation and the Swedish Association of Local Authorities and Regions are parties to the agreement.

The overall aim of the agreement is to meet external demands for greater transparency. In addition to principal positions, it also provides concrete guidance on topics such as business entertainment and sponsorship. Serneke wholeheartedly supports the agreement.

## A strong community involvement

Serneke wants to take an active role in community development. By virtue of our size, we have both an opportunity and a responsibility to be involved and make a difference. Our commitment is demonstrated by our projects and in our extensive commitments alongside our strictly operational activities.

Through our projects, we want to contribute to the positive development of society, safe residences and common buildings and places for activities, recreation and relaxation. In addition to the direct operational activities, we offer various forms of targeted support. In accordance with the guidelines for community involvement, Serneke prioritizes initiatives related to its values, competence and operations. Projects or initiatives related to child and adolescent health and learning are the first priority. The projects

should contribute to a positive development of the individual, the Group and the local markets in which we operate. The support can be given either in the form of financial contribution or through the transfer of knowledge.

### PARTNERSHIPS WITH SOCIAL OVERTONES

Serneke is involved in several projects in which social responsibility has an key role. These include the City of Gothenburg, where we create different kinds of jobs for those outside the labor market. Another social engagement project is in conjunction with a private property manager, in which Serneke has an active role in the employment of 5–10 unemployed youths who will be recruited as apprentices during the construction phase and who will, upon completion of the appren-

ticeship period, be granted the opportunity for permanent employment. Moreover, the youths will be given the opportunity to gain access to their own apartment after completing the training.

### SUPPORT FOR BERÄTTARMINISTERIET

Serneke is a long-term partner with Berättarministeriet, an organization that aims to attract students to the written word. Since its foundation in 2011, over 20,000 children and young people have taken part in their operations. Berättarministeriet provides schools in its enrollment areas with free educational programs mainly directed to students in grades two through five. The programs are anchored in the curriculum and act as a cross-curricular support for teachers.



### SERNEKE GOALS – NEXT GENERATION SPONSORSHIP

Our sponsorship is based on creating the right conditions for realizing goals set by associations, athletes, organizations and events. Building the foundation for good things to grow and thrive, which in turn benefits society and the next generation.

We are a construction company from the beginning and know that with a strong foundation, the sky's the limit. We provide that foundation so the sponsorship recipients can provide the drive. This way, they can focus on what they do best, and we can be a part of helping them achieve that.

We admire all who dare go their own way, who have the drive to continue, despite others telling them it isn't possible, who are honest with themselves and others, and who respect their surroundings. We believe that commitment, courage and clear goals will take you very far. We have therefore named our sponsorship program Serneke Goals, in order to support solid goals for us as a company, for society and, of course, for our many sponsorship commitments. Some call it CSR, but we see it more as an opportunity to achieve common societal goals that benefit everyone.

## Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in SERNEKE Group AB AB, corporate identity number 556669-4153.

This auditor's report on the statutory sustainability report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

### Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2017 on pages 30–39 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

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 substantially different and 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.

### Opinion

A statutory sustainability report has been prepared.

Gothenburg 28 March 2018

Deloitte AB

### Signature on the original document

Harald Jagner

Authorized public accountant