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Hotelism by Pandox

4

Sustainability

Pandox helps to drive sustainable development by creating resource-efficient properties and operating hotels in a way that reduces Pandox's climate footprint while also growing the business.

	2022	2021	2020
Total number of BREEAM certified properties	12	6	3
Percentage of renewable energy for whole portfolio, %	41	41	38
Employee satisfaction, %	77	78	81

Pandox

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About sustainability

"The pieces fall into place"

If 2021 was the year when Pandox sought to find its role in the fast-moving transition, 2022 was the year when the pieces started falling into place. Our own ambitions, international agreements, laws and regulations have been the most important drivers.

For example, we submitted our climate goals to the Science Based Targets initiative (SBTi), obtained our first sustainability-linked bank loan, certified six additional properties to BREEAM In-Use with a rating of Very Good, reported according to the EU's green taxonomy and launched a strategic initiative within diversity and inclusion.

Teamwork and Science Based Targets
In 2022 sustainability became a team effort as stronger links were established between the various departments and our SBTi targets became our guiding star. The targets will hopefully be approved in June 2023 when SBTi will review our application and our level of ambition. An important focus for Pandox will be implementing strategic energy efficiency measures throughout the portfolio and reducing dependence on natural gas at hotels operated by Pandox. Studies are already under way at four hotels operated by Pandox to explore the possibility of replacing natural gas with pumps for both heating and cooling. Pandox will also be working on reducing material use and using more sustainable materials in renovations. This will involve a major focus on building more knowledge about the properties, how different materials and installations impact climate emissions and what impact climate change is having. These insights will be key factors in our strategic decisions and also in our value creation going forward.

New talent strengthens the organisation
An energy specialist has been added to strengthen our sustainability team in order to carry out energy mapping and provide recommendations. The aim is to advance our dialogue with

tenants on supplementing the existing leases with green agreements. It is important for both parties to view the properties based on the realities we face as new expectations and requirements emerge.

The taxonomy and Pandox's role
The taxonomy reveals the clear ambitions of the EU. Although we feel that the taxonomy focuses too much on new production, it does urge investors to pay closer attention to sustainability than in the past.

Pandox's strategy is to own properties and improve them. According to the EU, by renovating existing buildings it should be possible to reduce the EU's total energy consumption by 5–6 percent and to lower carbon emissions by the same amount. Yet on average fewer than one percent of the national building stock is renovated every year.

Pandox has an important role to play in the transition by improving the performance of existing properties. Our green investment programme is doing good by driving development towards energy-efficient properties. Additional and significant steps will also be taken based on the science-based targets in place.

However, the taxonomy's requirement that every property is to have an energy performance certificate with a rating of A or B is in most cases not commercially justifiable, for example for an existing property built in the 1970s. At that time buildings were constructed with inferior insulation and less was known about energy efficiency.

Green incentives
In 2022 we decided to incorporate a sustainability index into the general managers' productivity system for their daily operations. The purpose is to visualise and create a daily focus on sustainability topics and targets. The index is based on six categories: energy, water, food waste, waste, towels and linen, as well as chemicals grouped together depending on impact. From the beginning of 2023 the hotel managers' variable cash remuneration is directly linked to the index.

Climate risk assessment to future-proof the properties
Our long-term focus on sustainability includes analysis and climate adaptation of Pandox's properties where there is a high risk of a negative impact from a changed climate. During the year a desktop analysis of these risks was carried out for all properties with the help of a new climate tool. This was followed by two site inspections as well as an in-depth analysis of one additional property. From now on, analysis and proposed measures will form a natural component in the annual investment process.

Diversity and inclusion in focus
Employee commitment is a key success factor for Pandox. In the wake of the pandemic and its consequences – with difficulties finding personnel and new expectations of employers from younger generations – it is more important than ever to be able to attract new people and encourage existing employees to stay on. To this end, representatives from the executive management team, headed by the CEO, and key individuals within the organisation attended a workshop on diversity and inclusion. This was a first step towards coming together around a common ambition and vision. This will be a constant process and will result in concrete goals being established in the coming year.

Plan to be launched in 2023
If we take a peek at 2023, we will see a year in which initiatives launched in 2022 are implemented. This effort will require a willingness throughout the organisation to embrace change. It will also be an exciting year with many new opportunities and new knowledge enabling us to offer resource-efficient properties.

Stockholm, March 2023

Caroline Tivéus
SVP, Director of Sustainable Business

Pandox's responsibility in the value chain

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Pandox is a property company that owns 157 hotel properties in 15 markets in Europe and Canada. 137 of the hotel properties are leased out to external hotel operators in the Property Management business segment. Within the Operator Activities business segment Pandox operates hotels itself in 20 of the properties.

Pandox uses suppliers to maintain the properties, for renovations and construction work, and for procurement of materials and services. The Company also works with tenants to develop the properties.

Pandox is active in the part of the value chain from acquisition and property development, through leasing, technical maintenance and hotel operation, to retrofit, renovation and possible divestment of the properties. Pandox therefore has an influence throughout the hotel industry value chain, but the Company's role and responsibilities with respect to sustainability differ between its business segments. Pandox has direct responsibility for sustainability topics in its section of the value chain for hotels it operates, but is also able to influence other parts of the value chain by setting standards for the suppliers and by working in cooperation with tenants. The extent of this influence is determined by the leases.
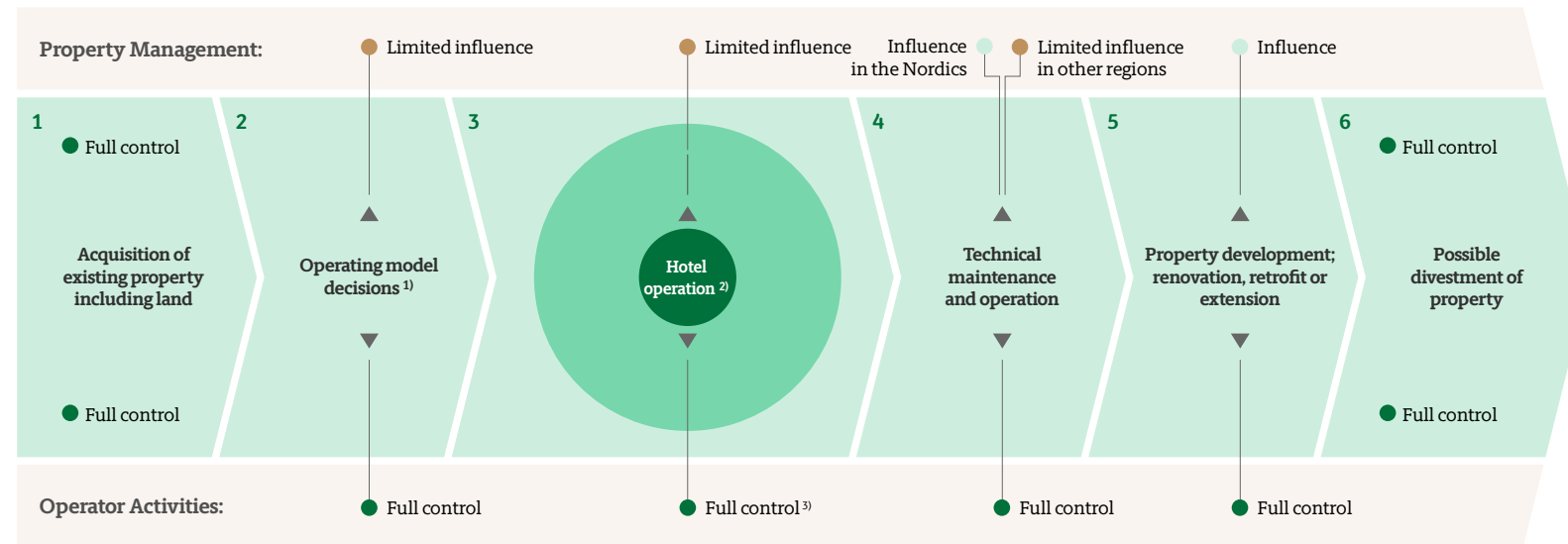
Pandox's control and influence in the value chain

Pandox's influence on implementation of sustainability measures and on subcontractors engaged:

● Full control   ● Influence   ● Limited influence

1) Pandox uses four operating models: 1. Rental agreement with hotel operator, 2. Operated by Pandox under management agreement, 3. Operated by Pandox under franchise agreement, and 4. Operated by property owner with an independent brand. Read more on pages 19 and 21. If Pandox takes over a property where a lease exists, Pandox cannot terminate the lease with the existing tenant until the contract term ends.

2) There are many different aspects of operating hotels in which sustainability is a consideration, for example in property operation, HR, purchasing, food and beverage, waste, cleaning and marketing.

3) Exceptions in the form of management agreements may in a few cases affect Pandox's control.

Division of responsibilities within Property Management

Within Property Management the responsibility for the property and sustainability-related matters is shared between the tenant and Pandox. The division of responsibility is stipulated in the lease with the hotel operator and may vary depending on what is standard practice in different countries.

The hotel operator is responsible for the hotel's day-to-day operation and for the interior of the hotel. Pandox is responsible for the building's exterior, technical maintenance and operation, development, more substantial renovations, and for retrofit and extensions. Responsibility for investment in technical installations varies between the Nordics and other countries. In general Pandox has greater responsibility for the properties in the Nordics than in other countries.

The hotel operator is responsible for sourcing electricity, water, heating and cooling for the hotel. Pandox is therefore limited in its ability to influence the steps taken to reduce energy and water consumption at the hotel properties it leases out. Pandox's goal is to have an impact by creating common incentives for improvement within the framework of supplementary agreements containing green provisions and other joint initiatives.

Division of responsibility within Operator Activities

Within the Operator Activities segment, Pandox has full control over hotel operation, sourcing of resources such as energy and water, waste management, technical operation and maintenance, technical installations, as well as sustainability topics relating to hotel personnel, guests etc. Properties are developed in close cooperation with Property Management.

Sustainability strategies and focus areas

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Pandox's most important contribution to greater sustainable development is creating resource-efficient properties, sustainable operation, safe and secure environments for employees and guests, and new business opportunities. Pandox is also to contribute to reaching the UN Sustainable Development Goals. The focus is on areas where Pandox can create the most impact, both for the external environment and for the Company.

Pandox's sustainability strategy is based on the Company's vision and business objectives, its impact on communities in terms of sustainability and climate change, and which issues the stakeholders consider to be important for Pandox to focus on. Current trends and the risks and opportunities identified by the Company are also taken into consideration. Based on these considerations, Pandox has defined the most material sustainability topics and divided them up into five focus areas. Pandox's targets are presented in the section on each focus area.

Sustainability is integrated into Pandox's business model and into day-to-day work. There are clear activities and targets for sustainability within each focus area. They take into consideration the different ways in which Pandox can work on sustainability within the Property Management business segment compared to within Operating Activities.

⊙ Read more about Pandox's vision, business concept, strategies and business model on pages 11 and 15.

⊙ Read more about sustainability risks on pages 129–130 and 135.

Pandox's five sustainability focus areas and material sustainability topics contribute to the UN Sustainable Development Goals

Focus area	Material sustainability topics	Contributes to UN SDGs
1 Environment and climate	• Reduce energy consumption • Reduce greenhouse gas emissions and limit climate change • Climate adaptation of buildings • Reduce water consumption • Reduce the volume of waste and food waste • Increased use of sustainable materials • Environmental certification of buildings and hotel operations	6 CLEAN WATER AND SANITATION · 7 AFFORDABLE AND CLEAN ENERGY · 8 DECENT WORK AND ECONOMIC GROWTH · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION · 15 LIFE ON LAND
2 Responsible and fair business	• Good business ethics and anti-corruption • Sustainable supply chains • Zero tolerance for trafficking and prostitution	3 GOOD HEALTH AND WELL-BEING · 4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
3 Guest satisfaction and security	• Satisfied guests • Guest health and safety • Guest privacy and data security	3 GOOD HEALTH AND WELL-BEING · 8 DECENT WORK AND ECONOMIC GROWTH
4 Attractive and equal workplace	• Attractive workplace that encourages development • Heath and safety in the workplace • Fair employment terms and equal rights	3 GOOD HEALTH AND WELL-BEING · 4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES
5 Inclusive local communities	• Support inclusive and safe local communities	4 QUALITY EDUCATION · 10 REDUCED INEQUALITIES · 11 SUSTAINABLE CITIES AND COMMUNITIES

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Focus area: Environment and climate

Pandox's efforts with respect to the climate and the environment are aimed at achieving resource-efficient properties and operations that reduce the environmental and climate footprint. Another important area is taking steps to adapt the properties and operations for a changed climate.

Pandox operates in an industry that contributes to significant greenhouse gas (GHG) emissions, which have a negative impact on the environment. Buildings account for 36 percent of GHG emissions in Europe [1]. Pandox's main environmental and climate impact comes from heating, cooling and electricity, and the use of building materials in activities such as renovation and retrofit. Water use, waste management and circularity are also material sustainability topics. In the updated materiality analysis carried out in 2021, two new materiality topics were identified: increased use of sustainable materials and climate adaptation of properties.

Pandox is therefore focusing on activities to reduce energy and water consumption, and to increase resource efficiency. The Company also works on an ongoing basis to increase reuse and recycling of energy, water and materials, and to transition to renewable energy sources when this is possible.

In 2022 Pandox submitted its commitment letter and the climate targets to the Science Based Target initiative for review.

[1] Deloitte ESG Real Estate Insights 2021, article #2

Pandox's targets and results in the environment and climate focus area

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to targets in the UN SDGs
Preliminary climate goals for 2023–2030: −42% CO_2e emissions in Scope 1 and 2 no later than 2030 compared with base year 2021 −25% CO_2e emissions in Scope 3 no later than 2030 compared with base year 2021	Group	– Goals introduced in 2023	–	Target 13.3
Reduce resource consumption Implement Pandox's green investment programme no later than 2023 to reduce energy consumption, water consumption and GHG emissions compared with 2019	Operator Activities	Decrease • gas: −15% • electricity: −20% • water: −20% • CO_2e emissions: −19%	Decrease • gas: −25% • electricity: −22% • water: −15% • CO_2 emissions: −24%	Targets 6.4, 7.3, 8.2, 8.4 and 11.6
Climate adaptation Climate inspections and adaptation measures in all properties with identified climate risks by 2030. Minimum of 2 climate inspections a year	Group	**2** properties with completed climate inspection	–	Target 13.1
BREEAM certification for buildings at the Very Good level All 20 hotels in Operator Activities no later than 2030 [1]	Operator Activities	**12** of 20 hotels	5 of 20 hotels	Targets 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5, 13.1 and 15.5
Sustainability certification for hotel operation 100% of hotels operated by Pandox no later than three years after acquisition	Operator Activities	**90%** of 20 hotels	100% of 20 hotels	Targets 6.3, 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5 and 13.
100% of external hotel operators' hotel operations [2]	Property Management	**74%** of 137 hotels	77% of 137 hotels	
Percentage of renewable energy To reach at least 80% within Operator Activities by 2025 [3]	Operator Activities	**50%**	48%	Target 7.2
Reduce waste Reduce food waste by an average of 30% per hotel in Operator Activities from the beginning of 2023 [1]		**23%**	Delays due to Covid-19 and supply chain disruptions	Targets 8.4, 12.3 and 12.5
Reduce the total volume of waste from hotel operations by an average of 1 kg per guest night by 2025 and to the EU target level of 0.6 kg per guest night by 2030	Operator Activities	**1.2 kg** per guest night	–	
Recycle an average of 65% of total waste in hotel operation from the beginning of 2025 and reach the EU level of 85% no later than 2030		**53%**	–	
Sign green supplementary agreements Green leases with all tenants in 2050	Property Management	Ongoing dialogue	Ongoing dialogue	Targets 6.4, 7.2, 7.3 and 8.4

[1] Compared with 2020   [2] Compared with 2018   [3] Compared with 2019

Reduced climate impact

Pandox's GHG emissions in 2022

Pandox contributed to emissions totalling 99,703 (110,088) metric tons of CO_2e in 2022, which is lower than the previous year. The reduction in emissions is due to the fact that there were fewer large construction products in 2022, but also that energy-related emissions did not increase at the same rate as guest occupancy. Energy intensity per guest night has decreased, thanks to energy efficiency projects yielding results. The majority of Pandox's GHG emissions in 2022 occurred both upstream and downstream in the value chain. Pandox's own operations accounted for just 9 percent of the total emissions.

Pandox's largest sources of direct GHG emissions in its own operations are from combustion of fossil fuels such as natural gas and any leakage of refrigerants, which give rise to Scope 1 emissions. Pandox also purchases electricity, district heating and cooling for the hotels it operates and for the head office. This gives rise to Scope 2 emissions. Pandox's total market-based GHG emissions in Scope 1 and 2 amounted to 8,708 (8,478) metric tons of CO_2e.

The Company's largest Scope 3 emissions upstream in the value chain come from purchased building materials, products and services, mainly in connection with extension and retrofit as well as renovation of the properties.
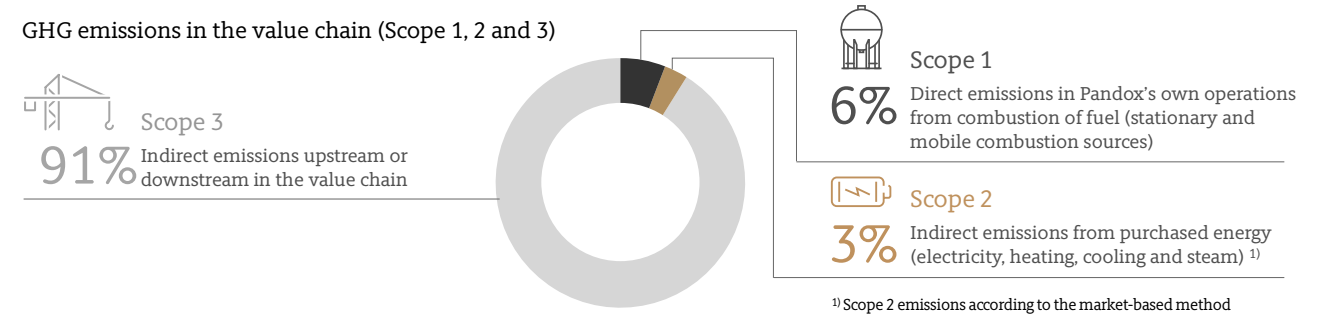
Downstream in the value chain means emissions from tenants' hotel operation, mainly from energy consumption, which is the single largest emissions category. Waste does not make up a significant percentage of Pandox's total emissions as a property owner. Even so, the Company is working to facilitate a reduction in emissions from waste at the hotels it operates, as this makes up a significant percentage of their emissions. Business travel accounts for only a negligible portion of Pandox's Scope 3 emissions. Pandox's total market-based GHG emissions in Scope 3 amounted to 90,995 (101,610) metric tons of CO_2e.

In 2022 Pandox carbon-offset its Scope 1 emissions, amounting to 5,825 (5,636) metric tons of CO_2e, through a solar energy project in Vietnam. The project has Gold Standard certification. Carbon offset will not be counted in the activities that Pandox implements to achieve its climate targets.
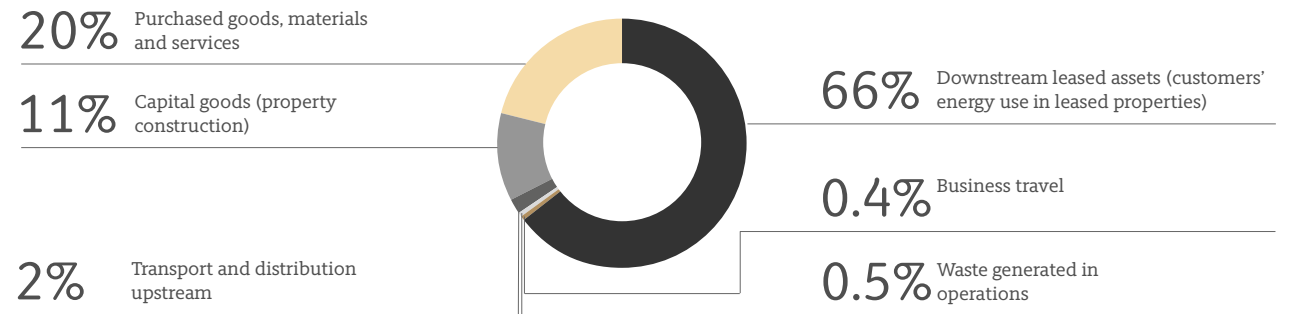
GHG emissions in the value chain (Scope 1, 2 and 3)

Scope 3
91% Indirect emissions upstream or downstream in the value chain

Scope 1
6% Direct emissions in Pandox's own operations from combustion of fuel (stationary and mobile combustion sources)

Scope 2
3% Indirect emissions from purchased energy (electricity, heating, cooling and steam) [1]

[1] Scope 2 emissions according to the market-based method

Emission categories upstream and downstream in the value chain (Scope 3)

20% Purchased goods, materials and services

11% Capital goods (property construction)

2% Transport and distribution upstream

66% Downstream leased assets (customers' energy use in leased properties)

0.4% Business travel

0.5% Waste generated in operations

Climate target according to Science Based Targets

In 2022 Pandox submitted its commitment to producing climate targets to the Science Based Targets initiative. The Company also set climate targets in cooperation with the Swedish Environmental Research Institute (IVL). These will be in place until 2030. The climate targets were submitted to SBTi at the end of the year for review. The review and hopefully also approval of the targets are scheduled for June 2023. During the review SBTi will verify that the targets are science-based and in line with the Paris Agreement.

This process has helped Pandox to improve its knowledge of the GHG emissions that occur in the value chain and that the Company is directly or indirectly responsible for. It has also further improved the database. Pandox's science-based targets constitute a robust framework for work on topics relating to energy and materials at the Group level. The emissions calculations are based on measured data, standard data where no data has been reported, life cycle analysis and spend analysis.

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Road map for reduced climate emissions

Pandox has already started developing its road map of actions to reduce climate emissions to reach the climate targets.

For the 20 properties operated within Operator Activities these steps will focus on reducing Scope 1 and 2 emissions where Pandox has a direct impact. Pandox will reduce the use of natural gas, which accounts for 32 percent of total energy use, and replace it with heat pump solutions. In 2022 a study was carried out on four hotels in Germany, England and Belgium to explore the possibility of converting away from gas dependence. An additional 10 studies will be carried out in 2023. Phasing out natural gas will be combined with energy efficiency improvements. This will include improved control systems and expanding opportunities to use renewable energy.

**Meeting targets through behavioural change
at hotels operated by Pandox**
In addition to the measures above, it is important to promote commitment, knowledge and behavioural change to reach the climate targets at Pandox-operated hotels. As of 2023 the General Managers at the hotels will be responsible for reaching their climate targets. The targets will be broken down by property into the subcategories of water and energy. These will be incorporated into the General Managers' productivity system in which they monitor revenue and staffing daily. The purpose of integrating the new sustainability module into the operating system is to ensure there is also a daily focus on reaching the sustainability targets, and to create awareness of how each property is contributing to these. Supplementary targets in the subcategories of waste, linen/towels and chemicals, which are also relevant in the Operator Activities business segment, will also be introduced, even if these are not part of the climate targets. The targets will be compiled into a sustainability index based on level of materiality and will form the basis for green incentives for the general managers. The general managers will need to involve their employees in order to reach the targets. There will be a department head responsible for each subcategory. This person will have overall responsibility for driving progress and involving most of the employees across departments to reach the targets. They will receive training and support from the system. The targets for each subcategory will be broken down into the activities that make the most difference. The managers will be given a clear mandate and time to priori-

tise the activities, as well as financial incentives to meet the targets. Communication of targets and the green transformation will also be aimed at the hotel guests.

Training in materials sourcing and cooperation with tenants
In the 137 properties leased to external tenants in Property Management the measures are mainly intended to contribute to reducing Scope 3 emissions in the categories that account for more than 67 percent of emissions. These categories are materials sourcing in connection with renovation and retrofit, and tenants' energy consumption. In 2023 the Swedish Environmental Research Institute (IVL) will work with Pandox to increase knowledge on the effect of materials sourcing on emissions and which alternatives exist in the market. Training in circularity will also be carried out internally, focusing on recycled building materials and using materials made from renewable or recycled inputs. The aim is to implement tools to assist in the sourcing process.

Activities to reduce emissions within Operator Activities (Scope 1+2)

The main focus is on reducing gas consumption and increasing energy efficiency.
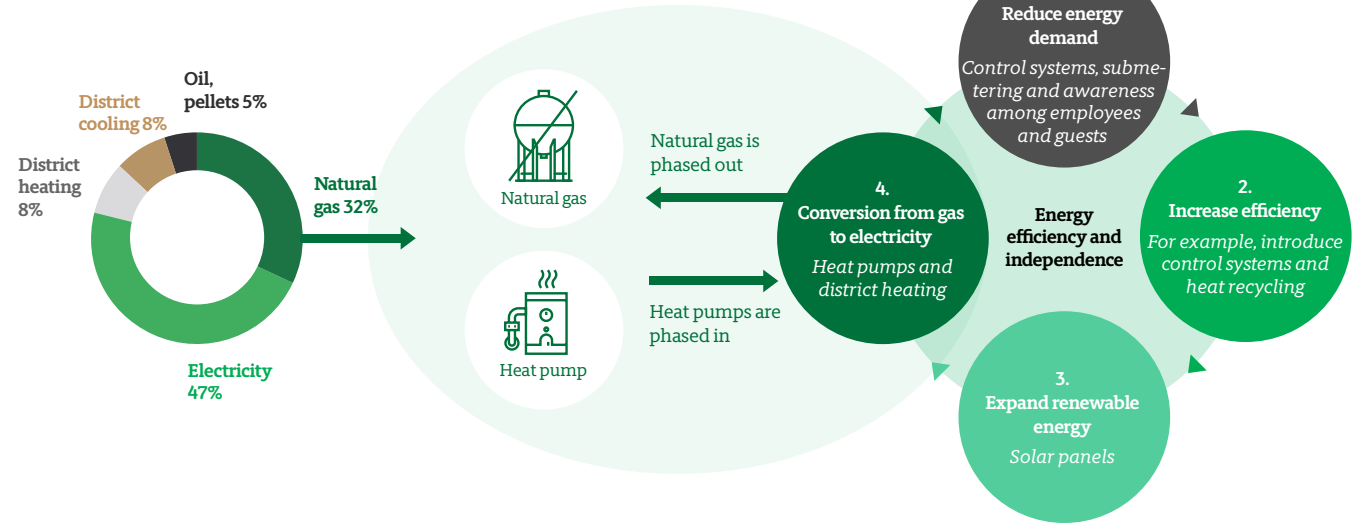
Activities to reduce emissions within Property Management (Scope 3)

Reduce emissions from use of materials in renovations and extensions, and reduce energy use by guests.

Pandox also needs to focus on energy efficiency improvements in the properties it leases out. In 2022 the Company started taking stock of and evaluating the properties in Property Management from an energy perspective. Evaluations are carried out first for the buildings in the lowest energy category. The evaluation covers, for example, the building envelope, installations and operating routines on site, and aims to find potential energy-saving measures that would benefit both the tenant and Pandox. Other factors that are of interest in an overall analysis include future regulatory requirements, geographical location, heating systems and contract length. Energy simulations of the buildings are then carried out so that different alternative can be tested in order to produce a proposed package of measures for achieving different energy classes. Energy efficiency improvement measures will be part of the annual investment process from the beginning of 2023 and will form a basis for dialogue regarding green leases with tenants within Property Management.

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Climate adaptation of the buildings

Climate change impacts Pandox as a company as well as its properties – and will continue to do so in the future. Today's society is highly vulnerable to climate change because it is adapted to a climate of the past. Climate change will lead to higher temperatures and changed precipitation patterns, as well as more frequent and intensive extreme weather events such as torrential rain, heatwaves and drought. It is therefore important right now to analyse how Pandox will be impacted and to plan ways to manage potential effects.

Climate risk assessment of buildings in connection with acquisitions

In 2022 Pandox purchased a climate risk tool that analyses and makes a financial evaluation of the Company's exposure to physical climate risk and natural disaster risk. It identifies which climate adaptation measures need to be carried out at the property level. The tool assesses the properties' risks based on various climate scenarios – RCP 2.6 (1.5 °C temperature rise), RCP 4.5 (2–3 °C temperature rise) och RCP 8.5 (4 °C temperature rise) – and in different timeframes (now, 2030, 2050 and 2100). All of the properties were analysed during the year.

Based on this desktop analysis, a number of properties were identified as being located in areas where there is already a very high or high risk of being impacted, mainly by flooding or heavy precipitation. On-site risk inspections were carried out at two of these properties by a third party during the year. An in-depth analysis was carried out at one additional property. At this property the benefits of an on-site inspection were considered minimal as the analysis already clearly showed that the main risk was outside Pandox's control as it was due to land conditions.

The on-site inspections confirmed that the climate risks were relevant and assessed which potential vulnerabilities exist. This resulted in an action plan for each property that includes proposed measures to adapt the building infrastructure where the basement level could potentially be flooded.

All the remaining properties with high risk will be inspected on site and the necessary measures will be implemented no later than 2030. Climate adaptation measures are to be a natural aspect of Pandox's investment process going forward.

In 2022 Pandox also started using the climate risk assessment tool for properties before acquiring them. The tool was used, for example, in the acquisition of Aparthotel Adagio Edinburgh Royal Mile and DoubleTree by Hilton Bath in the UK.

100%
of the properties have been assessed for climate risk

Climate adaptation measures

In hotels operated by Pandox climate change is taken into account when installing new equipment, such as ventilation systems, in order to handle a warmer climate in the summer. Today it is not unusual for equipment to be required to handle maximum temperatures of around 40 degrees Celsius, and this may require adaptation of cooling units.
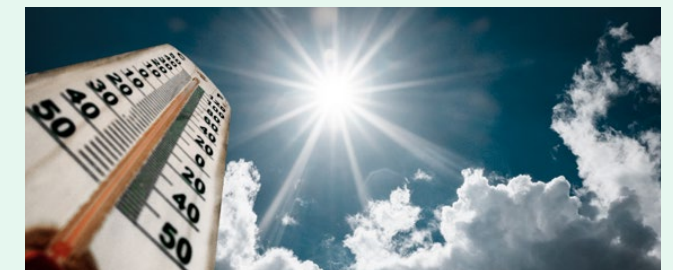
Energy consumption

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At a hotel, activities take place more or less around the clock. Pandox's properties and operations therefore require a continuous supply of energy. Energy is needed for heating, ventilation and cooling, for example, as well as for lighting and kitchen equipment. The total weather-normalised energy consumption of Pandox's property portfolio (where measured data is available) increased by 12 percent in 2022 compared with the previous year, from 304 MWh to 342 MWh, due to higher occupancy rates. Energy intensity per guest night has decreased by 32 percent, however, which is an important indicator of how energy efficiently the hotel is operated. This shows that energy efficiency measures in Pandox's green investment programmes, such as the installation of building management systems, energy recovery ventilation and training in how these are used, are yielding results.

⟩ *Read more about energy consumption in Sustainability note 6.*

⟩ *Read more about Pandox's green investment programmes in the hotels it operates on page 64.*

Renewable energy is increasingly important

Pandox's goal is to increase the use of renewable energy sources, particularly at hotels that Pandox operates and where it has a direct influence. In leases with external hotel operators the tenant is responsible for signing electricity contracts; the same is true of Pandox-operated hotels with management contracts. In consultation with the hotel operators Pandox can influence the type of lease chosen to some extent and aims to sign green leases that include renewable energy in their terms.

In 2022 the share of renewable energy was 41 (41) percent of total energy consumption. The energy sources were wind and hydropower as well as electricity from the buildings' own solar panels. Renewable energy made up 39 (39) percent of energy used in Property Management and 50 (48) percent in Operator Activities.

⟩ *Read more about green supplementary agreements on page 68.*

Pandox's self-generated electricity

1,575 MWh (584)

in 2022

Solar panels and other self-generated electricity

Pandox's aim is to install solar panels on hotel roofs within Operator Activities if the conditions for this are good. The target is for 30 percent of the hotels in Pandox's Operator Activities segment to have solar panels installed no later than 2023.

In 2022 five of Pandox's properties had their own solar panels. No new solar panels were installed during the year but there are plans to install them in 2023 at Novotel Den Haag World Forum and Novotel Hannover. Studies have also been carried out to explore the possibility of installing additional solar panels at Hilton Garden Inn London Heathrow och Holiday Inn Brussels Airport. Two hotels that do not have solar panels were acquired during the year. In total, Pandox generated around 1,575 (584) MWh of electricity itself in 2022. Of this amount, 304 MWh came from solar panels and 1,271 MWh from local cogeneration (CHP). CHP was installed during the last quarter of 2021 and the full effect of this was evident in 2022.

Energy efficiency projects in Property Management

In 2022 Pandox carried out a number of projects that are helping to reduce energy and water consumption. Below are a few examples of projects in 2022.

• A pilot project was launched at Hilton Stockholm Slussen in Sweden in which the hotel was equipped with an AI control system. The purpose of this technology is to achieve a more stable indoor temperature throughout the building and to save between 5 and 15 percent in heating energy and up to 25 percent in electricity for ventilation through automatic optimisation. This technology is of interest to Pandox as it leases out its properties exclusive of heating, i.e. energy is purchased by the tenant and it is the tenant that controls its optimisation.

• Scandic Star Sollentuna in Sweden installed a fully updated substation complete with a modern control system that will help ensure more efficient operation. This could reduce energy use by an estimated 10–15 percent through less use of district heating and building electricity.

• At Radisson Blu Arlandia in Sweden a new main control unit was installed. In addition to simplifying and improving operational efficiency, the new system is expected to reduce energy use by 5–10 percent.

• At Scandic Alexandra Molde in Norway new windows were installed that provide a more airtight building envelope and better insulation. This is expected to save 8,200 kWh a year in heating.

• At Vildmarkshotellet in Kolmården, Sweden a submeter was installed for water and electricity. This will facilitate monitoring as well as operation. By making data more readily available, troubleshooting in the building will be simpler and faults will be easier to locate.

A property inspection in progress

Green investment programme for Pandox-operated hotels

Pandox has a green investment programme for the years 2020–2023. The goal is to reduce natural gas consumption by 25 percent, electricity consumption by 35 percent and water consumption by 20 percent. This will reduce GHG emissions by 20 percent. The programme includes 12 of Pandox's 20 properties in Operator Activities. These hotels are located in Germany, Belgium, the UK and Finland. The investment amounted to MSEK 80 with an average expected return of around 20 percent.

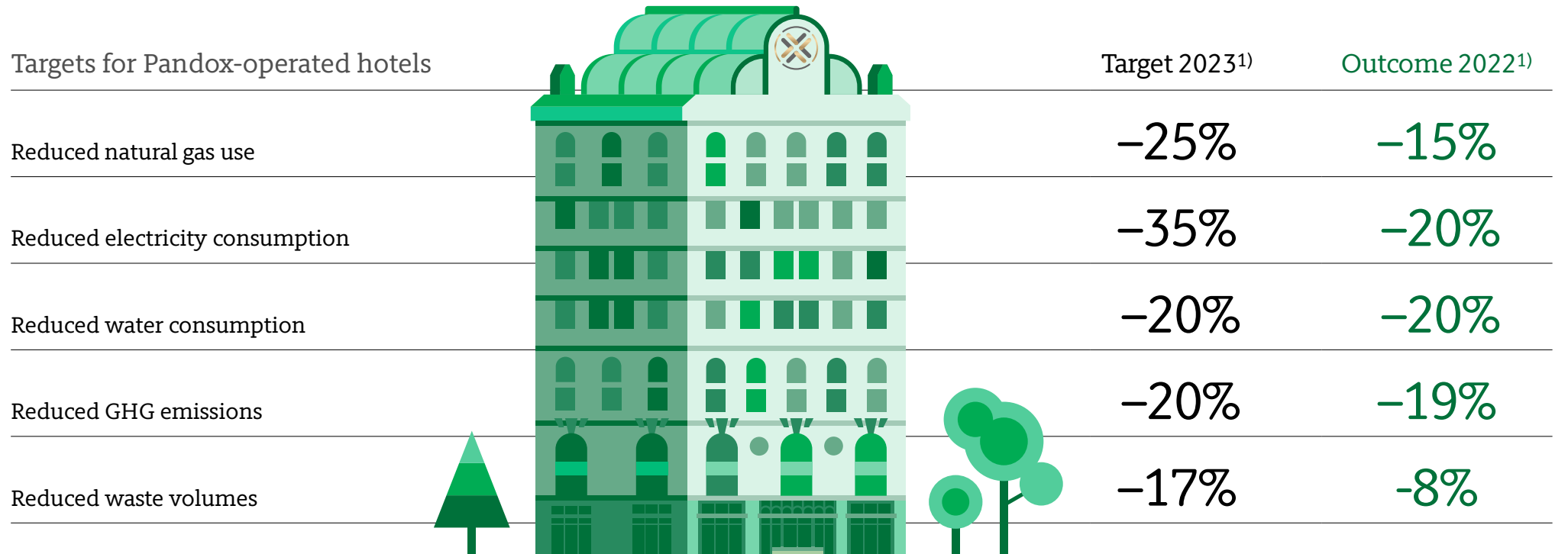The green investment programme is focusing on measures to reduce energy and water consumption, and on technical installations such as building management systems with integrated submeters. All the hotels have these building management systems for more climate-smart management of the buildings. In 2022 the focus was on fine-tuning and controlling the systems that were installed in 2021. This also included training for the individuals who will manage the new systems so that they can monitor consumption on a daily basis and adapt the system to actual needs. The full effect and target fulfilment is expected in 2023. These measures are also helping to improve guest comfort through better control over heating, ventilation and cooling. Targets for waste were also developed in 2021 and these took effect in 2022.

Expanded investment programme

A follow-up green investment programme 2.0 was rolled out in 2022 for an additional four hotels operated by Pandox. Similar to the first programme, the focus is on installations such as insulation of pipes and ceilings, control systems and water leakage systems. It is hoped that the effects will be shown from 2023 onwards.

The two programmes will be combined and adjusted from the beginning of 2023 to focus on the Science Based Targets and include all of the 20 hotels operated by Pandox. The new base year is 2021 and the programme will continue until 2030.

Targets for Pandox-operated hotels	Target 2023[1]	Outcome 2022[1]
Reduced natural gas use	−25%	−15%
Reduced electricity consumption	−35%	−20%
Reduced water consumption	−20%	−20%
Reduced GHG emissions	−20%	−19%
Reduced waste volumes	−17%	-8%

[1] Calculated based on occupancy in a normal year (2018). Outcome adjusted for Covid-19 effects.

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Water consumption

Pandox uses the municipal water system in all hotels. Water consumption in the hotels is affected by the amount of showering, dishwashing, cleaning, laundering and flushing that takes place, which in turn is impacted by hotel occupancy. Reducing water use is therefore a significant sustainability topic as Pandox's operations have a direct impact on usage.

Pandox is aiming to reduce water consumption by installing water-saving equipment, for example in bathrooms and kitchens, and changing employee and guest behaviour around water consumption. Today the majority of the hotels in Operator Activities are involving their guests in this effort by informing them of the hotel's ambition to reduce water consumption. This is being done by, for example, involving them in making choices that reduce water use such as taking shorter showers and not requiring towels and sheets to be replaced daily.

In 2022 Pandox continued implementing a metering system for water consumption at hotels in Operator Activities. Thanks to the submeters that have been installed, alarms have detected water leaks. This has enabled steps to be taken immediately. Water leaks were discovered at 16 of the hotels during the year. Water leaks have occurred in, for example, pipes, toilets and washbasins. The system has also detected showers and taps that guests have left on. Estimated savings thanks to the water leakage system are in the range of 2,500–7,500 cubic metres for 2022. The measures have resulted in a reduction in water use per guest night from 304 l/guest night to 215 l/guest night at Pandox-operated hotels. This was achieved at the same time as the number of guest nights increased by 125 percent in 2022 compared with 2021.

In Property Management too Pandox is installing more submeters in the buildings so that the operators can more quickly identify and remedy any leaks.

The water used in the hotels goes to municipal wastewater and treatment plants. Some hotels also have a collection tank for grey water in the hotel. There is potential here for heat recycling before it continues on to the wastewater system. Chemicals used in laundries and hotel cleaning have the largest impact on the quality of the grey water. Pandox is aiming to phase out harmful chemicals in these processes and switch to more eco-friendly alternatives that have a positive effect on the water quality.

⊘ *Read more about water use in Sustainability Note 8.*

Water shortage in major cities

A shortage of water is an accelerating problem in many parts of the world, even in Europe. These areas are classified as water-stressed, where the amount of fresh water is no longer sufficient to meet the needs of society. Pandox uses water in water-stressed areas, including the big cities of London and Brussels. Efforts to use water more efficiently are therefore very important.

⊘ *Read more about water-stressed areas in Sustainability Note 8.*
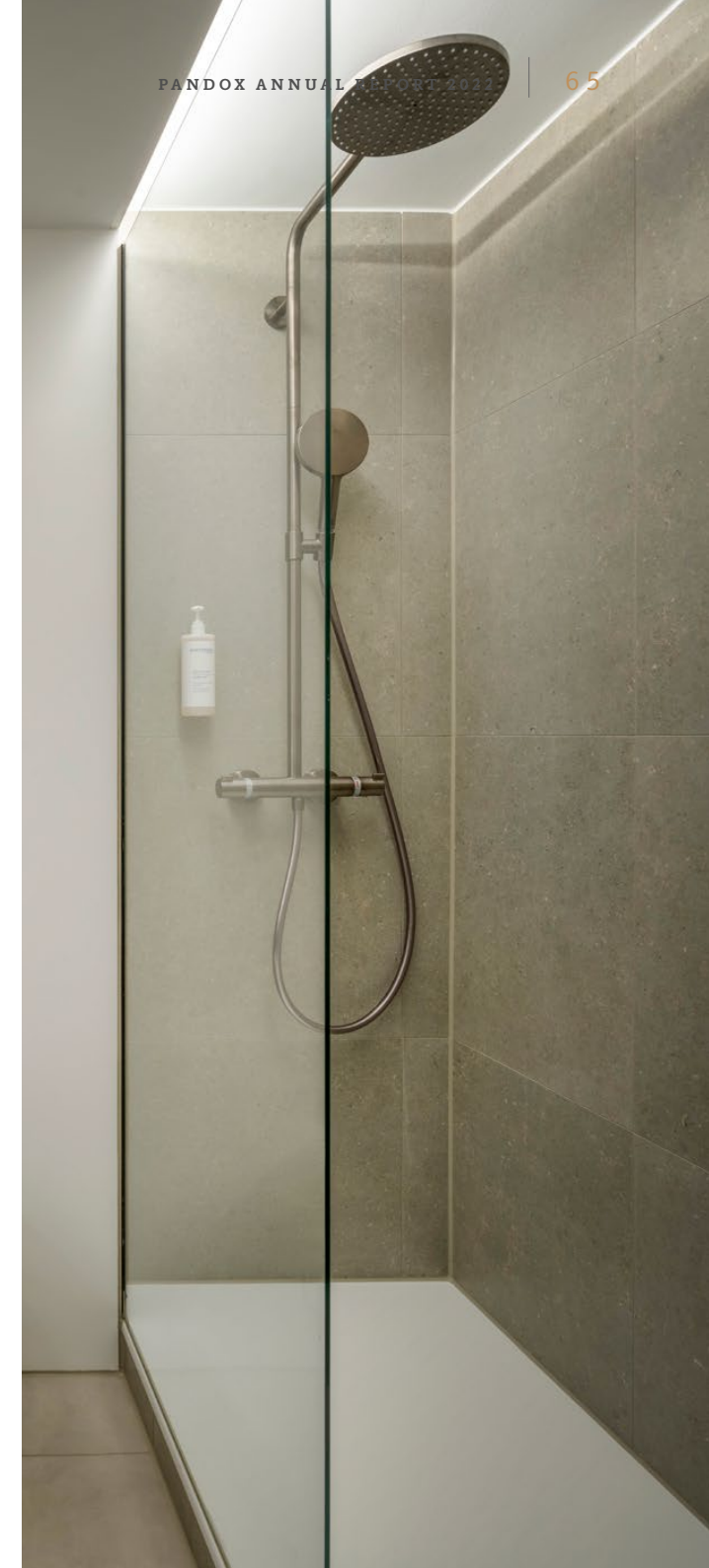
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Waste and recycling

Pandox's ambition is to encourage a more circular mentality around the use of materials and reducing waste volumes. Recycling and reusing materials is becoming increasingly important – both to reduce climate emissions and to use natural resources more efficiently.

Waste generation and its impact

Waste is generated in various areas within Pandox – in the day-to-day operation of hotels, in ongoing property management and in construction projects.

At the hotels operated by Pandox most of the waste generated is in the form of packaging from purchased goods. Hotel kitchens also generate food waste.

In connection with renovations and retrofit, waste is generated both in the form of packaging from building materials and when existing structures are demolished. This applies to all types of construction and maintenance projects – whether renovating bathrooms, building extensions or replacing technical installations.

Waste is also generated upstream in the value chain – when the goods and materials that Pandox purchases are produced – and downstream in the value chain, i.e. by our tenants and hotel guests.

Pandox engages waste and recycling companies that collect and take care of the sorted waste.

Measures to reduce waste and increase recycling

Pandox wants to improve waste management to create a circular approach. In 2022 two new targets were adopted for Pandox-operated hotels in the Operator Activities segment to reduce the volume of waste to 1.0 kg per guest night by 2025 and to the EU level of 0.6 kg no later than 2030. The average for a normal year at hotels operated by Pandox is 1.5 kg per guest night. In 2022 it averaged 1.2 kg per guest night. The second target is for recycling and for hotels to recycle 65 percent no later than 2025 and to reach the EU level of 85 percent by 2030. In 2022 this level was 53 percent.

During the year individual action plans were produced for 13 of the 16 hotels that are part of the green investment

[1] According to analysis performed by Winnow.

programme. The action plans are based on the waste analysis performed in 2021. The challenge is to understand the entire waste stream. Although the guests are given the opportunity to sort waste in their hotel room, this is not effective unless the cleaning staff have the same possibility to sort waste in their cleaning carts. The measures produced therefore involve the majority of the departments that are responsibility for food and beverages, cleaning, offices and technology. This ensures that waste is minimised throughout the guest's stay.

Examples of measures introduced are that the hotels have started using bulk dispensers for jam, butter and honey instead of individually packaged items, they have installed yogurt machines instead of individual plastic cartons and are requiring clean linen suppliers to deliver linens wrapped in fabric instead of plastic wrap to reduce plastic use. The next step will be to improve visibility and monitoring of target fulfilment for general managers and their employees in their daily work. This will be introduced in 2023.

Reduced waste at Pandox-operated hotels

On average, food waste represents 4–12 percent of a hotel's food costs [1]. More than one third of all food globally is thrown away, which corresponds to around 10 percent of global GHG emissions.

Pandox has enlisted the help of a foodtech company that has a system to categorise and register all food that is thrown away. The system makes it possible for hotels to identify which types of food are going to waste and whether waste occurs before or after consumption, i.e. in food preparation in the kitchen or as waste from plates. It is also possible to identify where waste occurs in the hotel, such at banquets and conferences or from breakfast buffets. The system has AI technology that learns to identify the food thrown away. This will eliminate the need for manual categorisation in the future, with the process taking place automatically within a year. The aim of the project is to increase awareness of over-production and to improve purchase planning.

During the first quarter of 2022 Pandox rolled out its food waste programme at 15 of the 20 hotels it operates with the aim of reducing food waste by an average of 30 percent per hotel from the beginning of 2023. Five hotels are not participating in the program since they don't have a sufficient food offering for the project to be relevant or were not in operation during the year.

Connectivity issues and technical problems at three of the hotels have also caused delays in using the programme. At 12 of the 15 hotels that have implemented the system, the average food categorisation accuracy was 92 percent and food waste decreased by an average of 23 percent.

The hotel has gained invaluable insights into what their main food waste is, which has enabled them to design waste reduction strategies based on the result. Examples of measures are reducing plate size and using Too Good To Go, an app for surplus food that enables hotels to sell unused food at a discount. Hotel Indigo in Brussels has also produced instructions for how chefs are to handle leftover products and the food waste that occurs in the preparation of each dish on the menu. The purchasing process has also been improved, resulting in a reduction in the amount of food purchased that is often thrown away.

Increased use of sustainable materials

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Pandox is keen to be able to continue offering attractive properties and spaces to tenants and hotel guests, while at the same time wanting to reduce climate emissions from the materials used and to create more environmentally sustainable hotels.

In retrofit, extensions and renovation of the properties it is therefore important to minimise the volume of materials used and to use recycled materials to a greater extent, as well as materials made from renewable or recycled inputs. This is particularly important if Pandox is to be able to achieve its climate targets and reduce its Scope 3 emissions. Efforts in the area of sustainable materials have begun and will be further developed in the years ahead in partnership with the Swedish Environmental Research Institute (IVL). It is also important to increase the use of organic products in Pandox-operated hotels, and to reduce the use of chemicals and emissions of refrigerants.

⊙ *Read more about Pandox's roadmap for reduced climate emissions on page 61.*

Material use in construction projects and renovations

In 2022 Pandox started a process of identifying how much renewable and non-renewable materials are used in construction projects in connection with retrofit, extension and renovation of the properties. The first step was an analysis of the wood products, steel and semi-manufactured goods and parts purchased and used. Pandox measured consumption of these materials based on the four lifecycle analyses conducted in 2021. The outcome was then scaled up to apply to all construction projects and renovations carried out during the year.

Materials used for building maintenance and in operations as well as office materials and consumables are not currently being monitored as the volume of materials is relatively small. Nor is Pandox monitoring the total material use at hotels operated by Pandox.

Materials used in retrofit, extension and renovation of properties (metric tons)

Total volume of material used, metric tons [1]	18,932
Share of non-renewable materials, % [2]	99%
Share of renewable materials, % [3]	1%

[1] The calculation of total weight in 2022 includes inputs such as wood and steel as well as other construction materials.
[2] Steel and other construction materials.
[3] Wood products.

Organic products in hotel operations

Pandox has started monitoring how much organic food is purchased by the hotels it operates. These include coffee, eggs and certified fish. The percentage of locally sourced products is also being monitored.

To increase the quantity of organic products, Pandox is including guidelines for this in its new Purchasing Policy that will be completed in the first half of 2023.

⊙ *Read more about Pandox's local sourcing strategy on page 72.*

Chemicals and refrigerants

The main use of chemicals at hotels is in cleaning and disinfection processes. Refrigerants are used in refrigerators, freezers, air conditioning units and heat pumps.

During the year Pandox continued to focus on reducing the amount of chemicals used in hotel cleaning at Pandox-operated hotels to reduce negative health effects such as employee allergies, to reduce negative environmental impacts from toxic chemicals and to reduce plastic consumption.

Half of the hotels operated by Pandox use Enozo, a brand new chemical-free cleaning system. The reusable spray bottle contains an electrolytic cell that converts tap water into aqueous ozone for use in cleaning and disinfecting.

Radisson Blu Hotel in Bremen uses Enozo to clean all its hotel rooms, lobbies and public guest spaces. It is estimated that this non-chemical cleaning system avoids the use of 3,300 litres of chemicals and as many plastic bottles every year.

Some hotels have cleaning teams that have been unwilling to change old cleaning routines and do not consider chemical-free cleaning to be suitable in areas where limescale can build up, such as bathrooms, or when deep-cleaning is required. To bring about behavioural changes Pandox will organise training programmes in 2023 and will also set up a forum to share good practices between hotel cleaning teams. Pandox's new Purchasing Policy will contain minimum standards for purchases of cleaning products. The aim is to increase the percentage of certified eco-labelled products and phase out chemical cleaning products entirely no later than 2030.

Pandox's ambition is to switch from synthetic refrigerants to natural ones, such as carbon dioxide or propane, wherever possible at the hotels the Company operates. This will reduce environmental and GHG impacts, both from leakage when in use and when old refrigerators, freezers, air conditioning units and heat pumps are discarded. Synthetic refrigerants produce more aggressive greenhouse gases than natural ones.

⊙ *Read more about how Pandox is meeting its targets through behavioural change at the hotels it operates on page 61.*

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Property inspections

To ensure that the properties are safe, meet regulatory requirements and that the value and quality of the products is maintained, various types of inspections are carried out annually. In Property Management, internal products and contract inspections are carried out to ensure the properties are in good condition and to check that tenants are delivering on their operational commitments. The outcome of the inspections provides a basis for contract negotiations but also leads to direct action being taken if necessary. In 2022, 70 (76) such inspections were carried out. Structural surveys are carried out on a continual basis to ensure the properties' functionality and safety. This information is particularly important when planning retrofit and extension work.

Structural surveys are performed in connection with acquisitions and focus on regulatory requirements, functionality and environmental risks. Examples of environmental risks include polluted land.

Pandox's insurance brokers perform annual risk assessments of 10 percent of the properties. The focus is on fire risk and property damage, but these inspections also include risks relating to climate change such as heatwaves, floods, earthquakes and heavy precipitation.

⊙ *For information on climate adaptation of properties, see page 62.*

Green supplementary agreements

It is important to work in partnership with tenants if Pandox is to be able to create more resource-efficient and sustainable properties. It is not just the technical installations and building envelope that affect energy efficiency at a hotel, but also how the property is operated. A well-insulated building with efficient installations and modern control systems needs to be operated in a smart and efficient way to deliver high energy performance.

The aim is to create a common vision and common incentives for Pandox and the tenant to together reduce environmental and climate impacts in both the property and the operation of the hotel. One way of doing this is by signing green supplementary agreements. Pandox has a long-term goal of entering into these agreements with all tenants, but this requires long-term advocacy efforts to achieve a common vision for this with the tenants.

In 2022 the dialogue continued with two of Pandox's larger tenants. Energy surveys were carried out at two hotels, for example, with the objective of prioritising energy efficiency solutions and agreeing on how the anticipated cost savings would be shared and performance in relation to targets monitored. Based on these pilot projects Pandox is convinced that more tenants will see the benefits of working together and of the green supplementary agreements. The energy price situation – with rising and unpredictable prices for electricity, gas and district heating – is also expected to speed up the process of adding green supplementary agreements.

⊙ *For data on energy, GHG emissions, water and waste, see Sustainability Notes 6–9.*

Heating systems in substations are included in product inspections

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Environmental certification

Pandox is working with an independent party to achieve recognised environmental certification for the properties and for how they are operated. Certification is a good tool for improving environmental performance by implementing measures in buildings as well as in management processes and operations. It also helps to increase internal knowledge of and commitment to environmental work.

Environmental certification

- Nordic Swan, 32%
- Green Key, 18%
- Green Tourism, 16%
- ISO 14001, 11%
- Light Stay, 4%
- IHS Green Engage, 4%
- ISO 50001, 2%
- Other, 13%

The diagram shows the breakdown of Pandox's environmental certifications and environmental management systems. Some hotels have multiple certifications. For more information see Sustainability Note 10.

Certification of properties

Pandox certifies its properties to BREEAM, which is an established standard in Europe for green properties. The certification process involves assessment and a scoring system in the following areas: Energy, Transport, Water, Materials, Pollution, Health and Wellbeing, Land Use & Ecology, Management. The objective is for all 20 properties operated by Pandox to be certified no later than 2030. Pandox's aim is to achieve BREEAM In-Use at the Very Good level. At the end of 2022, 12 Pandox-operated properties were certified. The properties are located in Germany, Belgium, Finland and the UK.

Certification of Pandox properties in Property Management that are leased to other hotel operators is also an important area of focus. One property is in the process of being certified to BREEAM. In order for more properties to be certified, however, Pandox and the tenants need to work together and have a shared vision. To obtain certification it is necessary to upgrade systems and technical installations etc., but a significant commitment is also needed from the tenant's employees. Various routines must also be integrated into the hotel operator's day-to-day schedules and maintenance plans. At this time, this is outside existing lease structures and it is therefore important for the tenants to see BREEAM certification as a business opportunity for them as well.

Certification of hotel operations

Green Key certification is one of the leading standards for environmental responsibility and sustainable operations in the tourism industry, including for hotels. Certification ensures that environmental measures are implemented and lead to reduced energy and water consumption, renewable energy use, waste sorting at source and recycling, and the purchase of eco-labelled cleaning products and organic food. The hotels are also to focus on social responsibility as well as communication and cooperation with guests and other stakeholders. Other relevant third party-verified certifications are Nordic Swan, Green Tourism and the ISO 14001 environmental management system.

Pandox's ambition is for all of the hotels in Operator Activities to have Green Key certification within three years of operations being taken over, unless they already have another environmental certification. 90 (100) percent of the 20 hotels within Pandox's Operator Activities segment had environmental certification as of the end of 2022. The lower percentage is due to the fact that one hotel needed to renew its Green Key certification.

Of the 137 hotels within Property Management, which are operated by tenants, 74 (63) percent had some form of environmental certification of hotel operations. Pandox follows up annually on environmental certification and is in dialogue with the tenants who do not yet have any form of certification in place.

Focus area: Responsible and fair business

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Pandox's ambition is to be a leading hotel property company. It is therefore important to act responsibly and professionally in all business relationships. Pandox is to be a long-term and reliable partner that mitigates the risk of corruption and human rights violations that exist in the both the property and the hotel industries.

Pandox's targets and results in the responsible and fair business focus area

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
Ensure that 100% of the Company's employees have completed Pandox's Code of Conduct course	Group	87%	95%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8, 10.2 and 16.5
No form of prostitution or sexual abuse is to occur in our organisation	Group	0 cases	0 cases	Target 8.7
There are to be no cases of corruption, either within Pandox's own operations or in the supply chain	Group	0 cases	0 cases	Target 16.5

Business ethics and anti-corruption

To ensure that Pandox acts according to proper business ethics and complies with laws and practices, the Company has an Anti-Corruption Policy and a Code of Conduct for the employees. These clearly describe the expectations of how each employee is to behave to create a respectful and positive work environment for everyone. If employees of Pandox have questions regarding how to interpret or apply in practice Pandox's policies or codes of conduct, they can contact Pandox's SVP, Director of Sustainable Business.

Training in the Code of Conduct and business ethics

To ensure that all employees have read the Code of Conduct and understood its content, Pandox offers digital training in the Code of Conduct that includes various dilemmas they may face. The course is adapted according to whether the employee works at a Pandox-operated hotel or at the head office and in Property Management. It is available in eight languages. The course is to be completed as part of the onboarding process for new employees and is to be repeated every other year by all employees and any outside consultants on long contracts. In 2022 the training was updated to add more dilemma scenarios as well as a concluding test and an option to provide feedback on improvement measures. In addition, an option was offered to do the course in group

format as many employees prefer that. There is also a facilitator guide for those leading the course on site.

Employees within Pandox's Operator Activities segment also complete their own business ethics and code of conduct training specific to their respective hotel brand. These are aligned with Pandox's values and work in this area. Pandox's target is for all employees to have completed its digital training in the Code of Conduct. In 2022, 87 (95) percent of employees had completed the training. The lower rate of completion is explained by the fact that the training was not launched until the final quarter.

No cases of corruption during the year

Pandox works continuously on its internal processes and routines to minimise the risk of corruption. The Anti-Corruption Policy describes how everyone within Pandox is to address this issue in their work. If there is the slightest indication or suspicion of corruption, employees are to consult with their manager or manager's manager. The goal is to have zero cases of corruption within Pandox or in the supply chain. No cases of corruption were reported in 2022.

The Code of Conduct course includes an clear explanation of the escalation process for complaints and incidents of a more serious nature. The first step is for employees to go to their manager, then to their manager's manager and thereafter to HR. Pandox also has a whistleblower system provided by an external party to promote an open culture in which employees and external stakeholders are unafraid to report irregularities, breaches of policies, crimes etc. No cases were reported in 2022 through this system.

The whistleblower system also provides an opportunity to report on HR issues anonymously. These are then handled by the respective hotel's head of HR. Three cases were reported during the year.

Human rights

Pandox is a member of the UN Global Compact and has therefore pledged to work according to its Ten Principles regarding human rights, labour, the environment and anti-corruption. Pandox has also published a Modern Slavery Act statement in which the Company strongly opposes all forms of exploitation, servitude and child labour.

Pandox therefore has zero tolerance for criminality, human trafficking, prostitution or sexual exploitation. No cases of prostitution were reported during the year. The majority of the hotels provide regular courses that maintain a very high standard and are usually produced by established organisations in the area. The courses provide a deeper understanding of how to discover, prevent and handle cases of prostitution and sexual exploitation. Only a few individual hotels do not have their own comprehensive training and these have instead been given access to the digital courses of other hotels.

In 2022 Pandox started to work on human rights due diligence. A first step in this process was the implementation of an impact assessment. This is part of ensuring that Pandox both lives up to the Taxonomy Regulation's minimum social protection requirements and manages to meet future legal requirements that may be imposed under the EU's proposed directive on corporate sustainability due diligence. As a basis for these efforts Pandox applies the UN Guiding Principles on Business and Human Rights and the OECD's guidelines for multinational companies.

Pandox brought in a third party to guarantee independence in the impact assessment process. The assessment focused on identifying, assessing and reporting human rights risks – both in the supply chain and within Pandox itself – and what steps must be taken to manage these risks. The process was limited to the industries and countries relevant to Pandox's operations and value chain where the risks relating to human rights are considered higher.

In 2023 Pandox will work on strengthening the governing documents and internal processes needed to ensure that a sound due diligence process for human rights is in place.

Human rights impact assessment
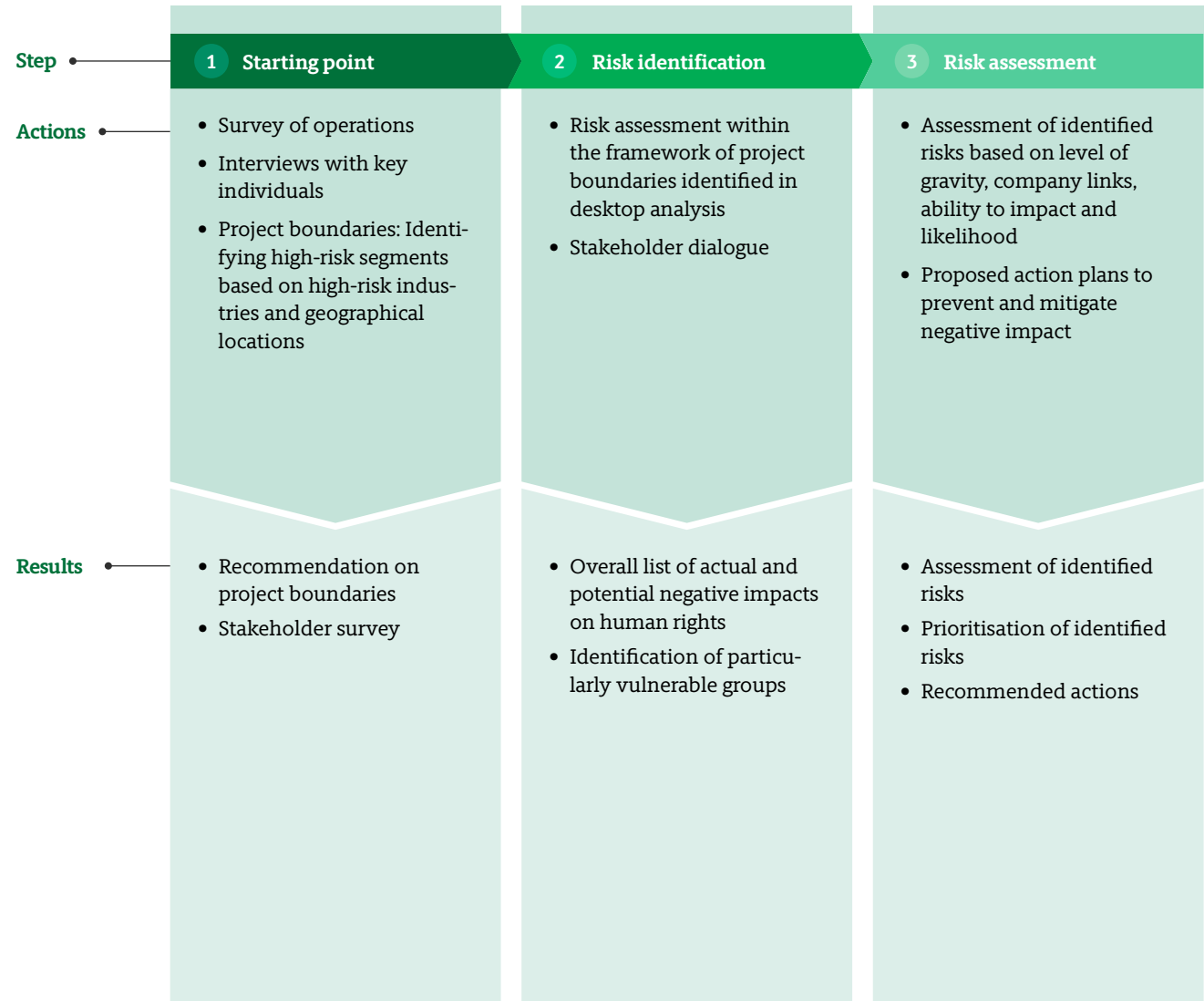
	1 Starting point	**2** Risk identification	**3** Risk assessment
Step			
Actions	• Survey of operations • Interviews with key individuals • Project boundaries: Identifying high-risk segments based on high-risk industries and geographical locations	• Risk assessment within the framework of project boundaries identified in desktop analysis • Stakeholder dialogue	• Assessment of identified risks based on level of gravity, company links, ability to impact and likelihood • Proposed action plans to prevent and mitigate negative impact
Results	• Recommendation on project boundaries • Stakeholder survey	• Overall list of actual and potential negative impacts on human rights • Identification of particularly vulnerable groups	• Assessment of identified risks • Prioritisation of identified risks • Recommended actions

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Sustainable supply chains

Pandox has a Code of Conduct for business partners which describes the expectations that Pandox has of its suppliers regarding human rights, labour, the environment and anti-corruption. The Code of Conduct for business partners is based on the Ten Principles of the UN Global Compact and the ILO Declaration on Fundamental Principles and Rights at Work.

Pandox's biggest suppliers are companies within the construction industry and property management, and those providing goods and services for hotel operation. The construction industry is the industry identified as having the highest risk for Pandox. Of Pandox's 4,404 suppliers, 632 are related to the construction industry.

Screening of new and existing suppliers

Pandox has developed its process for screening new and recurring suppliers with the help of a new user-friendly system. New for 2022 was that suppliers above a certain annual minimum amount that had not been screened previously within Property Management are to be screened according to the new process. This means that existing suppliers go through the same process as new suppliers until these are in the system. In 2022 a total of 48 (82) Pandox suppliers were audited.

Read more about Pandox's supply chain management process on the next page.

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Strategy for local sourcing

Pandox has been able to use its position to enable all hotels in Operator Activities – regardless of brand – to use an external supplier's platform for purchases of food and beverages. This is a digital purchasing system and it guarantees that the suppliers have been audited and that any discounts will benefit the users. This minimises situations where bribery might occur. In 2022 around 80 percent of all purchases were made through this platform and around 20 percent were sourced from local suppliers.

Pandox is looking at ways in which the Company can more actively support local suppliers and the local economy while also maintaining reliable supplier management. Pandox is also developing a new strategy for responsible sourcing at the hotels it operates. The purpose is to provide clear guidance to the hotels, suppliers and central sourcing partners regarding minimum standards and objectives within important purchasing categories such as food and beverages, services, consumables and chemicals.

For data on anti-corruption and suppliers, see Sustainability Notes 12 and 13.

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Pandox's supply chain management process

1 New supplier sourcing and procurement ➤ **2** Requirements ➤ Sign contract ➤ **3** Monitoring new and existing suppliers ➤ **4** Supplier dialogue ➤ **5** Site visits

Sourcing and procurement

The first step of the process involves screening new suppliers above a certain minimum amount. This involves verifying that the company exists and is active, then screening the company against sanction lists. If the company cannot be verified or is on a sanction list, the supplier is no longer eligible to participate in the procurement process. The suppliers that can be verified and are not on a sanction list go on to the next step in the process. This involves an internal risk analysis based on a number of risk parameters such as industry, country, size of annual purchases and contract length. Companies identified as high or medium risk must complete a brief digital self-assessment form to give Pandox a better basis on which to make a decision.

Requirements

Under the terms of their contract, all new suppliers must approve Pandox's Code of Conduct for business partners regardless of the contract amount.

Monitoring activities

All suppliers defined as high or medium risk at the procurement stage must complete a longer self-assessment form within six months. This follow-up process is to ensure that they are meeting the terms of the contract. In addition to these measures, random checks are made of low-risk suppliers, who must also complete the longer self-assessment form.

Supplier development

Where a non-conformance is discovered in the self-assessment form, a dialogue begins with the supplier to ensure that they remedy this. The suppliers are asked to submit a proposed action plan for Pandox to approve. Pandox follows up to ensure that actions decided on are implemented within the set schedule. Suppliers that do not remedy the non-conformances identified may be terminated, depending on the level of seriousness.

Site visits

Starting in 2023, at least half of the suppliers where the most serious non-conformances have been identified in the self-assessment form will be further scrutinised through site inspections carried out by an independent external party.

Exemption

Suppliers may be granted exemption from the process described above if special circumstances exist, such as if there is only one supplier in the market. Exemption may only be granted by the newly formed purchasing council consisting of representatives from the executive management team. Individual purchasers may submit an inquiry regarding exemption to the council. Each individual case is to be documented and archived. No cases needed to be escalated to the council in 2022.

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Focus area: Guest satisfaction and security

Satisfied hotel guests are vital for the business to be successful. Pandox's properties must also be safe and secure – for the guests, those working there on a daily basis and those dropping in. In 2022 the majority of the Covid-19 restrictions were lifted and guests returned to the hotels.

Pandox's targets and results in the guest satisfaction and safety focus area

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
Guest satisfaction At least 80% of guests at the hotels operated by Pandox would recommend Pandox hotels to others	Operator Activities	83%	82%	N/A
Guest safety Guests at hotels operated by Pandox must always feel safe	Operator Activities	4 cases	1 case	Targets 3.4 and 8.8
Guest privacy and data security Zero tolerance for incidents	Operator Activities	0 cases	0 cases	N/A

Satisfied hotel guests

Guest satisfaction is one of the most important indicators within Pandox's Operator Activities because it shows how well a hotel is living up to guest expectations. Indirectly it is also a measure of how competitive the products Pandox offers to its tenants are in terms of attractive hotel properties.

Pandox's objective for the hotels it operates is for at least 80 percent of the hotel guests to recommend the hotel to others. Guest satisfaction was at 83 (82) percent according to Pandox's annual guest survey, which was carried out by an external party in 2022.

What primarily drives hotel guest satisfaction is personal service, individual attention, products that offer value for money, safety, consistent quality of service and product delivery, community engagement and a focus on the environment. This, in combination with the pent-up travel demand among guests following the pandemic, is the reason for the high level of guest satisfaction. Guest occupancy increased from 36 percent on average in Pandox's portfolio in 2021 to 60 percent in 2022.

Those booking conferences and business travel expect hotels to have environmental certification and to be able to report GHG emissions per guest night. Individual travellers have also started demanding this as more and more people are aware of the climate issue today. According to Booking.com, 81 percent of travellers want to stay at a hotel with green certification in the year ahead. Both Google and Tripadvisor offer an option to search for green hotels.

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Hotel guest health and safety

The hotel guests expect the hotels to be safe and secure, to promote good health and to provide memorable experiences. The hotels are to be safe places to be in and the employees must have the right skills to operate them in a safe and professional way.

Pandox is responsible for ensuring that all of its 157 hotel properties follow building norms and other laws and safety regulations.

Within the Property Management segment it is the tenant who is responsible for all forms of security, such as perimeter protection, for example window and door alarms, security guards and surveillance cameras.

Within Operator Activities Pandox is responsible for security. Hotel safety is an area covered in Pandox's Code of Conduct for employees. In addition, all hotels in have emergency preparedness plans and safety policies in place. Safety is also a topic covered in the Company-wide digital training. The employees also receive training in first aid, and all hotels regularly perform fire and evacuation drills.

Guest privacy and data security

Guest privacy and data security are important to Pandox. The Code of Conduct for employees contains guidelines on privacy and information security. The Company works actively to prevent breaches relating to data security and guests' personal data. Among other things, training in data security takes place locally at each hotel as well as through the mandatory Company-wide digital training.

To protect the guests' personal data Pandox uses technical and organisational protective measures, such as firewalls and password-protected systems. Employees must also respect the guests' privacy and ensure that their personal data is treated confidentially. In 2022 there were 0 (0) data breaches at hotels operated by Pandox.

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Focus area: Attractive and equal workplace

Pandox has 1,880 (1,560) employees who come from 90 (85) different countries, which reflects the diversity in the hotel industry. Pandox wants to create the right conditions for motivated and independent employees who have a clear mandate in their roles, and for equality and inclusivity in the workplace.

Pandox's targets and results in the attractive and equal workplace focus area

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
At least 80% satisfied employees in annual survey	Group	77%	78%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8 and 10.2
Increase the percentage of female General Managers and senior managers	Operator Activities	41%	39%	Targets 5.1, 5.5 and 10.2
Sickness absence is to be measured and monitored on an ongoing basis and reported annually	Group	6%	7%	Targets 3.4 and 8.8

The majority of Pandox's employees work at the hotels operated by Pandox within Operator Activities. Withing Property Management Pandox has a small number of employees and consultants who are responsible for various markets. Other day-to-day property management is carried out by subcontractors or Pandox's tenants.

Employees during the year

1,880 (1,560) employees in total

of which:

1,830 (1,510) in Operator Activities

11 (14) in Property Management

39 (36) at the head office

> For more information on the employees and employment terms, see Sustainability Note 11.

Attractive workplace that encourages development

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The hotel industry faced significant challenges after the Covid-19 pandemic as employees needed to be let go and then chose to leave the industry. The industry is still affected by this as it has become harder to recruit new employees.

Studies[1] also show that it has become increasingly important for employees to have meaningful work at a workplace where they feel appreciated and can develop professionally, working for a company that prioritises the environment and the social agenda.

Pandox makes every effort to be one of the most attractive employers in the hotel property industry. To achieve this Pandox offers a dynamic yet safe working environment where development is encouraged and there is zero tolerance for discrimination or harassment. In 2022 there was one case of harassment that was followed up immediately and dealt with according to established routines.

Employees are offered a clear mandate to succeed in their role at work. As the Company has a lean organisation, having a strong moral compass and independence is essential. The employees are also encouraged to come up with suggestions on how to improve.

Pandox carries out workplace evaluations of the physical and psychosocial work environment every three years or when significant changes are made within the organisation, in order to offer an attractive workplace.

Employee satisfaction

Pandox's quarterly employee survey for hotel employees within Operator Activities showed employee satisfaction of 77 (76) percent for 2022.

An employee survey is carried out at the head office annually. Employee satisfaction is measured annually at the head office and was at 79 (80) percent in the survey carried out in the fourth quarter of 2022. This means that average employee satisfaction overall within Pandox was 77 (78) percent.

Employee turnover can be seen as another indicator of how satisfied the employees are. For 2023 it was significantly higher than normal and this is mainly due to a need that has existed for some time to reorganise certain parts of the Company to meet new demands. Due to the pandemic there were limited opportunities for organisational planning over the past three years and more leadership changes than normal have happened to fall at the same time. Employees have in turn had time to reflect on their future career choices and some have retrained for other occupations. Employee turnover increased by 42 (29) percent in 2022. Among Pandox's hotel employees the turnover was 42 (30) percent and among employees at the head office, including Property Management, 12 (6) percent.

Fair working conditions and employment terms

It is important to have fair working conditions and employment terms. All of Pandox's employees have the option to join a trade union. Collective agreements are used in Operator Activities and collective bargaining takes place. In 2022, 68 (69) percent of all employees were covered by collective agreements.

At the head office and in Property Management collective bargaining agreements are not used, but employment terms are similar to those in collective bargaining agreements that exist elsewhere and the employees are given ample opportunities regarding employment terms, professional development and promotion.

Personal development

Personal development is a priority for Pandox, whose ambition is to offer all employees training, development opportunities and career planning, as well as flexible ways to find balance in their lives.

Average number of hours of training per employee in 2022 was 10 (9) hours. Here there is no significant difference between men and women or between different types of positions.

In 2022 performance and career development reviews were conducted with 53 (58) percent of Pandox's employees. The reduction relates to Operator Activities and is due to the recruitment of more new employees.

Angelica Zupanc, General Manager at Radisson Blu Bremen.

Nominated as the most sustainable workplace

In 2022 Radisson Blu Bremen was the only hotel to be nominated as the most sustainable workplace in the tourism industry in the city of Bremen, Germany. The hotel has successfully integrated sustainability throughout its operations and sustainability is also a theme in its recruitment and marketing materials. Its genuine focus on sustainability was recognised as one of the main factors prized among candidates when selecting the hotel as an employer. The hotel's environmental focus, flexible job opportunities and structured career development plans all helped to create a loyal and high-performing team of employees who are thriving.

[1] Deloitte study

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Employee health and safety

All employees are to have a healthy, safe and secure work environment. Risk assessments are therefore carried out on a regular basis. Risks identified are usually associated with building sites and physical risks at hotels, such as the risk of fire and of trips, slips and falls. During the year there were 0 (0) work-related deaths and 1 (0) serious work-related injuries.

All employees within hotel operations receive annual training, information and instructions on safety. There are procedures in place to review evacuation routes and check emergency lighting and signage on an ongoing basis. While renovations are taking place, emergency exit routes must be maintained by keeping evacuation routes clear and by keeping emergency lighting in working order and fire detection systems active.

Contractors taken on for renovation, retrofit or extension work are instructed in Pandox's health and safety routines and, in their capacity as employers, are formally responsible for investigating and taking steps if any of their employees are injured at work.

Pandox has no formal responsibility for the hotel employees of the tenants. However, Pandox does try to have an impact, including through the Pandox Code of Conduct for business partners, which describes what the Company expects of them. Pandox's ambition is to follow up any incidents that occur at the workplace to ensure that steps are taken.

Pandox also monitors sickness absence among the employees as an indicator of health. Sickness absence amounted to 6 (7) percent in 2022, which is slightly lower than in the previous year.

Employees at Pandox's head office are offered health checks at specific intervals depending on their age. In 2022, 62 percent of the employees took advantage of this opportunity, which will continue until March 2023.

> ⊙ *For more information on health and safety, see Sustainability Note 11.*

Health and wellbeing

Pandox encourages flexibility at work and physical activity to promote wellbeing and improve performance. Pandox Movement is an initiative at the head office and in the Property Management segment where employees participate together in sports and other physical activities. Employees are encouraged to challenge themselves, set ambitious goals and take part in races such as "Spring för Livet" (Run for your Life).

Hotels in the Operator Activities segment are themselves responsible for the health and wellbeing programmes offered to employees, which is usually determined by which brand the hotel operates under. Certain hotels offer employees wellness opportunities in the form of use of the hotel's gym, pool and sauna before or after their shift. Some offer employees help to stop smoking as a way of promoting better health. Other examples of initiatives are physical and mental heath check-ups, massage, designated prayer facilities, and paid leave for birthdays.

Diversity and gender equality

The majority of Pandox's employees work at the hotels in Operator Activities. The hotel industry is characterised by diversity – both in terms of nationality and age groups. It is important for Pandox's employees to reflect the diversity that exists among the guests.

In 2022 a diversity and inclusion workshop was held with representatives from the executive management team and key individuals from Pandox-operated hotels. The purpose was to create an understanding of the fundamentals of diversity and inclusion, and to agree at a strategic level on a vision and ambition and on the reasons for Pandox's efforts in these areas. The next step is to hold a similar workshop, this time with general managers and employees who belong to minority groups within the organisation. This will ensure that relevant perspectives are included, so that it will be possible to produce a long-term strategy next year containing clear goals and activities.
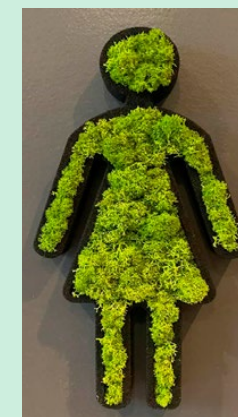
More women in senior roles

Pandox's ambition is for both genders to be represented in the recruitment process for senior roles.

The total percentage of female general managers at Pandox-operated hotels was 27 (21) percent at the end of 2022. The increase is due to the recruitment of an additional female general manager.

However, the percentage of women in Pandox's executive management team reduced to 30 (40) percent with the resignation of Pandox's Senior Vice President, General Counsel, as the replacement will not be part of the executive management team.

> ⊙ *For more information on diversity, see Sustainability Note 11.*

In 2022 Pandox gained a place on Allbright's green stock exchange list for having achieved an even gender balance in the executive management team. Allbright conducts an annual review of the stock exchange's top level in Sweden based on representation. The organisation then ranks the listed companies based on gender equality in executive management. Companies with the same percentage of men and women are given a green rating, companies that are not quite there are yellow and companies with no women in executive management are red-listed.

ETT AV SVERIGES MEST JÄMSTÄLLDA BOLAG 2022

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Focus area: Inclusive local communities

Hotels play a vital role in the community. They create jobs, a place to stay overnight and experiences, but they also make a positive contribution to community development and to safe and secure neighbourhoods. Pandox wants to help create vibrant, inclusive and safe local communities.

Pandox's targets and results in the inclusive local communities focus area

Targets	Who is affected	Outcome 2022	Outcome 2021	Contributes to UN SDGs
Community projects All hotels and the head office will be involved in at least one project to support the local community in 2022	Group	**17** hotels including the head office	11 hotels including the head office	Targets 4.4, 4.5, 8.6 and 10.2
Increased safety All hotels are to have facade and/or entrance lighting to increase safety in the vicinity	Operator Activities	**18** of 20 hotels	17 of 20 hotels	Target 11.7

For an inclusive local community

Hotels have a significant role to play in the local community by providing a place to stay for the night, experiences and meetingplaces, and as employers and purchasers of local products and services. Hotels are also a vital part of the tourism industry as they generate income for the government at the national and municipals levels and for the local community. By working closely with the local community and employing people who live in the area, hotels can also contribute in a positive way to social sustainability.

46 (54) percent of Pandox employees live within a 10 kilometre radius of the hotel where they work, and 3 (4) percent of the employees live in socioeconomically vulnerable areas.

Pandox uses local and regional companies for technical operation, property services and laundering of linens and towels. The Company's ambition is to use local food suppliers to the greatest extent possible.

The hotel properties also play an important role in creating safe and vibrant city centres. Safety in the vicinity of the hotels can be improved by, for example, lighting up entrances and facades. Of the 20 the hotels in Operator Activities, 18 (17) have lighting at their entrances and 20 (17) have surveillance cameras.

Holiday Inn Lübeck is involved in many local projects. One of these, a regional initiative to promote Lübeck as a sustainable holiday destination, is taking place in partnership with Lübeck's hotel and restaurant association and the local tourist board.

Community engagement

Pandox wants to be involved in and contribute to local communities in the areas where Pandox's employees have particular expertise, skills and interests. Pandox's community engagement strategy aims to ensure that all hotels in Operator Activities, as well as the head office, support at least one local project. The choice of organisation or project is determined by the employees, as real engagement comes from the grass roots.

In 2022 the majority of the hotels in Operator Activities were engaged locally and several of them supported multiple initiatives. Examples of projects include providing food to homeless people, offering internships to young people with functional disabilities and sponsoring Pride in Copenhagen. Pandox is proud of the many initiatives that its hotels and teams have been involved in during 2022. To have an even greater impact through its projects to support local communities, a more strategic approach will be adopted. The purpose is to find shared issues for the hotels to focus on, to make the projects the hotels are engaged in more impactful. The hotels will still be very active in selecting projects going forward. The new strategy will be launched in 2023. This effort also includes monitoring and measuring outcomes.

Ukraine in our hearts

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Pandox donated MSEK 1 to UNICEF in 2022 to help Ukrainian refugee children have access to basic items such as food and clothes. The Company was also involved in several local initiatives to support Ukrainian refugees. As an example, Pandox hotels in Germany and Belgium made more than 4,000 hotel rooms available to refugees from March to December.

In Germany several Pandox hotels worked with #Hospitality Helps, an initiative that helps to provide temporary hotel accommodation free of charge to Ukrainian citizens who were forced to leave their homes due to the war.

Revenue from breakfast and dinner sales at the hotels was donated to the refugees on a regular basis.

Hotel guests were also given the opportunity to help.

At all Pandox hotels in Belgium the hotel guests were given the option to opt out of daily housekeeping; each time they did so, Pandox donated EUR 5 to Ukrainian refugees.

Pandox also sent 40 generators to Ukraine, providing portable electricity so that people could prepare food, have lighting and cover other basic needs.
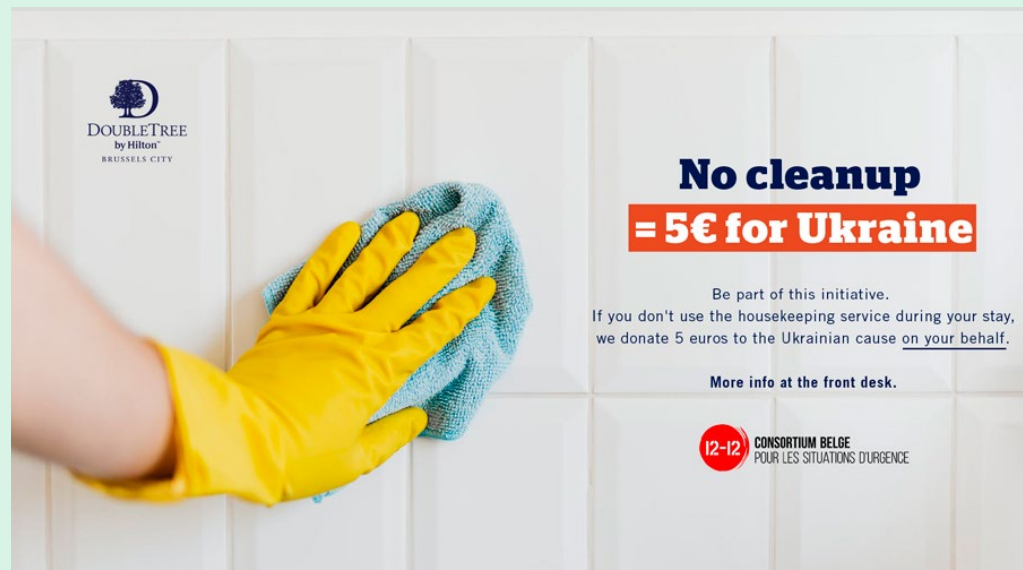
Elena Drozd left Ukraine due to the war and is now General Manager of Hotel Indigo in Brussels

Elena was formerly General Manager of Bursa Hotel in Kyiv.

"On 23 February I was flying back to Ukraine from my holiday in Sri Lanka. During a stopover in Doha, I received a message from a friend at 4.30 a.m. on 24 February telling me that war had broken out. At that moment a new chapter in my life began. Our flight to Kyiv was cancelled and we were instead sent to Warsaw. From there I flew to Hamburg because I had a place to stay there. Bursa Hotel in Kyiv was forced to close due to the war. Two weeks later I decided to start looking for a job in Europe.

I did a lot of interviews, but the position as General Manager at Hotel Indigo Brussels was the most interesting, attractive and challenging all at the same time. I was invited to interviews in Brussels where I met with some of my future colleagues, saw the hotel and discussed the future strategy and vision with Pandox's management. I think it was a perfect match and we shared a mutual understanding for where we wanted to take the hotel."

Sustainability notes

S.1. ABOUT THE SUSTAINABILITY REPORT

The 2022 Annual Report includes the Pandox Sustainability Report for 2022. The report also constitutes Pandox's statutory Sustainability Report and meets the disclosure requirements in the Swedish Annual Accounts Act regarding sustainability reporting.

Pandox's Sustainability Report has been prepared in accordance with the GRI Standards. In 2022 Pandox implemented the core standards GRI 1 Foundation, GRI 2 General Disclosures and GRI 3 Material Topics, in the 2021 version.

The Sustainability Report also constitutes Pandox's Communication on Progress Report relating to the Ten Principles of the UN Global Compact. Pandox also reports according to TCFD and the EU Taxonomy Directive.

Sustainability reporting is based on the Company's material topics and summarises these in five focus areas that are included in Pandox's sustainability strategy. The sustainability strategy was produced with the help of dialogue with stakeholders and a materiality analysis conducted at the end of 2021. In 2022 Pandox started reporting on two new material sustainability topics, namely climate adaptation of buildings, and sustainable materials and products.

The Sustainability Report covers the full year 2022. Pandox's sustainability reporting follows the financial year and is published annually. The 2021 Sustainability Report was published on 11 March 2022. The publishing date for the 2022 Sustainability Report is 10 March 2023. The information in Pandox's Sustainability Report has not been externally audited.

Some revisions have been made to previously reported sustainability data regarding GHG emissions in past years. Read more about this in Sustainability Note 7 Climate.

Changes to the property portfolio, organisation and its supply chain

During the year Pandox acquired DoubleTree by Hilton Bath in the UK and NH Brussels Louise in Belgium. DoubleTree by Hilton Bath has been included in the Operator Activities business segment since 23 September 2022. NH Brussels Louise was in the Operator Activities business segment in the fourth quarter of 2022, but was reclassified on 31 December 2022 to the Property Management segment.

In May 2022 Mora Hotell & Spa in Sweden was divested and Scandic Kajanus in Finland was divested in July – both were in the Property Management business segment. In addition, an agreement was signed in September on the sale of InterContinental Montreal in Canada which was in the Operator Activities business segment. The transaction was not completed until February 2023 and the property is therefore included in the 2022 Sustainability Report.

Other than the changes in the property portfolio, no significant changes have taken place within Pandox's organisation or supply chain.

Report scope and boundaries

The Sustainability Report includes the Parent Company and directly owned subsidiaries as well as their subsidiaries. The report covers the parts of the organisation that Pandox has operational control over. Pandox's business activities are divided into two business segments: Operator Activities (20 hotel properties) and Property Management (137 hotel properties). Sustainability data in this Annual Report includes Pandox's head office, Operator Activities and Property Management. The total property area for 2022 measures 2,090,920 (2,084,947) sq m.

19 of Pandox's 20 hotels in the Operator Activities segment and the head office provide measured environmental data, which is presented in the tables under "Operator Activities and HQ". Pandox does not yet have access to sustainability data for the property acquired in 2022 and they are therefore not included in the sustainability data reported. The aim is to include their sustainability data in 2023.

In the Property Management segment Pandox owns and rents out 137 hotel properties. Tenants operate the hotels, are responsible for the employees and for sourcing their own energy, water, waste management etc. As far as possible Pandox tries to collect and report tenants' environmental data for energy and water consumption, waste and greenhouse gas (GHG) emissions for the hotels within Property Management. The tenants' environmental data is presented in the tables under "Property Management". GHG emissions from the tenants' usage and operations is reported in Scope 3.

In order for Pandox to collect environmental and energy data from the tenants, these companies must first give their consent. In the Property Management segment 94 hotels provide energy data, which represents 69 percent of the 137 hotels in the segment. This includes all Scandic hotels and the majority of Nordic Choice hotels, which are two of Pandox's largest tenants. Leonardo and Jurys Inn have competition-related and/or organisational considerations and, as a result, have not yet consented to this. In this report Pandox has therefore introduced standard calculations for the properties the Company owns and leases out but does not receive measured data from. The purpose is to allow year-on-year comparisons in reporting and to provide information on all properties owned by Pandox, including those not under Pandox's operational control. This has been vital to the process of setting science-based targets for the whole value chain.

The tenants' social and economic sustainability data is not reported in Pandox's Annual Report as this is entirely outside Pandox's operational control.

The base year for sustainability data is stated in each table.

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S.2. MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE

Feedback from Pandox's stakeholders on the Company's sustainability work and external analysis carried out is important in determining how the Company sets its priorities internally and which improvement measures to implement. The most important stakeholder groups are Pandox's owners, tenants, hotel guests, investors, professional and other organisations, suppliers and employees. These main stakeholders have in turn different expectations and requirements with respect to Pandox's sustainability work. The most important stakeholder groups have been identified by determining what the stakeholders' influence on and interest in Pandox's operations are.

Process for materiality analysis and stakeholder dialogue ahead of 2022

In autumn 2021 a new stakeholder dialogue and materiality analysis were carried out to determine if there were any changes in the stakeholders' expectations and requirements, and to identify which material sustainability topics Pandox should focus on and report on in 2022 and onwards. The results are presented in the diagram to the side here.

This process began with an analysis of the external environment, including in-depth interviews with expert stakeholders, to identify potential sustainability topics that may be material for Pandox. Surveys were then carried out in which external and internal stakeholders had the opportunity to evaluate how much emphasis Pandox should place on each sustainability topic. Pandox examined the previous material sustainability topics as well as new topics, including biodiversity, climate adaptation, green transport and wellbeing, but also the topic of increased cooperation between hotel chains, property owners and suppliers.

Pandox then performed a new materiality analysis to evaluate the Company's positive and negative impact on the surrounding communities throughout the value chain from an economic, environmental and social perspective, and to prioritise the most material sustainability topics. The Board of Directors then verified that the sustainability topics defined as material in the materiality analysis are important for Pandox to focus on.

Materiality analysis results
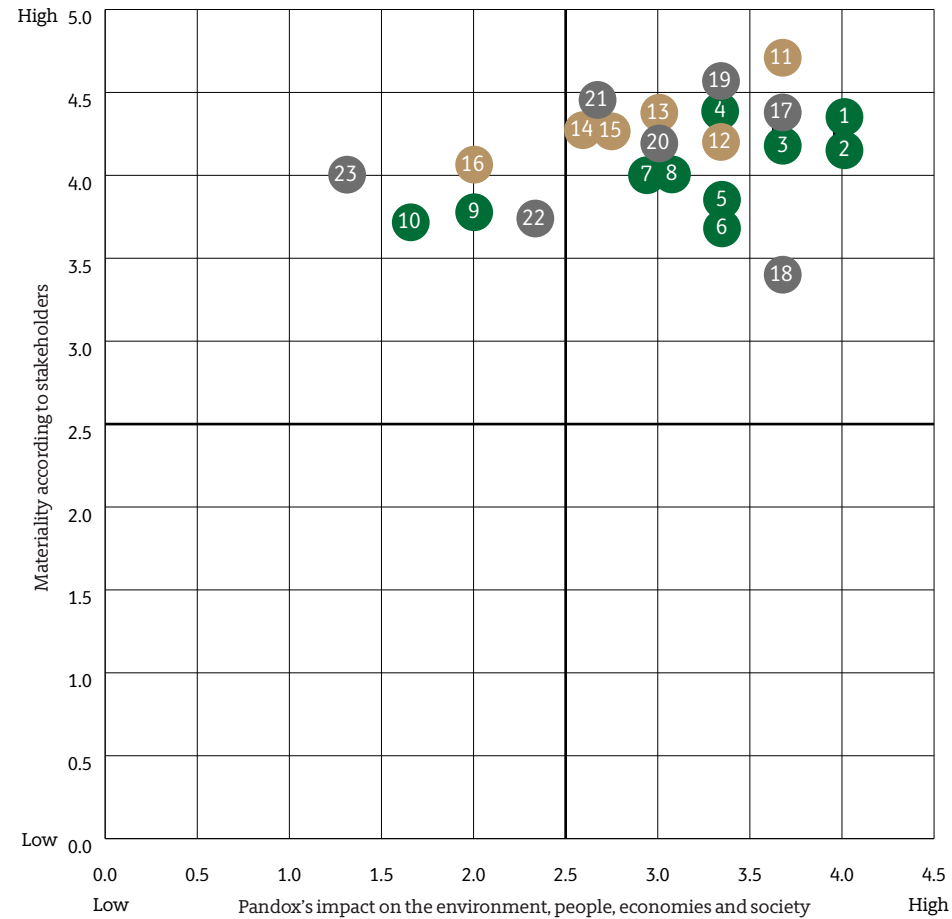
SUSTAINABILITY TOPICS EVALUATED IN THE 2021 MATERIALITY ANALYSIS

Environment
1. Reduced climate impact through reduced GHG emissions
2. Reduced waste and increased recycling/reuse
3. Increased use of sustainable materials
4. Reduced energy consumption
5. Environmental certification of buildings
6. Environmental certification of hotel operations
7. Climate adaptation of the buildings
8. Reduced water consumption
9. Green transport [1]
10. Biodiversity [1]

Employees and suppliers
11. Business ethics and anti-corruption
12. Increased cooperation in the value chain within sustainability [1]
13. Health and safety of employees and subcontractors
14. Fair employment terms for employees
15. Attractive and equal workplace
16. Wellbeing, employees [1]

Guests and communities
17. Satisfied guests
18. Responsibility to local community
19. Health and safety of guests, visitors
20. Customer privacy and data protection
21. Prevent trafficking and prostitution
22. Purchase of locally produced, vegetarian and vegan food [1]
23. Wellbeing, guests and visitors [1]

[1] These sustainability topics were analysed in the materiality analysis, but were evaluated as being less material to Pandox.

PANDOX'S MATERIALITY ANALYSIS PROCESS IN 2021

1. External environment analysis

Purpose: Identification of potential material sustainability topics in the property and hotel industries.

Methods: Validation of SASB material topics for the industry, in-depth interviews with experts and media analysis. [1]

2. Stakeholder dialogue

Purpose: Evaluation of which sustainability topics internal and external stakeholders consider the most important ones for Pandox to focus on.

Methods: Surveys

3. Materiality analysis

Purpose: Assessment of Pandox's impact on the external environment and prioritisation of the most material sustainability topics.

Method: Workshop with representatives from Pandox's executive management team etc.

4. Validation by the Board of Directors

Purpose: The material sustainability topics were presented to and validated by the Board of Directors.

Method: Presentation at board meeting.

[1] The GRI Standards do not as yet include any sector-specific standard for the property industry.

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▶▶ Note S.2., cont.

RESULTS OF STAKEHOLDER DIALOGUE 2021

Stakeholder group	Dialogue format	Most important sustainability topics
Hotel guests	Survey	• Health and safety of guests and visitors • Satisfied hotel guests (quality of services) • Wellbeing of guests and visitors • Customer privacy and data security
Tenants	Survey/interview	• Business ethics, anti-corruption • Employee health and safety • Satisfied tenants and hotel guests • Zero tolerance for trafficking and prostitution
The community (stakeholder organisations)	Survey/interview	• Reduced energy consumption • Reduced climate impact / Climate adaptation • Business ethics, anti-corruption / Increased cooperation • Health and safety of guests and visitors
Suppliers	Survey/interview	• Zero tolerance for trafficking and prostitution • Business ethics, anti-corruption • Health and safety of guests and visitors
Analysts	Interview	• Business ethics, anti-corruption • Zero tolerance for trafficking and prostitution • Reduced energy use / Environmental certification of buildings • Reduced climate impact
Investors	Survey/interview	
Shareholders	Survey/interview	
Board of Directors	Survey/interview	
Executive management team	Survey	• Zero tolerance for trafficking and prostitution • Sustainable products and materials • Attractive and fair workplace • Health and safety of guests and visitors
Hotel employees	Survey	• Zero tolerance for trafficking and prostitution • Attractive and fair workplace • Customer privacy and data security • Employee wellbeing
General managers	Survey	
Employees: head office and Property Management	Survey	• Zero tolerance for trafficking and prostitution • Attractive and fair workplace • Employee health and safety • Customer privacy and data security

Ongoing dialogue with stakeholders

Pandox has ongoing dialogue with its stakeholders throughout the financial year in addition to the specific stakeholder dialogue on sustainability that took place in 2021.

Topics covered in dialogue with tenants are determined by the agreement and which issues are relevant to address. The revenue-based rent system requires the parties to work together in a constructive way to understand the market and achieve common goals. During the year the conversation was dominated by maintenance and development projects. In 2023 a survey is planned to be sent out to all 137 tenants with the aim of gaining a better understanding of their expectations with respect to Pandox's sustainability work.

As survey is carried out each year of employees at the head office and quarterly of employees at hotels operated by Pandox. Read more on page 77.

Dialogue with shareholders and investors takes place on a quarterly basis in connection interim reporting, through road shows and informal meetings, and through surveys to determine what they want to see in the Annual Report. In 2022 Pandox also intensified its dialogue with four of its largest banks regarding green financing. An agreement was reached with one of the banks in December regarding obtaining a sustainability-linked loan. This will take place in connection with a refinancing transaction in January. This dialogue clearly revealed what the requirements are and what is expected of Pandox. This has in turn impacted Pandox's strategic internal processes.

Pandox arranges an annual Hotel Market Day focusing on trends and knowledge transfer. Pandox's most important stakeholders are invited to this event.

Pandox has a structure for dialogue with suppliers through its supplier audit process. This allows Pandox to support and develop cooperation and to encourage suppliers to work in a more professional and structured way on sustainability. To read more about the supplier audit process, see page 72 and Sustainability Note 13.

Pandox also has a dialogue with professional and industrial organisations on development opportunities, for example in connection with their evaluation of Pandox's sustainability work and results from surveys such as GRESB and CDP.

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►► Note S.2., cont.

PANDOX'S MATERIAL SUSTAINABILITY TOPICS AND HOW THEY LINK TO GRI REPORTING FOR 2022

Focus area	Pandox's material sustainability topics 2022	Reported topic-specific GRI disclosures and company-specific disclosures in the 2022 Annual Report
Environment and climate	Energy consumption	GRI 302-1 Energy consumption within the organisation GRI 302-2 Energy consumption outside the organisation GRI 302-3 Energy intensity
	Climate impact	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Indirect (Scope 2) GHG emissions GRI 305-3 Other indirect (Scope 3) GHG emissions GHG 305-4 GHG emission intensity
	Climate adaptation of buildings	*Company-specific disclosures:* P-1: Properties for which climate risk assessment has been carried out as a percentage of total properties
	Water consumption	GRI 303-5 Water consumption
	Waste and recycling	GRI 306-3 Waste generated
	Sustainable materials and products	GRI 301-1 Materials used by weight or volume
	Sustainability certification	*Company-specific disclosures:* P-2 Sustainability-certified properties P-3 Percentage of Pandox's Operator Activities that are sustainability-certified
Responsible and fair business	Sound business ethics/Anti-corruption	GRI 205-3 Confirmed incidents of corruption and actions taken
	Sustainable supply chain	GRI 308-2 Negative environmental impact in the supply chain and actions taken GRI 414-2 Negative social impacts in the supply chain and actions taken
	Zero tolerance for trafficking and prostitution	*Company-specific disclosures:* P-4 Number of incidents of prostitution or trafficking
Guest satisfaction and security	Satisfied guests	*Company-specific disclosure:* P-5 Guest satisfaction in Operator Activities
	Guest health and safety	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services
	Customer privacy and data protection	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
Attractive and fair workplace	Attractive workplace that encourages development	GRI 401-1 New employee hires and employee turnover GRI 404-1 Average hours of training per year per employee GRI 404-3 Percentage of employees receiving regular performance and career development reviews
	Health and safety of employees and subcontractors	GRI 403-9 Work-related injuries GRI 403-10 Work-related ill health *Company-specific disclosures:* P-6 Sickness absence by segment
	Fair employment terms and equal rights	GRI 405-1 Diversity of governance bodies and employees GRI 406-1 Incidents of discrimination and corrective actions taken
Inclusive local communities	Responsibility to local community	*Company-specific disclosures:* P-7 Percentage of hotels in Operator Activities, including the head office, that have community projects

S.3. EXTERNAL CONVENTIONS, INITIATIVES AND MEMBERSHIPS

In addition to following laws in the countries where Pandox operates, the Company also supports international initiatives and is a member of various associations.

International conventions and initiatives
• UN Global Compact
• UN SDGs and Agenda 2030
• ILO Declaration on Fundamental Principles and Rights at Work
• UK Modern Slavery Act
• International Bill of Human Rights
• UN Guiding Principles on Business and Human Rights
• OECD Due Diligence Guidance for Responsible Business Conduct

Membership of associations, organisations and industry initiatives
• Energy and Environment Alliance Capital Market Committee (EEA)
• Sweden Green Building Council
• European Public Real Estate Association (EPRA)
• Property owners and their sustainability councils
• GRI Sustainable Hospitality Global Committee

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S.4. SUSTAINABILITY MANAGEMENT

Decision-making body on sustainability

The Board of Directors has overall responsibility for the strategic focus of sustainability and climate work, and makes decisions on the Company's policies. The Board of Directors also makes decisions on significant investments, such as green investment programmes and certification of properties. Feedback is provided to the Board through a six-monthly board report and an annual oral presentation by the SVP, Director of Sustainable Business.

The CEO and the executive management team are responsible for day-to-day operation of the Company and report to the Board of Directors. They are responsible for delivering on targets and strategies and taking decisions on general operational matters, including sustainability. They are also to ensure that systems and processes are in place to monitor and control the Company's operations and risks, including climate-related risks and opportunities. The SVP, Director of Sustainable Business is a member of the executive management team.

The Sustainability Committee, consisting of representatives from the executive management team and experts, addresses ongoing issues and decisions relating to sustainability work. The efforts in 2022 focused on science-based targets, green financing, and diversity and inclusion. The Sustainability Committee is also active in the green investment programmes and the BREEAM certification process for all properties in Operator Activities. The SVP, Director of Sustainable Business convenes committee meetings.

The SVP, Director of Sustainable Business is responsible for ensuring that sustainability is integrated into Pandox's day-to-day operations in consultation with individuals responsible for the relevant areas, who are often the heads of the business areas. The Director's participation in executive management meetings ensures that sustainability is always high up on the agenda and integrated into the Company's business.

The SVP, Director of Sustainable Business also leads the Sustainability Forum attended by experts, property development managers and administrators who run the green investment programmes and BREEAM certification of properties in Operator Activities. In 2022 the forum analysed and evaluated the possibility of setting and submitting science-based targets. A strategic, long-term initiative within diversity and inclusion was also launched.

The SVP, Director of Sustainable Business reports sustainability performance to the executive management team and the general managers in the Operator Activities segment on a continual basis, including through the quarterly Green Update reports. Sustainability is also a permanent element of the Company's strategic kick-off meetings held twice a year for the executive management team, board representatives, head office employees, Property Management representatives, and key decision-makers within Operator Activities.

All Pandox employees are responsible for incorporating sustainability into their work in accordance with the Company's policies and strategies.

Governing documents

The Code of Conduct for employees constitutes the ethical guidelines for Pandox's operations. As part of their workplace orientation every new employee learns about the Code of Conduct in a Company-wide digital course. The Code of Conduct also prohibits the employees from taking a political stance in the Company's name. The Code is based on the Ten Principles in the UN Global Compact and the underlying conventions and declarations that cover human rights, rights at work (ILO), environmental protection and anti-corruption.

Pandox's Code of Conduct for business partners is also based on the principles above and describes the expectations that Pandox has of its suppliers regarding human rights, labour rights, the environment and anti-corruption.

Pandox's Anti-Corruption Policy supplements the Code of Conduct and states that the Company has zero tolerance for all forms of corruption.

The Human Rights Policy states that the Company must respect and promote human rights throughout the organisation, including in the value chain and in the communities where Pandox operates.

Pandox's Environmental Policy establishes the values and guidelines for Pandox's environmental work. Areas covered include energy and water consumption, emissions and waste. The precautionary principle is part of the Environmental Policy and involves the Company proactively avoiding environmental risk and negative environmental impact.

Pandox's Tax Policy states that Pandox must always act in compliance with the tax rules in effect. All taxes and levies are paid according to local laws and regulations in the countries where Pandox operates. Tax management is to be ethical and commercially sound. In the event of uncertainty, the precautionary principle and transparency apply. As a good corporate citizen, Pandox regards paying tax as part of its social responsibility.

Pandox's Personal Data Policy and Information Security Policy guarantee protection of guests' personal data and privacy.

All of the above policies have been signed by the Board of Directors. Policies with general relevance are published on Pandox's website, while those of a more technical nature are not published there. Each policy has information on which international principles the policy supports, which activities and which stakeholders they include, division of responsibility, guidelines to be followed and how the policy is to be communicated and implemented.

The Purchasing Policy and Maintenance Policy are not signed by the Board but by a representative from the executive management team, as that is a more operational issue. These enable Pandox's properties to be operated in a uniform manner and make it possible to create proactive plans for the short and medium term for each property. In addition to facilitating budget planning, the policies are also helpful in the BREEAM certification process for the properties.

Monitoring and control

In order to perform an accurate status analysis and prioritise the right activities and investments, Pandox continued to collect sustainability data on a monthly basis in 2022 in areas such as water and energy use as well as waste. This data is validated every quarter. At the end of the year 19 of the 20 hotels in the Company's Operator Activities segment, as well as the majority of the hotels in Property Management, were included in the system. The goal is for all hotels to report into the system.

The sustainability data collection system has enabled analysis to be performed to assess and prioritise among various environmental investments. Analysis of the data resulted, among other things, in the creation of the second green investment programme in Operator Activities.

The system has also identified the need to review waste procedures on site in Pandox's own operations to gain control, set goals and reduce waste, and the need to put in place supplementary

IMPORTANT GOVERNING DOCUMENTS
- Code of Conduct for employees
- Code of Conduct for business partners
- Environmental Policy
- Anti-corruption Policy
- Human Rights Policy
- Tax Policy
- Purchasing Policy
- Maintenance Policy
- Personal Data Policy
- Information Security Policy
- Statement on the Modern Slavery Act
- Risk management and internal control

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▶▶ Note S.4., cont.

agreements containing green provisions in Property Management to meet the requirements in both the EU taxonomy and the Paris Agreement.

To ensure compliance with the Codes, Pandox has internal control procedures – such as the "four eyes" principle, which requires two signatures on contracts to minimise the risk of errors or corruption. In recruiting contexts the "grandfather" principle is applied, whereby the CEO is always involved in the recruitment of key management roles. To ensure this is managed correctly in accordance with established processes, self-assessments are completed annually and reported on to Pandox's Audit Committee. These controls help Pandox to maintain high quality in ongoing accounting processes and consequently also in financial reporting.

The whistleblower system and grievance mechanisms

Pandox values an open culture in which employees and stakeholders are not afraid to report irregularities and problems in the workplace so that they can be addressed. Pandox therefore has an independent, external whistleblower system available to employees and other external stakeholders. Any suspected irregularities or deviations from Pandox's policies can be reported anonymously into the system. Matters reported are handled by an external party. It is also possible to report on HR issues anonymously. These are then handled by the respective hotel's head of HR.

Pandox's stakeholders can also submit grievances or ask to have steps taken to remedy any negative impact that Pandox has caused or contributed to. This includes human rights violations. Complaints of this nature can be made to any manager within Pandox, who then forwards the matter to be addressed by the executive management team. The Board is informed about all matters of a more serious nature.

Employees at hotels operated by Pandox have the opportunity to appoint a works council for their hotel, consisting of employee representatives and an appointed manager. The council is tasked with ensuring that the employees' rights are respected. Internal grievances can also be raised with the council and are then communicated to the hotel's management so that appropriate steps can be taken.

Employees can also make complaints and provide feedback through quarterly employee surveys carried out at Pandox-operated hotels as well as annually at the head office. The general managers and the executive management team are provided with the results in order to make decisions on relevant steps to take if necessary.

To manage feedback from guests, Pandox uses an external company to capture all complaints communicated via the market's various booking sites, such as Tripadvisor, Booking.com, Holidaycheck etc., and responds to complaints directly in those channels.

▶▶ Note S.4., cont.

PANDOX'S GOVERNANCE OF MATERIAL SUSTAINABILITY TOPICS

MATERIAL SUSTAINABILITY TOPICS	GOVERNANCE (GRI 3-3)					
	Impact on the economy, environment, people – negative/positive, actual/potential	Involvement in impacts – where in the value chain	Policies and commitments – to manage the issue	Actions taken – to prevent, mitigate or address impacts	Tracking the effectiveness of the actions taken – processes, targets, progress, lessons learnt	Engagement with stakeholders – impact on actions and contribution to outcomes
Energy consumption	Significant energy consumption, potential for a positive impact on the environment and economy by improving efficiency and producing locally.	Requirements of suppliers of energy and products that use energy. Energy producer and facilitator of energy efficient actions among tenants and hotel guests.	Environmental Policy, Maintenance Policy, SBTi.	Pandox's green investment programmes. Expansion of solar panels. Investigation and analysis of actions within Property Management.	Continual energy monitoring. Monitoring self-generated energy.	Energy investigations carried out will provide the basis for future green leases with clients within Property Management.
Climate impact	Substantial emissions in the value chain and potential to reduce these.	Requirements of suppliers of goods, materials and services in operations as well as capital goods purchases.	Environmental Policy, Purchasing Policy, SBTi.	Identification of significant emission items and planning to reduce these.	Actions are followed up annually through calculations of Scope 1, 2 and 3 emissions according to the GHG Protocol. Targets are produced according to SBTi.	A plan exists for training employees in material choices and circularity. Evaluation of initiatives to be carried out in the year ahead.
Climate adaptation	Short-term impacts identified through annual risk analysis. Long-term impact identified through a workshop with Pandox's executive management team in 2021, also deemed relevant for 2022. Sensitivity analysis carried to out assess the effects of identified risks and opportunities.	Development of properties and acquisitions.	Environmental Policy and reporting according to TCFD.	Desktop analysis of 100 percent of the property portfolio using climate risk assessment tool, site visits and creation of action plans.	The process of creating and implementing action plans is assessed annually. Actions are to be completed no later than 2030.	Cannot be evaluated until the action plans have been carried out in the years ahead.
Water consumption	Potential negative impacts in areas of high water stress.	End-users in Operator Activities. Ability to exercise control, mainly through product choices, by quickly identifying and remedying water leaks, through behavioural changes (tenants and employees) and by developing innovative processes.	Environmental Policy.	Installation of water-saving equipment, encouraging employees, tenants and hotel guests to help reduce water use.	Water use is monitored and reported annually. Results for 2022 indicate a reduction in water use. Target for 2023 is a 20% reduction relative to 2018.	Monitoring process to be developed in the years ahead.
Waste and recycling	Negative impacts from wasting resources and significant potential for improvement in hotel operation and property management.	Waste is generated by tenants, operational activities, construction projects and upstream in the value chain for sourced products.	Environmental Policy, Code of Conduct for business partners.	Reduced use of packaging and single-use items. Detailed monitoring of food waste.	Max. 1 kg waste/guest night by 2025 and 0.6 kg/guest night no later than 2030 in Operator Activities.	Plan to introduce visualisation of waste flows to facilitate better monitoring by management and employees at each hotel, as well as campaigns to change behaviour. Evaluation possible in 2024 at the earliest.
Sustainable materials and products	Extraction of raw materials and the impact of material manufacturing in the value chain could potentially harm the environment and people. Reduced resource use and conscious material choices have a positive impact.	Purchase of materials and products, use of chemicals and refrigerants.	Environmental Policy.	Analysis of climate emissions in construction and renovation, chemical-free cleaning agents, switch to non-synthetic refrigerants.	Monitoring the percentage of organic products and chemical-free cleaning agents at Pandox-operated hotels.	Employees involved through training and forums on chemical-free cleaning.
Environmental certification	Verification of environmental performance by a third party guarantees that ambitious goals are turned into practical actions.	Part of the acquisition process, In-Use certification, recertification.	Environmental Policy.	Active efforts are ongoing to increase the number of certifications for properties and operations.	BREEAM certification of properties operated by Pandox no later than 2030 (54% in 2022). Green Key certification of all hotels operated by Pandox (86% in 2022).	Certification of properties leased to other actors requires commitment from the operator's employees and a shared view that certification creates business opportunities.

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▶▶ Note S.4., cont.

GOVERNANCE (GRI 3-3)

MATERIAL SUSTAINABILITY TOPICS	Impact on the economy, environment, people – negative/positive, actual/potential	Involvement in impacts – where in the value chain	Policies and commitments – to manage the issue	Actions taken – to prevent, mitigate or address impacts	Tracking the effectiveness of the actions taken – processes, targets, progress, lessons learnt	Engagement with stakeholders – impact on actions and contribution to outcomes
Good business ethics/anti-corruption	Positive impact through clear policies and systems to prevent corruption. Potential negative impact if guidelines are not followed.	Sourcing of goods and services locally and globally.	Anti-Corruption Policy, Code of Conduct for employees, Code of Conduct for business partners, Insider Policy, risk management and internal control.	Digital purchasing systems within Operator Activities. Frequent training in the Code of Conduct and business ethics. Clear escalation process for complaints and incidents of a more serious nature. Whistleblower system that allows anonymity.	No cases of corruption were reported in 2022.	Training in the Code of Conduct currently also held in groups based on the employees' wishes.
Sustainable supply chain	Positive impact through demand for goods and services locally and globally. Potential negative impact on the environment and people if established requirements are not met.	Purchases of goods and services.	Code of Conduct for business partners.	Process for managing the supply chain and continual scrutiny of business partners.	80% of purchases made through a digital purchasing system and 20% from local suppliers. 48 supplier audits in 2022.	If supplier nonconformances are observed, steps to improve can be agreed upon. In the case of serious or repeated nonconformances the contract can be terminated.
Trafficking and prostitution	Very negative impact on people.	Within Pandox there is a high level of awareness that trafficking and prostitution may occur in hotel environments.	Human Rights Policy. Modern Slavery Act statement. Zero tolerance for trafficking. Whistleblower system and process for following up on incidents.	The hotel employees complete internal training on the topic.	Zero cases of prostitution or sexual assault reported in 2022.	Constant focus on preventive measures in cooperation with local police authorities.
Satisfied guests	Significant potential to have a positive impact on people.	Direct contact with guests in Operator Activities and facilitator in Property Management.	Code of Conduct for employees, Human Rights Policy, Personal Data Policy, Information Security Policy and Environmental Policy.	Continual training for employees based on Pandox's Code of Conduct for employees.	Continual measurement of guest satisfaction.	Continual identification of areas that generate high customer satisfaction.
Hotel guest health and safety	Potential negative impact on people in the event of shortcomings in procedures/controls.	Direct contact with guests in Operator Activities and facilitator in Property Management.	Code of Conduct for employees, Personal Data Policy and Information Security Policy.	Training of employees in first aid and data security. Ensuring adequate perimeter protection, security guards and surveillance cameras.	Fire and evacuation drills are carried out on a regular basis. Emergency preparedness plans and safety policies are to be in place for all Pandox-operated hotels.	Guest safety is measured as part of the Company's customer satisfaction survey.
Customer privacy and data security	Potential negative impact on people and the economy in the event of shortcomings in procedures.	Direct contact with guests within Operator Activities.	Code of Conduct for employees, Personal Data Policy and Information Security Policy.	Firewalls, password-protected systems etc.	Annual review of the number of incidents in hotels operated by Pandox.	Continual improvement initiatives involving employees and systems to always maintain the highest levels of guest privacy and data security.
Attractive workplace that encourages development.	Positive impact through gender equality, and diversity and inclusion. Potential negative impact if the Company's policies and guidelines are not complied with.	Employer responsibility for employees at hotels operated by Pandox, the head office and in Property Management.	Code of Conduct for employees, Human Rights Policy.	Annual performance and career development review and continual employee training.	Employee survey carried out every quarter within Operator Activities and annually in other parts of the Company.	In 2022 a diversity and inclusion workshop was held with representatives from the executive management team and key individuals from Pandox-operated hotels. A similar initiative at all hotels operated by Pandox is planned for 2023.
Health and safety of employees and subcontractors	Potential negative impact if the Company's policies and guidelines are not complied with.	Employer responsibility for employees at hotels operated by Pandox, the head office and in Property Management. Consultants and suppliers who work at Pandox's workplaces daily are included in an annual review of ill health, accidents and sickness absence.	Code of Conduct for employees, Human Rights Policy.	Identification of the main elements of risk as well as training and information to limit the number of accidents.	Continual monitoring of accidents at work and work-related ill health among employees and subcontractors, as well as sickness absence among employees.	Regular meetings of health and safety officers, health and safety representatives and elected employee representatives with management of hotels operated by Pandox.
Fair employment terms and equal rights	Positive impact through gender equality, and diversity and inclusion. Potential negative impact if the Company's policies and guidelines are not complied with.	Employer responsibility for employees at hotels operated by Pandox, the head office and in Property Management.	Code of Conduct for employees, Human Rights Policy.	Whistleblower system that allows anonymity in HR matters. Collective agreements and collective bargaining in Operator Activities.	Annual review of the number of female general managers in hotels operated by Pandox. One case of harassment was reported in 2022.	Pandox's ambition is for both genders to be represented in the recruitment process for senior roles.
Responsibility to local community	Positive impact through active community engagement. Potential negative impact if policies and guidelines are not complied with.	Creation of job opportunities and venues for meetings and experiences, and increasing security in the vicinity of the hotels.	Code of Conduct for employees and business partners.	All hotels and the head office will be involved in at least one project to support the local community. All hotels are to have facade and/or entrance lighting to increase safety in the vicinity.	Annual status report.	Launch in 2023 of new strategy for local community engagement and strategy for sustainable purchasing at Pandox-operated hotels. Monitoring of this will begin in the year ahead.

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S.5. REPORTING ACCORDING TO THE EU TAXONOMY

For the second consecutive year Pandox is reporting according to the EU Taxonomy Regulation. The aim is to show to what extent the Company's operations are environmentally sustainable and live up the EU's six environmental objectives. Initially only the first two environmental objectives in the taxonomy are being included since the other four objectives haven't been released yet; climate change mitigation and climate change adaptation.

Pandox has produced guidance and instructions on the way in which data is to be gathered internally in order to report according to the Taxonomy Regulation.

Reporting for 2022

In 2022, 55 percent of turnover, 99 percent of capital expenditure (CapEx) and 100 percent of operating expenditure (OpEx) were eligible for the taxonomy's environmental objective 1. The proportions aligned with the same environmental objective were 4 percent of turnover, 6 percent of CapEx and 5 percent of OpEx.

For existing properties, energy performance is the decisive parameter vis-à-vis the EU taxonomy's environmental objective 1. The property should be at least A-Rated to be classed as sustainable or be in the top 15 percent of the national building stock with evidence provided. In Sweden this implies A or B according to Fastighetsägarna, which is what Pandox use in its analyse until there is new guidance on the market. At the end of 2022 Pandox had nine properties that had an energy performance certificate with a rating of B. One of these is in Sweden and the remainder are in the UK.

The taxonomy-aligned percentages should be viewed in light of the fact that Pandox's property portfolio consists largely of older buildings, the majority of which do not achieve a B rating. Existing buildings are not in the same position as new production, where current energy requirements are taken into account right from the planning stage. Moving a property from a very low energy rating to a rating of A or B can be technically very challenging and may require significant investment and cooperation with tenants, which is not always possible for externally operated hotels. In many cases it is determined that such a shift is neither commercially justifiable nor technically implementable, and that it would be necessary to demolish the building and build a new one. This is also not consistent with Pandox's objective of reducing climate impact, as it leads to high resource consumption.

In addition, Pandox has properties in 15 markets with different national rules and regulations on how to calculate energy ratings and how different types of energy are to be weighted. The conditions and circumstances also vary greatly. Sweden has a widespread district heating grid with low emissions, while natural gas boilers are a common solution for heating in countries such as England. Sources of electricity production also vary greatly from country to country. In Sweden fossil fuels account for around 1 percent of electricity production, while in the UK fossil natural gas accounts for 35 percent of elec-

tricity production, and there is also oil and coal in the mix in addition to this. Direct comparisons of national ratings therefore often do not provide a true and fair picture at present. As an example, an energy rating of B in England for certain types of buildings is equivalent to a rating of F in Scotland. In Germany there is no scale and in Belgium there are as yet no energy performance certificates for the hotel properties category. According to new EU directives, this will be required from 2025 to achieve better comparability between countries.

As part of its work on SBTi Pandox launched an internal project to identify properties in which energy efficiency needs to be improved in order to align with the Paris Agreement. Pandox's aim is to move properties to a B-rating where possible.

Minimum safeguards:

In 2022 a review and assessment was carried out by a third party of Pandox's performance in relation to the EU taxonomy's minimum safeguards, based on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the ILO's eight Fundamental Conventions. The outcome of the review was that Pandox is assessed to be in compliance with the governance criteria as defined in the minimum safeguards.

In 2022 the Company carried out a human rights impact assessment (HRIA). To read more about this process and the assessment, see page 71.

A contracted third party has also verified whether any incidents were reported to National Contact Points under the OECD Guidelines and/or any allegations against Pandox for any breach of labour laws and human rights were reported to the Business & Human Rights Resource Centre. The areas verified were Pandox, the executive management team and Board of Directors, and subsidiaries. The result was that no (0) incidents had been reported and there are therefore no indications that Pandox has been accused or found guilty of any breach of the OECD Guidelines and the UN Guiding Principles.

In dialogue with Pandox it was also verified that the Company has developed and adopted appropriate programmes and measures to prevent and detect corruption and to ensure healthy competition. The result showed that neither Pandox nor its subsidiaries have breached any tax-related laws and there are no confirmed violations according to the Dow Jones RiskCenter. Nor has Pandox or its executive management been found guilty of any breach of competition laws, according to the Dow Jones RiskCenter.

In 2023 Pandox will further develop and formalise the full human rights due diligence process. This process will be based on six steps as described in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

DNSH:

Today's society is highly vulnerable to climate change because it is adapted to the climate we have today. Climate change will lead to higher temperatures,

changed precipitation patterns, and more frequent and intensive, extreme weather events, such as heatwaves, drought and torrential rain. It is therefore important to start now to determine which effects will impact Pandox's operations and to make a plan to minimise these effects. Pandox therefore needs to perform climate risk assessment of its property portfolio and to carry out climate adaptation of properties where there is a high risk of negative impacts from a changed climate. Another important aspect of Pandox's responsibility is to report according to the EU Taxonomy Regulation to what extent the Company's operations are environmentally sustainable.

Pandox uses a modelling tool that assesses and makes a financial evaluation of the Company's exposure to physical climate risk and natural disaster risk for all of its properties. The tool was implemented in 2022 and assesses the buildings' risks based on the IPCC climate scenarios (RCP 2.6 (1.5 °C), RCP 4.5 (2–3 °C) och RCP 8.5 (4 °C)) and timeframes (current risk and risk in 2030, 2050 and 2100 respectively).

The tool includes both climate risks and each property is assigned a risk level of between one and five for each area, where one is very low risk and five is very high risk.

The following climate risks are included in the tool in accordance with the Taxonomy Regulation:
- Changed wind patterns
- Cyclones, hurricanes and typhoons
- Tornadoes
- Changed precipitation patterns and types
- Sea level rise
- Drought
- Precipitation
- Floods

The following climate risks are not included in the tool, for the reasons stated:
- Storms (including snowstorms, dust storms and sandstorms) are not included because dust storms and sandstorms do not constitute a major risk in Northern Europe where Pandox's properties are primarily located. Snowstorms may, on the other hand, constitute a risk for the property sector in the form of increased maintenance costs. However, it is still not entirely clear what the effects of climate change will be on snowstorms. In addition, there is no global risk map available for this. Instead data has to be obtained from local meteorological institutes.
- Hydraulic variables are not included because the consequences do not significantly affect the property sector. Drought and floods are covered by other climate variables.
- Ocean acidification is not included in the analysis as this will mainly impact and change marine food chains and the food supply. The property sector is therefore not directly exposed to this risk.

▶▶ Note S.5., cont.

- Saltwater intrusion through surface and groundwater sources could reduce access to fresh water in coastal areas, which could affect a small percentage of the portfolio in the long term although this risk is not considered high for Pandox at this time. Other risks that may impact saltwater intrusion such as sea level rise are, however, included in the risk analysis.
- Water stress is not included in the risk analysis, but Pandox is conducting an analysis of this parameter using the WRI tool in order to monitor which properties are in areas of high water stress.
- Glacial lake outburst flood (GLOF) is not included as there are no properties in regions close to glacial lakes.
- Landslide, landslip, erosion, avalanche, solifluction and subsidence are not included in the risk analysis because Pandox's properties are not located in areas where these risks are considered sufficiently high.

The tool is based on modern climate forecasts that correspond to the expected life of the properties.

For properties that are considered to be aligned with the taxonomy's technical criteria for environmental objective 2 for economic activity 7.7 or aligned with the technical criteria in environmental objective 1 where they need to meet the DNSH requirements for economic activities 7.2–7.7 or 9.3, Pandox is to conduct an individual analysis of the need for climate adaptation on site in the building when the physical climate risk is considered very high or high.

In 2022 site-based evaluations were conducted for the three properties with an energy rating of B as well as a high or very high risk based on climate adaptation. This resulted in an action plan for two of them. At the third property a deeper analysis was carried out by a third party, who determined that a site inspection was not applicable. This was because the risk consisted of potential solifluction which was typical for the whole area, but the risk was still deemed minimal.

Pandox's taxonomy-eligible economic activities

- Renovation of existing buildings
- Installation, maintenance and repair of energy-efficient equipment
- Installation, maintenance and repair of charging stations for electric vehicles
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance
- Installation, maintenance and repair of renewable energy technology
- Acquisition and ownership of buildings
- Engineering activities and related technical consultancy dedicated to adaptation to climate change
- Professional services related to energy performance of buildings

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ECONOMIC ACTIVITIES

Turnover
In Property Management, this consists of rental income and other property income and in Operator Activities, of revenue from operating activities.
  Taxonomy-eligible: 55% of turnover
  (Rental income within Property Management is taxonomy-eligible.)
  Taxonomy-aligned: 4% of turnover

Capital expenditure (CapEx)
Consists of capital expenditure for investment properties (Property Management) and operating properties (Operator Activities). Both segments also include capital expenditure for right-of-use assets in the form of site leaseholds, office premises, cars and other leased equipment.
  Taxonomy-eligible: 99% of CapEx
  (All reported IFRS capital expenditure – including right-of-use assets – within Property Management and Operator Activities are taxonomy-eligible except for capital expenditure on right-of-use assets for certain premises, on cars and on other leased equipment.)
  Taxonomy-aligned: 6% of CapEx

Operational expenditure (OpEx)
Pandox defines IFRS OpEx as operating expenses to maintain and operate our investment properties (Property Management) and operating properties (Operator Activities).
  Taxonomy-eligible: 100% of expenditure relating to maintenance and repair costs, which essentially means investments in investment properties that cannot be capitalised. The cost of operating the properties is not included.
  Taxonomy-aligned: 5% of expenditure

▶▶ Note S.5., cont.

PROPORTION OF PANDOX'S TURNOVER THAT IS TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED
Turnover

Economic activities (1)	Code/codes (2)	Absolute turnover (3) MSEK	Proportion of turnover (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) Yes/No	Climate change adaptation (12) Yes/No	Water and marine resources (13) Yes/No	Circular economy (14) Yes/No	Pollution (15) Yes/No	Biodiversity and eco-systems (16) Yes/No	Minimum safeguards (17) Yes/No	Taxonomy-aligned proportion of turnover, year N (18) Percent	Taxonomy-aligned proportion of turnover, year N-1 (19) Percent	Category (enabling activity or) (20) E	Category (transitional activity) (21) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings	7.7	212	4%	100%							Yes						Yes	4%			
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		212	4%	100%														4%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings	7.7	2,840	51%																	
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		2,840	51%															51%			
Total (A.1 + A.2)		3,052	55%															55%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of taxonomy-non-eligible activities (B)		2,486	45%																		
Total (A + B)		5,537	100%																		

A.1. Environmentally sustainable (taxonomy-aligned) activities
7.7 Acquisition and ownership of buildings: Rental income within Property Management for properties with an energy rating of EPC B with an approved climate risk assessment.
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)
7.7 Acquisition and ownership of buildings Rental income in Property Management for all other properties.
Turnover from activities that are not taxonomy-eligible (B)
Revenue that meets the taxonomy's definition of revenue but that is not applicable. For example, re-invoicing and all revenue in Operator Activities.
Total (A + B)
Represents the Group's net sales excluding government grants.

▶▶ Note S.5., cont.

PROPORTION OF PANDOX'S CAPEX THAT IS TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED
Capital expenditure (CapEx)

Economic activities (1)	Code/codes (2)	Absolute CapEx (3)	Proportion of CapEx (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 CapEx, year 2022 (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		MSEK	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings	7.7	3	0.1%	100%							Yes					Yes	0.1%			
7.3 Installation, maintenance and repair of energy-efficient equipment	7.3	101	5.4%	100%							Yes			Yes		Yes	5.4%			
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	1	0.1%	100%							Yes					Yes	0.1%			
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	7.5	12	0.6%	100%							Yes					Yes	0.6%			
CapEx for environmentally sustainable (taxonomy-aligned) activities (A.1)		**117**	**6.3%**	**100%**													**6.3%**			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings	7.7	1,734	93.1%																	
CapEx for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		**1,734**	**93.1%**														**93.1%**			
Total (A.1 + A.2)		**1,851**	**99.4%**														**99.4%**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx for taxonomy-non-eligible activities (B)		12	0.6%																	
Total (A + B)		**1,863**	**100%**																	

A.1 Environmentally sustainable (taxonomy-aligned) activities:
Refers to aligned economic activities that meet the technical criteria applicable to Pandox's investment properties and operating properties. Point 7.7 refers only to CapEx for properties with an energy rating of EPC B with an approved climate risk assessment.

A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned):
Of which acquisitions of MSEK 536 relate to operating properties and MSEK 365 to investment properties. Of which MSEK 432 is CapEx for existing investment properties, which largely corresponds to the investments stated in Note E1 (investment properties), adjusted for aligned CapEx included under point A.1. Of which MSEK 430 is CapEx for existing operating properties, which largely corresponds to the investments stated in Note E3 (operating properties), adjusted for aligned CapEx included under point A.1. Of which MSEK 87 is CapEx for right-of-use assets relating to rented premises where activities take place; this is included in Note G5 regarding investments in right-of-use assets.
B: Refers, for example, to rent for office equipment and offices.

▶▶ Note S.5., cont.

PROPORTION OF PANDOX'S OPERATING EXPENDITURE THAT IS TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED
Operational expenditure (OpEx)

| Economic activities (1) | Code/codes (2) | Absolute OpEx (3) MSEK | Proportion of OpEx (4) % | Substantial contribution criteria | | | | | | DNSH criteria (Does Not Significantly Harm) | | | | | | | | Taxonomy-aligned proportion of OpEx year N (18) Percent | Taxonomy-aligned proportion of OpEx year N-1 (19) Percent | Category (enabling activity) (20) E | Category (transitional activity) (21) T |
				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) Yes/No	Climate change adaptation (12) Yes/No	Water and marine resources (13) Yes/No	Circular economy (14) Yes/No	Pollution (15) Yes/No	Biodiversity and ecosystems (16) Yes/No	Minimum safeguards (17) Yes/No				
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings	7.7	2	2%								Yes					Yes	2%			
7.3: Installation, maintenance and repair of energy-efficient equipment	7.3	4	3%								Yes					Yes	3%			
7.5: Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	1	1%								Yes					Yes	1%			
OpEx for environmentally sustainable activities (taxonomy-aligned) (A.1)		7	5%														5%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
7.7 Acquisition and ownership of buildings	7.7	126	95%																	
OpEx for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		126	95%														95%			
Total (A.1 + A.2)		134	100%														100%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx for taxonomy-non-eligible activities (B)		0	0%																	
Total (A + B)		134	100%																	

A.1 Environmentally sustainable (taxonomy-aligned) activities:
Refers to taxonomy-aligned economic activities that meet the technical criteria applicable to Pandox's investment properties and operating properties. Point 7.7 refers only to OpEx for properties with an energy rating of EPC B with an approved climate risk assessment.
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned):
7.7: MSEK 49 of which is OpEx within Property Management and is included in the item "Costs, Property Management" in the consolidated income statement. MSEK 77 of which is OpEx in Operator Activities and is included in the item "Costs, Operator Activities" in the consolidated income statement.

S.6. ENERGY

Pandox is reporting measured energy consumption for 113 out of the total of 157 properties for 2022. The table "Pandox's energy consumption within Operator Activities and HQ" presents data for the 19 properties Pandox operates as well as the head office. The table "Tenants' energy consumption within Property Management" shows the energy consumption downstream in the value chain for tenants in the Property Management segment. Measured data from 94 of 137 properties is included. A standard calculation is made for 43 properties. Of the hotels reporting data to Pandox within Property Management, the majority are located in the Nordic region where electricity and district heating production generate lower emissions than where these are produced in countries outside the Nordics. Read more about Pandox's energy work on page 63.

The total measured energy consumption was 325 MWh and the average energy intensity was 207 (200) kWh/sq m. Including standard data and degree-day correction, energy consumption was 451 MWh with an energy intensity of 217 (194) kWh/sq m. Total energy consumption increased in 2022 compared with 2021 due to higher occupancy at hotels as a result of eased restrictions following the pandemic. Energy intensity was 231 (214) kWh/sq m within Operator Activities and 214 (189) kWh/sq m within Property Management. Energy intensity per guest night for the whole property portfolio was 42 (62) kWh/guest night. Renewable energy accounted for 41 (41) percent of total measured energy consumption in 2022 for the entire Pandox property portfolio. This includes energy sources such as wind power, hydropower and solar energy. Fuel includes gas, pellets and fuel oil. Six hotels produce their own electricity, which amounted to 1,575 (1,045) MWh in 2022.

Description of the standard calculation method

Pandox reports standard calculations for values at properties leased to tenants within Property Management where the Company has no measured data for these. Read more about the reason for this in Sustainability Note 1. Standard calculations are made multiplying energy intensity (kWh/sq m) for properties in Property Management that have measured data by the total number of square metres for the properties that lack measured data. The table "Tenants' energy consumption within Property Management" presents data based on the standard calculation below the actual data for energy consumption measured.

PANDOX'S ENERGY CONSUMPTION WITHIN OPERATOR ACTIVITIES AND HQ [1]

(MWh)	Renewable energy			Non-renewable energy			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Fuel	3,573	2,612	2,020	24,867	25,469	22,810	28,440	28,081	24,830
Electricity	31,321	36,033	22,130	5,377	6,094	6,507	36,698	42,127	28,637
– of which self-generated electricity							1,575	584	308
Heating	948	1,282	0	5,158	7,152	6,119	6,106	8,434	6,119
Cooling	3,323	136	0	3,107	3,877	4,579	6,430	4,013	4,579
Total energy consumption	**39,165**	**40,063**	**24,150**	**38,508**	**42,592**	**40,015**	**77,674**	**82,655**	**64,165**
Total weather-normalised energy							85,817	81,475	62,980
Energy intensity, kWh/sq m							231	214	169

TENANTS' ENERGY CONSUMPTION WITHIN PROPERTY MANAGEMENT [2]

(MWh)	Renewable energy [3]			Non-renewable energy			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Fuel	0	2,067	100	26,023	19,616	18,139	26,023	21,683	18,239
Electricity	89,854	82,566	83,847	28,120	24,491	22,205	117,975	107,057	106,052
Heating	5,591	5,213	0	93,718	93,010	94,595	99,309	98,223	94,595
Cooling	53	71	0	4,166	4,042	3,629	4,219	4,113	3,629
Energy consumption (from properties with measured data)	**95,499**	**89,917**	**83,947**	**152,027**	**141,159**	**138,568**	**247,525**	**231,076**	**222,515**
Weather-normalised							256,028	223,235	200,317
Energy intensity, kWh/sq m (measured data)							214	189	174
Standard calculation of energy consumption for properties with no measured data [2]				–		–	109,367	97,828	–
Total energy consumption				**–**		**–**	**365,395**	**328,904**	**–**
Total energy intensity for Operator Activities and Property Management, kWh/sq m							**217**	**194**	**–**

[1] The data covers Pandox's own operations, i.e. 19 of 20 hotels in Operator Activities and the Pandox head office. There is no data for DoubleTree by Hilton Bath, UK as it was acquired in autumn 2022 and is included in the segment as of 1 January 2023. Within Property Management one hotel property that houses Mora Hotell & Spa in Sweden was divested in spring 2022. The weather-normalised energy consumption is calculated using heating degree days (HDD). HDD is defined as the number of degrees and is calculated based on the difference between the average outdoor temperature and a base temperature; the latter is 18 degrees Celsius for all locations studied. The energy consumption is then normalised according to the average HDD over the past 10 years. Energy intensity per square metre is based on weather-normalised energy and an area of 372,134 sq m. Sel-generated electricity and heat production comes from solar panels, solar collectors and local combined heat and power plants (CHP). No energy produced internally is sold.

[2] This table presents energy consumption downstream in the value chain, i.e. among tenants who are responsible for operating hotel properties in Pandox's Property Management segment. 94 out of a total of 137 properties reported actual measured data for 2022, including all of the Scandic hotels. Actual measured data for 2021 included 93 hotels and data for 2020 included 94 hotels. The increase in energy consumption from 2021 to 2022 is attributable to increased occupation due to fewer restrictions. In order for Pandox to collect environmental and energy data from the tenants, these companies must first give their consent. Other tenants have competition-related and/or organisational considerations that result in them not yet consenting to this. For properties with no actual measured data, in 2021 Pandox started making standard calculations of energy consumption. Hotel Pomander was closed during the year and is not included in the standard calculation. For a description of the standard calculation method, see Sustainability Note 6 above.

[3] The total percentage of renewable electricity was 76 (77) percent due to the fact that many operators signed renewable energy agreements.

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S.7. CLIMATE

GHG EMISSIONS

Pandox reports GHG emissions for all 157 (157) properties. Of these, Pandox received measured data from 113 properties. A standard calculation has been used for 43 properties. There is no data for Hotel Pomander which was closed and is not included in the standard calculation. Read more about this under the table.

Direct emissions in Scope 1 and 2 Pandox's combustion of fuels such as oil and gas in its own operations, fuel for the Company's cars and emissions of refrigerants give rise to Scope 2 emissions. Pandox also purchases electricity, district heating and cooling for its own operations and these give rise to Scope 2 emissions. The greenhouse gases included in the calculations are carbon dioxide, methane, nitrous oxide and ozone.

Pandox's total direct GHG emissions in Scope 1 and 2 amounted to 8,708 (8,478) metric tons of CO_2e in 2022, which is an increase of 2.7 percent. This includes emissions from 19 of 20 hotels in Pandox's Operator Activities segment and the head office. The previously reported Scope 1 emissions for 2021 have been updated as missing natural gas data has been added.

Emission intensity based on the direct emissions amounted to 23 (23) kg CO_2e per sq m. The calculation is based on a floor space of 372,134 square metres, which does not include DoubleTree by Hilton Bath in the UK, for which no data was reported for 2022.

Indirect Scope 3 emissions
Upstream in the value chain
The most material Scope 3 emissions upstream in Pandox's value chain come from purchased goods, materials and services which amounted to 18,231 (19,230) metric tons of CO2e, and emissions from purchased capital goods which amounted to 9,978 (19,839) metric tons of CO_2e.

In 2022 the Swedish Environmental Research Institute (IVL) analysed and quality-assured emissions data in connection with the preparations for setting science-based targets. The 2021 spend analysis was also verified at the same time. It emerged that some flows had been counted twice, by being included both in the spend analysis and in the lifecycle analysis used to calculate capital goods. The renovations category was therefore not included in the spend analysis for 2022.

A technical error in exporting emissions data from the 2021 spend analysis was also discovered. This resulted in Pandox reporting incorrect Scope 3 emissions for 2021 in the purchased goods and services category in the 2021 Annual Report. Pandox reported higher emissions than actually originated from the Company. The total figure for this element of Scope 3 emissions in 2021 has therefore been revised from 26,656 metric tons of CO_2e to the correct figure of 19,230 metric tons of CO_2e in the 2022 Annual Report.

The following GHG Protocol Scope 3 categories were analysed using the spend method: purchased goods, materials and services, and waste generated in operations.

GHG emissions from Pandox's own business travel amounted to 388 (325) metric tons of CO_2e in 2022. Business travel is therefore not considered a significant emissions category. Pandox will, however, continue to internally measure and monitor this item annually in order to take steps if business travel should increase.

Downstream in the value chain
IVL has checked and provided proposals for updated and more specific emission factors. Based on this, the emissions for 2021 have been revised, resulting in higher emissions in Scope 3. Emissions downstream in the value chain are emissions from tenants operating and heating hotels, which is the single largest emissions category. The emissions amounted to 60,046 (59,812) ton CO_2e and are reported in the GHG Protocol category of downstream leased assets. For the properties where the tenants provide measured data on actual energy consumption, energy-based emissions are reported in the table. For leased properties that cannot provide measured data, in 2021 a standard calculation was introduced to gain a more comprehensive picture of emissions. The standard calculation is based on average energy intensity per square metre for the properties that have measured data, multiplied by the floor space in square metres of the properties with no measured data, to then be multiplied by each country's average emission factor.

Base year and comparability
The table shows GHG emissions for the years 2022, 2021 and 2020. 2021 is used as the base year for Pandox's GHG emissions in Scope 1 and 2. Collection and calculation methods for these emissions are comparable year-on-year as the data quality is good. On the other hand, it is not possible to fully compare Scope 3 emissions year-on-year as Pandox has been developing and improving its data collection on an ongoing basis and has added more Scope 3 categories. In addition, emission factors have been updated to reflect the energy mix used each year. Pandox is also always working to gain access to actual data to gradually replace the standard data. This is part of Pandox's endeavour to have as accurate a picture of the actual situation as possible.

PANDOX'S GHG EMISSIONS

(metric tons CO₂e)	2022	2021	2020	Method in 2022
Scope 1 emissions	**5,825**	**5,636**	**4,276**	Actual energy data [1]
Scope 2 emissions (market-based)	2,883	2,843	3,703	Actual energy data – market-based [1]
Scope 2 emissions (location-based)	7,350	6,248	7,571	Actual energy data – location-based [1]
Total emissions Scope 1 and 2 (market-based)	**8,708**	**8,478**	**7,979**	Actual energy data – market-based [1]
Total emissions Scope 1 and 2 (location-based)	**13,175**	**11,884**	**11,847**	Actual energy data – location-based [1]
Change, % (market-based)	+2.7%	+6.3%	−8.4%	Actual energy data – market-based [1]
Change, metric tons CO₂e (market-based)	+230	+499	−728	Actual energy data – location-based [1]
Material Scope 3 emissions [2]				
1. Purchased goods and services	18,231	19,230	93,000	Spend-based [3]
2. Capital goods	9,978	19,839	6,000	
– *of which new construction, retrofit, renovation of properties*	*9,978*	*19,839*	*N/A*	LCA-based standard calculation [4]
3. Upstream production of fuel and energy	2,265	2,166	1,209	Actual data
5. Waste generated in operations	475	563	4,000	Spend-based [3]
13. Downstream leased assets	60,046	59,812	30,586	
– *of which based on measured data from tenants*	*32,420*	*30,389*	*30,586*	Actual energy data [1]
– *of which standard calculations for other tenants*	*27,626*	*29,423*	*N/A*	Energy-based standard calculation [5]
Total emissions Scope 3	**90,995**	**101,610**	**134,795**	
Total emissions Scope 1, 2 and 3 (market-based)	**99,703**	**110,088**	**142,774**	
Total emissions Scope 1, 2 and 3 (location-based)	**104,170**	**113,494**	**146,642**	

[1] The Company's operations in different countries report their actual measured data in Pandox's reporting tool, which is then consolidated to the group level. Reported Scope 1 and 2 emissions are based on reported energy usage. The tool uses emission factors taken from the following sources for GHG emissions:
Electricity: Association of Issuing Bodies, 2021 (market-based, electricity), IEA, 2021 (location-based) and Vattenfall EPD (origin-labelled electricity and Bra miljöval).
Fuels (coal, oil, natural gas, pellets, wood chips, biogas, bio oil): Swedenergy, 2019.
Petrol: Swedish Energy Agency Fuel Act, 2019 (well to tank), and the Swedish Environmental Protection Agency's emission factors and heating values, 2020 (tank to wheel).
Diesel and propane: DEFRA.
District heating: DEFRA, 2020 (location-based) and Swedenergy, 2019 for Swedish district heating and data from the respective suppliers in Germany, Denmark and Canada (market-based).
Refrigerants: Swedish Environmental Protection Agency, 2019.

[2] Pandox reports its significant GHG emissions in Scope 3 according to the GHG Protocol. The following emission categories are not considered relevant as emissions amount to less than 500 metric tons of CO₂e per year or do not occur in Pandox's value chain: 4. Upstream transportation, 6. Business travel, 7. Employee commuting, 8. Upstream leased assets, 9. Downstream transportation, 10. Processing of sold products, 11. Use of sold products, 12. End-of-life treatment of sold products, 14. Franchises, 15. Investments. The category of purchased goods, materials and services includes upstream emissions in the value chain for purchases made in operations throughout Pandox (in Operator Activities, Property Management and at the head office). The subcategory for capital goods – construction, retrofit and renovation of properties – includes Scope 3 emissions from the building stage (A1–A5).

[3] These emissions calculations are performed by an external party and based on transaction data from Pandox's purchases where each supplier is categorised based on Swedish industry sectors. An emission factor for GHG emissions per SEK spent in the sector concerned is then applied. GHG emissions in the entire value chain are included for each purchase. Exiobase3 is used as the source for emission factors.

[4] This includes GHG emissions from the product stage and building stage (A1–A5) for construction projects, large retrofit projects and hotel renovations carried out. Standard calculations have been used for the emissions, based on lifecycle analysis completed in 2021 and revisions made in 2022 for one new construction project, one larger retrofit project and two hotel renovation projects. Emissions from the product stage and building stage were calculated per square metre of floor space, which amounted to 345 kg CO₂e/sq m for the construction project, 149 kg CO₂e/sq m for the retrofit project and 32 kg CO₂e/sq m for the renovation project. These emission factors have then been multiplied by the floor space for projects completed in all of Pandox's property portfolio in 2022.

[5] These emissions originate from the use of properties owned by Pandox and leased to tenants who do not provide measured data to Pandox. Average emission intensity for the properties with measured data is multiplied by the total number of square metres of floor space in Pandox's properties with no measured data.

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▶▶ Note S.7., cont.

CLIMATE ADAPTATION OF BUILDINGS

Climate adaptation of buildings was identified as a material sustainability topic for Pandox in autumn 2021. In 2022 the Company started collecting, analysing and reporting the results of its work on climate risk assessment of the property portfolio and steps taken to adapt the properties for a changed climate. Pandox has also conducted site visits to validate data for two of the properties that have a high to very high flood risk. The key ratios below were reported for 2022 but as this process progresses, new key ratios will start to be used.

Pandox has been able to carry out a desktop analysis of the climate-related risks and opportunities in the property portfolio through a climate tool recently purchased from the Company's insurance broker. All properties that Pandox owns are including in the reporting process. Read more about Pandox's targets, management of climate-related risks and opportunities as well as climate adaptation work on page 62.

Results of climate risk assessment for the property portfolio

Key ratios	Outcome 2022
Properties for which desktop analysis has been carried out as a percentage of total properties	100%
Number of properties for which desktop analysis of climate-related risks has been carried out during the year	157
Number of properties at which site inspections have been carried out during the year	2
Number of properties for which climate adaptation action plans have been produced	2

CLIMATE RISKS AND OPPORTUNITIES
Long-term climate risks and opportunities

In 2021 Pandox held a workshop for the executive management team on climate change and the Task Force on Climate-Related Financial Disclosures (TCFD). At the workshop an initial climate scenario analysis was carried out for 2050 to identify long-term climate-related risks and opportunities, and how these would impact the Company. The purpose of the scenario analysis was to prepare the Company's strategies, operations, properties and finances for various potential future climate scenarios. Pandox used the scenario analysis methods recommended by the TCFD.

Two climate scenarios were analysed – a worst case scenario where the world fails to transform, emissions continue to increase and the physical risks associated with climate change become a reality, and a best case scenario where the world successfully collaborates, transforms societies and meets the Paris Agreement's 1.5 degree target. Read more about the results on the next page. To read the descriptions of the world in 2050 in each of the climate scenarios, see Pandox's 2021 Annual Report, pages 44–45.

Pandox's assessment is that the climate scenarios produced in 2021 still apply. Climate-related events in the world in 2022 – such as increased flooding, landslides, fish die-off in Germany that may be associated with river warming – combined with an energy shortage made worse by the war in Ukraine and its associated effects have only increased the focus on the future climate and how Pandox will be impacted by it.

Short-term climate risk

Short-term climate-related risks are identified and assessed as part of Pandox's annual risk assessment process. The short-term climate risks are presented on page 128 and 133 in this Annual Report.

▶▶ Note S.7., cont.

Results of climate scenario analysis for 2050

The climate scenario analysis carried out in 2021 identified the climate risks and opportunities below, and the impact on the Company. The physical risks identified are the same in nature in both of the scenarios analysed and are therefore combined in the descriptions. The physical climate risks will, however, occur more often and have more serious consequences in the worse case scenario than in the best case scenario.

Worst case scenario in 2050 (IPCC scenario RCP 8.5) [1]	Best case scenario in 2050 (IPCC scenario RCP 1.9) [1]
Physical climate risks (acute and chronic)	
• Extreme weather and floods may cause more damage to Pandox's properties. • Rising sea levels in combination with storms and torrential rain may cause damage to properties. • Higher temperatures and more heatwaves may mean an increased need for ventilation and cooling in properties, and certain properties will lack the ventilation and cooling required. This could lead to an inferior indoor climate for guests and employees. • Higher temperatures and more heatwaves could result in water shortages. • Shortages of natural resources, water, materials and raw materials needed for operations, construction and renovation may arise.	
Transition risk	**Transition risk**
• Travel patterns and demand in submarkets may change. Properties located in areas at risk of flooding may become unusable. • Reconstruction of urban infrastructure may result in hotel properties being in the wrong locations. • Investments are postponed because demand for and/or the cost of climate change adaptation does not correspond to the value. This creates a pent-up investment requirement for Pandox. • Unchanged behaviour among tenants, investors and guests increases emissions and makes attempts at transformation more difficult.	• Political decisions, taxes and regulations are introduced regarding GHG emissions and transformation. • International travel patterns, modes of transport and transport systems change. The travel taking place is fossil-free and more regional. This may result in a risk of hotel properties being in the wrong locations. • Increased pressure on the Company and the properties from law-makers, investors, partners and guests to perform in energy efficiency. • The properties' perimeter protection and ventilation, cooling, energy and water systems need to be upgraded or replaced. New technology needs to be installed and fossil energy replaced by renewable energy. • Some properties may not meet new demands from tenants and society, or it may be too expensive to transform. • Shortages of natural resources, raw materials and energy may arise, resulting in more expensive input goods. • The electrification of society may create a power shortage.
Opportunities	**Opportunities**
• Be an attractive property owner by investing in climate-adapted properties with a good indoor climate. • Increased regional travel can create new business opportunities in new areas. • Acquiring newly built hotels in the right locations and for the right target group.	• Develop the hotel properties in line with upcoming requirements to remain an attractive property owner. • Reduce the amount of energy needed by having climate-adapted and resource-efficient properties. • Continued investment in regional properties to meet increased regional travel demand. • Identify other segments or new ways of using hotel properties. • Refine the property portfolio by verifying the climate resilience of properties before acquiring them, and prioritising the properties that meet the standards or have significant potential. • Produce renewable electricity using solar panels. This mitigates power shortages and rising electricity prices. • Install charging stations for electric vehicles in hotel parking areas to meeting the guests' needs. • Implement green supplementary agreements with tenants. • Initiate collaboration with suppliers of the materials to reduce climate emissions together. • Use materials and resources more efficiently by focusing on recycling and reuse.
Potential financial impact	**Potential financial impact**
• Increased operating costs for insurance, administration, operations, maintenance and materials. • Volatile and/or rising energy costs and water costs. • Increased investments in climate-adapted properties. • Lower property values for a increasing number of properties that are not able to handle physical climate impacts or are located in risk areas. • Increased property values for climate-adapted properties. • Long-term reduction in revenue due to lower demand for properties that are not climate-adapted.	• Significant investment is required to climate-adapt Pandox's property portfolio. • Reduced operating costs relating to energy and water due to more resource-efficient systems and new technology. • Lower cost of managing, operating and insuring properties etc. • Increased financing requirements for investments and transformation of the property portfolio. • Reduced property values for properties that are not attractive or are too expensive to remodel. • Increased revenue and rising value of properties if Pandox can offer tenants climate-adapted hotel properties.
Potential impact on strategy and operations	**Potential impact on strategy and operations**
• The organisation is forced to be more reactive instead of proactive, to handle an increased number of acute crises at the properties. • Newly built properties are prioritised to a greater extent, and in new locations, to capture business opportunities. • Inferior properties are sold in order to get out of long leases. • Strategies and business models become more flexible and are constantly evaluated.	• The property portfolio needs to be transformed to increase the number of new buildings, remodels and divestments of older buildings. • Extensive investment in new technology, fossil-free energy, more efficient use of water and energy, better ventilation etc. is needed throughout the property portfolio. • The organisation needs a more long-term approach to climate strategies and targets. • The business model needs to be more flexile – can the properties be used for something other than hotels? • The lease structure needs to be changed to include green supplementary agreements. • Sustainability efforts must continue to be developed and must encompass all parts of the organisation and all employees.

[1] To read the descriptions of the world in 2050 in each of the climate scenarios, see Pandox's 2021 Annual Report, pages 44–45.

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▶▶ Note S.7., cont.

Indicators and sensitivity analysis for potential financial impact

Based on the recommendations in the TCFD framework, in 2022 Pandox started to use sensitivity analysis to monitor development of identified climate-related risks and opportunities, and to further demonstrate to stakeholders how a changed climate could potentially impact Pandox's financial position, strategies and operations.

Indicators and sensitivity analyses are presented in the matrix below.

	Risk/Opportunity	Indicator	Sensitivity analysis	Financial impact	Management
Physical risk	Higher electricity consumption due to increased ventilation, cooling etc.	Total electricity consumption per year (MWh)	Total electricity consumption increases by 10% compared with 2022	Electricity consumption increases by 3,600 MWh in Pandox-operated hotels/properties	• Energy-efficiency improvement. • Investments in renewable energy, solar energy, geothermal heating, natural cooling etc.
	Higher electricity costs resulting from shortages, regulations, taxes etc.	Total energy cost per year (MSEK)	Cost of electricity consumption increases by 50% compared with 2021	Electricity costs increase by MSEK 30, equivalent to 1% of operating surplus in 2022	
	Higher insurance premiums for properties with a high or very high risk rating	Cost of insurance per sq m (portfolio average)	Insurance costs increase by 25% compared with 2021 in properties with a high or very high risk rating	MSEK 2 increase in total insurance costs	• Action plans produced for properties with a high or very high risk rating
	Higher water costs	Total cost for water consumption (MSEK)	Cost of water consumption increases by 50% compared with 2021	MSEK 6 increase in water costs	• Projects to improve water consumption efficiency
	Higher costs for building materials	Quantity of materials for tenant adaptations/retrofit (metric tons)	Cost of materials for tenant adaptations/remodeling increases by SEK 1,000/metric ton	MSEK 45 increase in construction costs	• Increased focus on reusing materials in construction projects
Transition risk	Decrease in value of buildings without environmental certification	Proportion of environmentally certified buildings	Decrease in market value of buildings without environmental certification	Reduced property value may have an impact on multiple factors, such as loan-to-value ratio and/or rents.	• Environmental certification of the property portfolio
	Regulations require large investments in climate-smart technology	Cost of climate-related adaptations for the properties (MSEK)	Cost of preventive climate-adapted solutions increases by 25% compared with 2021	MSEK 7 increase in climate adaptation costs compared with 2021	• Ongoing need to choose the best available techniques (BAT) in retrofit
Opportunities	Increase in value of environmentally certified buildings	Proportion of existing Pandox-operated buildings with environmental certification (12)	Market value of environmentally certified hotels increases by 10%	1% increase in property value	• Environmental certification of the property portfolio and included in due diligence ahead of acquisitions
	Reduced energy costs through a higher proportion of energy produced internally	Proportion of energy produced internally within the property portfolio (%)	Electricity produced internally increases by an additional 5 percentage points compared with 2022	MSEK 2.3 reduction in energy costs, equivalent to 4% of total energy costs in 2022	• Investments in renewable energy • Energy efficiency improvements

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S.8. WATER

Pandox's total water consumption for the entire property portfolio in 2022 was 1,892,54 cu m (1,460,953 cu m) and the average water intensity was 90 litres/sq m. The reported water consumption for which Pandox has received measured data covers 112 (113) of the total of 157 (157) properties. Standard calculations were made for the properties with no measured data.

Total water consumption increased as a consequence of increased guest occupancy due to eased restrictions after the pandemic. Water intensity per guest night decreased as a consequence of projects to reduce water consumption as the green investment programme started to yield results. Read more about the green investment programme on page 64.

In 2022 Pandox conducted a more in-depth analysis to determine which of the hotels operated by Pandox are located in areas experiencing extremely high levels of water stress. The analysis shows that it is mainly densely populated areas in Northwestern Europe, especially around London and Brussels, that have a water shortage, i.e. where water demand is much greater than the supply [2].

⊘ *Read more about Pandox's work on water consumption on page 65.*

PANDOX'S WATER CONSUMPTION WITHIN OPERATOR ACTIVITIES AND [HQ 1]

(m³)	2022	2021	2020
Total water consumption	**322,179**	**233,667**	**227,226**
– of which water consumption in water-stressed areas [2]	124,776	68,552	74,667
Water intensity, litres/sq m	866	615	611
Water intensity, litres/guest night	215	304 [3]	389

[1] The water consumption data covers the Pandox head office and Pandox's 19 hotels in Operator Activities. There is no data for DoubleTree by Hilton Bath which was acquired in autumn 2022.

[2] WRI's water stress indicators are expressed as percentages and are calculated by dividing the total water withdrawals by the available surface water and groundwater. The higher the figure, the greater the competition for water. The table shows water consumption for hotels in areas with extremely high water stress => 80%. Pandox has used the World Resource Institute's Aqueduct Tool – Water Risk Atlas as the source to determine which hotels are in water-stressed areas.

[3] There was a reporting error in the number of guest nights in 2021 and this has been revised. As a result the figure stated here is lower than in the previous Annual Report.

TENANTS' WATER CONSUMPTION IN PROPERTY MANAGEMENT [1]

(m³)	2022	2021	2020
Water consumption from properties with measured data [1]	1,134,246	814,380	803,799
Water consumption from properties using standard calculations [2]	436,117	412,906	N/A
Total water consumption	**1,570,363**	**1,227,286**	**803,799**
– of which water consumption in water-stressed areas [3]	30,535	17,595	11,426
Water intensity, litres/sq m	918	723	705
Water intensity, litres/guest night [4]	184	311	246

[1] The water consumption data is based on measured data reported by tenants covering 93 (87) of the total of 137 (137) properties in Property Management.

[2] The water consumption data based on the standard calculation is for 43 of the 137 properties in Property Management. The number of square metres for these properties is multiplied by the water intensity for the properties with measured data. Standard calculations were introduced in 2021 to obtain data for the whole property portfolio.

[3] WRI's water stress indicators are expressed as percentages and are calculated by dividing the total water withdrawals by the available surface water and groundwater. The higher the figure, the greater the competition for water. The table shows extremely high water stress = > 80 percent. Pandox has used WRI Aqueduct 2019 – Water Risk Atlas as the source to determine which hotels are in water-stressed areas.

[4] The data calculation is based on 84 hotels that have reported both water consumption and guest nights.

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S.9. WASTE

The volume of waste increased in 2022 compared with 2021 as a consequence of higher hotel occupancy. The data for waste generated in 2022 is for 19 (19) of the 20 (20) hotels in Operator Activities and for the Pandox head office. In Property Management the corresponding figure was 85 (86) of 137 (137) hotels.

In 2022 Pandox focused on improving the reliability of measured data and this will continue in the years ahead.

⊙ *Read more about Pandox's work on waste page 66.*

WASTE GENERATED AND WASTE DISPOSAL METHODS IN PANDOX'S OPERATOR ACTIVITIES SEGMENT AND AT HQ [1]

(metric tons)	2022		2021		2020	
Disposal method [2]	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste
Reuse	21	0	113	0	0	0
Recycling	762	7	641	0.7	540	1.4
Composting	297	0	18	0	31	0
Energy recovery	249	0	171	5.6	372	0
Incineration	55	2	9	0	0	0
Landfill	170	0	60	0	333	0
Other/Unknown	0	7	377	0.2	0	0
Total volume of waste	**1,554**	**16**	**1,389**	**6.5**	**1,276**	**1.4**

[1] The data for waste generated in 2022 is for 19 of the 20 hotels in Operator Activities and for the Pandox head office. Novotel Den Haag World Forum cannot produce any data as it shares waste management with a convention centre. There is no data for one property acquired in 2022. Hazardous waste for energy recycling consists of wastewater residuals.

[2] Pandox does not use the methods of deep well injection or storage on site.

WASTE GENERATED AND WASTE DISPOSAL METHOD USED BY TENANTS WITHIN PROPERTY MANAGEMENT [1]

(metric tons)	2022		2021	
Disposal method [2]	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste
Reuse	48	0	27	0
Recycling	507	0	788	8
Composting	283	1	16	0
Energy recovery	423	11	737	0
Incineration	18	3	107	0
Landfill	75	1	19	1
Other/Unknown	1,969	9	1,595	3
Total volume of waste	**3,323**	**25**	**3,289**	**12**

[1] Measurement started in 2021. Data for waste generated in 2022 is for 85 (86) of 137 (137) hotels in Property Management.

[2] Pandox does not use the methods of deep well injection or storage on site.

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S.10. SUSTAINABILITY CERTIFICATION

The goal is for all properties in Pandox's Operator Activities to be certified to BREEAM In-Use with a rating of Very Good.

At the end of the year 12 properties were certified at the Very Good level. An additional four properties are expected to be certified in 2023.

Within Pandox's Operator Activities 90 (100) percent of the hotels also have sustainability-certified hotel operations. The reduction is due to the fact that one hotel lost its Green Key certification and is in the process of renewing it, and that a recently acquired hotel is not certified.

Within Property Management 74 (63) percent of the tenants have obtained environmental certification for their hotel operations.

SUSTAINABILITY-CERTIFIED PROPERTIES [1]

Pandox properties	Total number of BREEAM-certified properties		
	2022	2021	2020
Number of certified properties	13	6	3
Certified area, sq m	234,363	74,178	44,833
Percentage of certified properties in Operator Activities, % [2]	60%	25%	15%
Certified properties as a percentage of all properties, %	8%	4%	2%

[1] Data showing the number of Pandox-owned hotel properties that are certified to BREEAM In-Use. 12 of the properties are in the Operator Activities segment and one property is in Property Management.

[2] This item shows the percentage of certified properties among the hotel properties that Pandox operates within Operator Activities.

SUSTAINABILITY-CERTIFIED HOTEL OPERATIONS [1]

Pandox properties	Total			Breakdown for 2022				
	Number of certified hotels			Type of certification				
	2022	2021 [2]	2020	Nordic Swan	Green Key	ISO 14001	Green Tourism	Other
Number of certified hotels	120	126	129	46	26	16	23	32 [3]
Certified area, sq m	1,675,472	1,720,839	1,700,822	575,705	510,400	179,816	96,678	577,941 [4]
Percentage of certified hotels in Operator Activities, %	90%	100%	100%	0%	75%	5%	10%	45%
Percentage of certified hotels in Property Management, %	74%	77%	82%	36%	8%	11%	15%	9%
Certified hotels as a percentage of all properties, %	76%	80%	83%	29%	17%	10%	15%	15%

[1] A hotel may have several types of certification. The total therefore indicates the number of hotels with one or more types of certification and the floor space of these hotels. The breakdown cannot therefore be added up and compared with the total. The number of certified hotels has decreased in the Property Management segment where certifications for the hotels have not been renewed. The most common ecolabel is Nordic Swan, for which Scandic accounts for the largest share, followed by Green Key, which is the most common ecolabel in Pandox's Operator Activities segment. For an overview of the hotels' sustainability certifications, see the list of hotel properties on pages 50–54.

[2] Correction of data from one of the major tenants in the 2021 figures, which stated a higher number of certified hotels.

[3] Total number of other certifications, regardless of whether the hotel has other certifications.

[4] Floor space covered by all certifications, regardless of whether the hotel has other certifications.

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S.11. EMPLOYEES

All employee data is reported as number of employees as of 31 December 2022. Note that the results differ from the employee data reported in Note C7, which is for the average number of employees based on hours worked.

Social sustainability data includes all employees employed by Pandox. This therefore includes employees in Operator Activities and Property Management and at the head office.

Number of employees

The majority of Pandox employees have permanent positions, but additional employees with temporary contracts are needed in particular in Pandox's own operations during the hotels' high season. Part-time work is common in the hotel industry.

The number of employees increased by 320 (8) in 2022. This is mainly due to a pent-up need to recruit after the pandemic when many employees were furloughed. In 2021, 855 employees were furloughed and 1,034 were furloughed in 2020.

The number of people not employed by Pandox but who work within the organisation amounted to 146 (119) at the end of 2022, reported as head counts.

NUMBER OF EMPLOYEES BY GENDER, TYPE OF EMPLOYMENT CONTRACT AND TYPE OF EMPLOYMENT (FULL-TIME OR PART-TIME)

	2022			2021			2020 [1]		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent employment	877	877	1,754	737	743	1,480	719	752	1,471
Temporary employment	61	65	126	38	42	80	47	34	81
Total	**938**	**942**	**1,880**	**775**	**785**	**1,560**	**766**	**786**	**1,552**
Full-time	709	772	1,481	581	674	1,255	618	709	1,327
Part-time	229	170	399	194	111	305	148	77	225

[1] In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

NUMBER OF EMPLOYEES BY REGION AND EMPLOYMENT CONTRACT (PERMANENT OR TEMPORARY)

	2022			2021			2020 [1]		
	Permanent employment	Temporary employment	Total	Permanent employment	Temporary employment	Total	Permanent employment	Temporary employment	Total
Nordics	102	5	107	81	6	87	84	2	86
Europe	1,142	121	1,263	990	74	1,064	940	79	1,019
Canada	510	0	510	409	0	409	447	0	447
Total	**1,754**	**126**	**1,880**	**1,480**	**80**	**1,560**	**1,471**	**81**	**1,552**

[1] In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

▶▶ Note S.11., cont.

Diversity and gender equality

Pandox has significant diversity among its employees – particularly in its own hotel operations – in terms of ethnic affiliation, gender, religion, age etc. 50 percent of the total number of employees in 2022 were women and 50 percent were men.

The gender balance between women and men was not as equal in senior management positions, with the majority of general managers being men. In 2022 this number was in line with previous years. The percentage of women in the executive management team decreased from 40 percent in 2021 to 30 percent in 2022. The reason is that Pandox's Senior Vice President, General Counsel left the Company during the year.

Pandox requires both genders to be represented in the recruitment process for senior roles throughout Pandox. This is a prioritised area for the Company.

In 2022 a diversity and inclusion workshop was held with representatives from the executive management team and key individuals from Pandox-operated hotels. The purpose was to create an understanding of the fundamentals of diversity and inclusion, and to agree at a strategic level on a vision, ambition and motivations associated with Pandox's efforts in these areas.

⊘ *Read more about Pandox's diversity and gender equality work on page 78.*

GENDER DISTRIBUTION BY EMPLOYMENT CATEGORY

	2022			2021			2020 [1]		
		Gender distribution,%			Gender distribution,%			Gender distribution,%	
	Total number	Women	Men	Total number	Women	Men	Total number	Women	Men
Board of Directors	6	33%	67%	6	33%	67%	6	33%	67%
Executive management team	10	30%	70%	10	40%	60%	9	22%	78%
Operator Activities									
Senior management	69	41%	59%	66	39%	61%	52	38%	62%
Middle management	165	53%	57%	154	47%	53%	144	49%	51%
Hotel employees	1,596	50%	50%	1,290	51%	49%	1,306	50%	50%
Property Management									
Senior management	3	0% [2]	100%	3	0% [2]	100%	3	0% [2]	100%
Middle management	1	100%	0% [2]	1	0% [2]	100%	3	0% [2]	100%
Other administrative employees	7	29%	71%	10	20%	80%	9	22%	78%
Head office									
Middle management	2	50%	50%	4	50%	50%	4	75%	25%
Other head office employees	27	52%	48%	22	59%	41%	22	64%	36%
Total within Pandox (excl. Board)	**1,880**	**50%**	**50%**	**1,560**	**50%**	**50%**	**1,552**	**49%**	**51%**

[1] In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

[2] The percentage is based on a small number of employees.

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▶▶ Note S.11., cont.

AGE DISTRIBUTION BY EMPLOYMENT CATEGORY

| | 2022 | | | | 2021 | | | | 2020 [1] | | | |
| | | Distribution by age group, % | | | | Distribution by age group, % | | | | Distribution by age group, % | | |
	Total number	<30 years	30–50 years	>50 years	Total number	<30 years	30–50 years	>50 years	Total number	<30 years	30–50 years	>50 years
Board of Directors	6	0%	50%	50%	6	0%	50%	50%	6	0%	50%	50%
Executive management team	10	0%	30%	70%	10	0%	20%	80%	9	0%	22%	78%
Operator Activities												
Senior management	69	5%	59%	36%	66	6%	61%	33%	52	4%	65%	31%
Middle management	165	21%	64%	15%	154	22%	58%	20%	144	18%	65%	17%
Hotel employees	1,596	29%	42%	29%	1,290	24%	45%	31%	1,306	20%	48%	32%
Property Management												
Senior management	3	0%	100%	0%	3	0%	100%	0%	3	0%	100%	0%
Middle management	1	0%	100%	0%	1	0%	100%	0%	3	0%	67%	33%
Other administrative employees	7	0%	29%	71%	10	30%	20%	50%	9	11%	22%	67%
Head office												
Middle management	2	0%	50%	50%	4	0%	50%	50%	4	0%	75%	25%
Other head office employees	27	19%	74%	7%	22	9%	86%	5%	22	23%	72%	5%
Total within Pandox (excl. Board)	**1,880**	**27%**	**45%**	**28%**	**1,560**	**23%**	**47%**	**30%**	**1,552**	**19%**	**50%**	**31%**

[1] In the 2021 Annual Report Pandox has switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

►► Note S.11., cont.

New employee hires and employee turnover

In 2022 the number of new employees and rate of employee turnover were high in the age category <30. Many young people work in the hotel industry and employees in this age category are in general more mobile in the job market. This age category was also overrepresented when the hotels' staffing needs decreased during the year since the last in, first out rule applied.

Employee turnover during the year was significantly higher than normal and is mainly due to need that has existed for some time to reorganise certain parts of the Company to meet new demands. Due to the pandemic there have been limited opportunities for organisational planning over the past three years and more leadership changes than normal have happened to fall at the same time. Employees have in turn also had time to reflect on their future career choices and some have retrained for other occupations.

⊙ *Read more about Pandox as an employer on pages 76–78.*

NEW EMPLOYEES AND EMPLOYEE TURNOVER BY GENDER, AGE AND REGION [1]

	2022				2021				2020			
	New employees, %		Employee turnover, %		New employees, %		Employee turnover, %		New employees, %		Employee turnover, %	
	Number	Share, % [2]	Number	Share, % [3]	Number	Share, % [2]	Number	Share, % [3]	Number	Share, % [2]	Number	Share, % [3]
Key ratios for different groups:												
Women	506	54%	394	42%	180	23%	241	31%	37	5%	289	38%
Men	456	48%	389	41%	179	23%	215	27%	41	5%	361	37%
Age <30	555	110%	385	76%	214	60%	203	57%	40	13%	239	79%
Age 30–50	326	39%	315	37%	119	16%	190	26%	30	4%	268	34%
Age >50	81	15%	83	16%	26	5%	63	13%	8	2%	143	30%
Nordics	34	32%	26	24%	17	20%	22	25%	13	15%	26	31%
Europe	661	52%	489	39%	245	23%	308	29%	59	6%	526	52%
Canada	267	52%	268	53%	97	24%	126	31%	6	1%	98	22%
Total within Pandox	**962**	**51%**	**783**	**42%**	**359**	**23%**	**456**	**29%**	**78**	**5%**	**650**	**42%**

[1] In the 2021 Annual Report Pandox switched from reporting the number of full-time employees (FTE) to instead reporting the number of individuals (head count) as of 31 December. The comparative figures for 2020 above have therefore been restated to reflect the number of individuals. The figures reported in the 2020 Annual Report were for full-time equivalents (FTE).

[2] The percentage is the number of new employees divided by the total number of employees in the respective category. In 2022, for example, 555 individuals under the age of 30 were recruited, which represents 110 percent of the total number of employees under 30.

[3] The percentage for employee turnover is the number of employees who left the organisation voluntarily or were laid off, retired or died in service (including both permanent and temporary employees) divided by the total number of employees as of 31 December.

▶▶ Note S.11., cont.

Professional development

As a consequence of major recruitment at the head office, within Property Management and Operator Activities, not all employees had performance and career development reviews in 2022. New recruits who did not have a performance and career development review in 2022 will instead have their first one in 2023.

　Pandox's goal is to ensure that every employee is given the opportunity to develop through training. The average number of hours of training per employee during the year was 10 hours.

EMPLOYEES WHO HAD A PERFORMANCE AND CAREER DEVELOPMENT REVIEW, % [1]

Employment category	2022 Percentage			2021 Percentage			2020 Percentage		
	Total	Women	Men	Total	Women	Men	Total	Women	Men
Key ratios for different groups:									
Executive management team	78%	100%	67%	89%	75%	100%	100%	100%	100%
Operator Activities									
Senior management	59%	54%	63%	94%	100%	88%	97%	100%	94%
Middle management	74%	74%	74%	77%	85%	71%	60%	66%	54%
Other hotel employees	48%	52%	45%	52%	52%	53%	34%	37%	31%
Property Management									
Senior management	100%	–	100%	100%	–	100%	100%	–	100%
Middle management	0%	0% [2]	–	100%	–	100%	67%	–	67%
Other administrative employees	86%	50%	100%	100%	100%	100%	100%	100%	100%
Head office									
Middle management	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other head office employees	85%	100%	69%	91%	85%	100%	100%	100%	100%
Total within Pandox	**53%**	**56%**	**50%**	**58%**	**58%**	**58%**	**41%**	**43%**	**38%**

[1] Percentage of employees who have had a performance and career development review = number of individuals in the group in question who had a performance and career development review during the year, divided by the total number of employees in the group as of 31 December of the year in question.

[2] There is only one (1) employee in this category, which has a significant effect on the percentage.

AVERAGE HOURS OF TRAINING PER EMPLOYEE [1]

Employment category	2022 Average number of hours			2021 Average number of hours		
	Total	Women	Men	Total	Women	Men
Key ratios for different groups:						
Executive management team	6	0	8	9	11	8
Operator Activities						
Senior management	16	19	15	20	28	15
Middle management	17	16	18	13	13	13
Other hotel employees	9	7	10	7	7	8
Property Management						
Senior management	0	0	0	2	0	2
Middle management	0	0	0	5	0	5
Other administrative employees	3	1	4	14	3	17
Head office						
Middle management	14	27	0	11	17	5
Other head office employees	10	5	16	6	4	9
Average number of training hours within Pandox	**10**	**9**	**11**	**9**	**8**	**9**

[1] Pandox started collecting this data at the beginning of 2021. There is therefore no comparative data from previous years.

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▶▶ Note S.11., cont.

Occupational health and safety

Specific management of health and safety in the workplace
A priority for Pandox is that all employees have a safe, healthy and secure work environment, as they are a vital resource for the Company. Risk assessment, training and employee surveys are therefore conducted on a regular basis.

Pandox has no Group-wide health and safety management system, or common processes for identifying and evaluating risk, or investigating incidents that occur. This is due to the fact that regulations are different in different countries. Pandox has therefore chosen to decentralise responsibility and delegate it to the respective hotel. Pandox's Code of Conduct for employees does, however, cover health and safety, and what is required of Pandox as an employer. There is a Director of HR at the head office responsible for the employee survey process, the Code of Conduct for employees, and social data.

Most of the employees work within Pandox's Operator Activities business segment. Each hotel is responsible for its employees' physical and mental health and safety at the workplace. They are responsible for designing processes and routines, for implementing risk assessment and risk management, and for investigating incidents and accidents.

Work-related accidents and incidents are reported annually via Pandox's system for collecting social data from Operator Activities. The cause of accidents is to be investigated and preventive measures introduced.

Health and safety procedures and processes must be in place according to the laws in individual countries, and also based on requirements from the hotel companies that Pandox has franchise or management agreements with.

The hotels have one or more workplace health and safety representatives who the employees can contact on these matters. There is also an elected employee representative and a health and safety officer to turn to if someone does not want to talk to their line manager or the general manager. The elected employee representative pursues the matter and the employee who reported the problem can thereby remain anonymous. There is also the option of reporting an incident anonymously through the employee surveys or the whistleblower system. The health and safety officer, workplace health and safety representative and the elected employee representative have meetings on a regular basis with the health and safety team to address any problems arising, proposed actions, and the process for reporting incidents and accidents to the equivalent of the Swedish Work Environment Authority in the country concerned.

The hotels are also responsible for training to minimise risks in potentially risky tasks, such as when using kitchen equipment. The employees are trained regularly in how potentially threatening situations at the hotel are to be managed – both according to hotel-specific protocols and Pandox's Code of Conduct for employees. At the head office and many of the hotels the employees have health insurance that includes counselling if an employee is experiencing difficulties that are affecting their personal or working life, or if they have experienced an uncomfortable or threatening situation in or in the vicinity of the workplace. Read more about Pandox's preventive measures in the area of health and safety on page 78.

Contractors and subcontractors engaged by Pandox are, in their capacity as employers, formally responsible for investigating and taking action in the event of work injuries involving their employees. Pandox does not have any formal responsibility for the health and safety of those employed by our tenants and business partners either. However, Pandox does try to influence their sustainability practices through the Code of Conduct for business partners. The Code describes what we expect of them, including with respect to health and safety at the workplace. Pandox also has a duty to determine if there is anything to be learnt as a building proprietor or client from incidents or accidents that occur.

The consultants and other suppliers who work on a daily basis at our workplaces are included in the reporting of the data below.

Reporting of work-related accidents
In 2022 there were 67 (13) work-related accidents within Operator Activities. The increase can be explained in part by the fact that the reporting system has become more established and in part by an increased percentage of new recruits. The injuries that occurred were isolated falling accidents and cuts. There were no deaths, accidents, injuries or incidents during the year among the employees at the head office, within Property Management or among contractors brought in.

The most common risks in the hotel and restaurant industry are stress injuries due to heavy lifting, falls (for example, due to slippery floors), loss of control over kitchen equipment, and burns and cuts. Through training and information, Pandox tries to limit the number of accidents that occur where the situations cannot be entirely avoided.

Reporting of work-related ill health
In the hotel and property industries there is a risk of work-related ill health such as burnout and mental illness. During the year nine cases of work-related ill health were reported to Pandox. This is explained by the increased number of hours worked because of furloughed employees returning to work and the fact that it is still hard to fill all the vacancies.

Sickness absence
Sickness absence reduced in 2022 to 5.7 percent (7.0 percent). This is partly due to the large number of new recruits joining the company during the year. In addition, employees who were isolated at home for a long period due to pandemic restrictions in Europe were able to return to work and thus also a social context.

⊙ *Read more about Pandox's work on health and safety on page 78.*

WORK-RELATED ILL HEALTH [1]

	Number		
	2022	2021	2020
Employees			
Deaths as a result of work-related ill health	0	0	0
Reported work-related ill health	9	0	0
Subcontractors			
Deaths as a result of work-related ill health	0	0	0
Reported work-related ill health	0	0	0

[1] Work-related ill health is when poor health or illness is caused by exposure to hazards at work or a poor work environment.

SICKNESS ABSENCE BY SEGMENT [1]

	Sickness absence, %		
All types of sickness, ill health or injuries	2022	2021	2020
Operator Activities	5.9%	7.1%	7.0%
Property Management	0.7%	0.3%	1.9%
Head office	0.5%	0.2%	0.7%
Total	**5.7%**	**7.0%**	**7.0%**

[1] Sickness absence is presented as a percentage of total scheduled hours worked. 2020 is the first year for which Pandox is reporting sickness absence. The lower sickness absence in the Property Management segment and at the head office is explained by the employees having the option to work from home during the pandemic. Total sickness absence is based on all employees in the Group.

WORK-RELATED INJURIES [1]

	2022		2021		2020	
	Number	Rate of deaths/ accidents	Number	Rate of deaths/ accidents	Number	Rate of deaths/ accidents
Employees						
Fatalities resulting from work-related injuries	0	0	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	1	0.97	0	0.00	1	0.18
Reported work-related injuries	67	6.51	13	2.05	12	2.19
Subcontractors						
Fatalities resulting from work-related injuries	0	0	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	0	0	0	0.00	0	0.00
Reported work-related injuries	1	0.97	2	4.13	0	0.00

[1] A work-related injury is an injury that occurs due to or during work tasks. A serious injury is defined as one that the employee has not fully recovered from within six months. The rate of accidents and fatalities is defined as the number of work-related accidents or fatalities respectively divided by the total number of hours worked, multiplied by 200,000 hours worked. The number of hours worked by Pandox's own employees amounted to 2,059,571 in 2022, to 1,270,306 in 2021 and to 1,095,650 in 2020 for the head office, Property Management and Operator Activities.

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S.12. ANTI-CORRUPTION

Pandox has zero tolerance for corruption, which is clearly stated in the Company's Anti-Corruption Policy. In 2022 there were 0 (0) cases of corruption.

⊙ *Read more in the chapter "Responsible and fair business" on page 70.*

NUMBER OF CASES OF CORRUPTION

	2022	2021	2020
Total number of cases of corruption	0	0	2
– of which cases where an employee was dismissed due to corruption	0	0	1
– of which cases where contracts with business partners were terminated or not extended due to corruption	0	0	1
– of which the number of legal cases regarding corruption filed against the Company or our employees	0	0	0

S.13. SUPPLIERS

Pandox has developed its process for screening new and recurring suppliers with the help of a new user-friendly system in 2023. New and regular suppliers in the construction industry that have not been audited previously within Property Management are audited over a certain annual minimum contract amount. A total of 48 suppliers were audited in 2022.

New suppliers:
These are initially screened against sanction lists and their existence verified. If suppliers receive a red rating at this stage the relationship is discontinued. Those with a yellow or green rating are subject to an internal risk assessment based on sector, country, annual purchasing amount and contract length. Companies that are red-rated at this stage are subsequently required to fill out a general digital self-assessment form to give Pandox a better basis for a decision. If they again receive a red rating in this step they are not to continue as Pandox suppliers. All of those audited received a yellow or green rating. The aim is to complete this process before a contract is signed.

Existing suppliers:
Within six months, companies receiving a yellow rating in the procurement stage above are to fill out a longer self-assessment form. Companies that have red-marked responses receive follow-up questions asking for more information and clarification. This can move a supplier to a yellow or green rating. This step also contributes to more in-depth dialogue and to the suppliers' development. In cases where the suppliers' responses still come up red, their services

are no longer to be used or the matter can be escalated to the newly formed purchasing council consisting of individuals from the executive management team. In specific cases an exemption may be granted, for example if there is only one supplier in the market. Each individual case is to be documented. No cases needed to be escalated in 2022. A total of 48 suppliers were audited in 2022. All of these received a rating of yellow or green.

As of 2023, 50 percent of the suppliers with a red rating in the final stage and where a construction project is under way will be audited through a site visit.

⊙ *Read more about Pandox's work with its suppliers on pages 72–73.*

AUDIT OF EXISTING SUPPLIERS BASED ON ENVIRONMENTAL AND SOCIAL CRITERIA

	2022	2021	2020
Number of suppliers audited	48	82	2
Number of suppliers identified as having a significant negative impact [1]	4	37	44
Suppliers with a negative impact where improvements have been agreed upon, % [2]	0%	0%	70%
Suppliers with a negative impact where the contract has been terminated as a result of the audit, % [2]	0%	0%	4%

[1] Number of suppliers refers to those who are considered to have or be at risk of having a negative impact based on identified risks relating to social and/or governance aspects. No suppliers are considered to have or be at risk of having a material impact on the environment.

[2] Due mainly to a lack of documentation on formal processes within business ethics and rights at work, or due to suppliers who have chosen not to respond to the survey. Supplier audits for 2022 were carried out late in the year and as a result, it was not possible to reach agreements with suppliers before the end of the year.

S.14. GUESTS

In 2022 there were four incidents within the organisation in which a guest's health was negatively affected. These involved falling accidents and food allergies. There were no data breaches such as stolen customer data or incidents that violated customer privacy.

⊙ *Read more about Pandox's work on guest satisfaction and security on pages 74–75.*

THE IMPACT OF PRODUCTS AND SERVICES ON PANDOX'S HOTEL GUESTS' HEALTH AND SAFETY

	2022	2021	2020
Total number of incidents where a guest's or visitor's health or safety was negatively affected on a visit to a Pandox hotel	0	1	0
– of which the number of incidents of non-compliance with laws	0	0	0
– of which the number of incidents of non-compliance with voluntary standards	4	1	0
– of which the number of incidents of non-compliance with laws that resulted in fines or other penalties	0	0	0
– of which the number of incidents of non-compliance with laws that resulted in a warning	0	0	0

DATA SECURITY AND CUSTOMER PRIVACY

	2022	2021	2020
Total number of data security breaches, such as stolen customer data	0	0	0
Total number of complaints received regarding violation of customer privacy	0	0	0
– percentage of total complaints received from external parties	0	0	0
– percentage of total complaints received from authorities	0	0	0

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GRI Index

Statement of use	This is Pandox's report in accordance with the GRI Standards for the period [reporting period start/end date].
GRI 1 Standard	GRI 1: Foundation 2021
GRI Sector Standard	No sector standard is available yet for Pandox's industry.

GRI Standard	Disclosure	Disclosure name	Page	Omissions			Principles of the UN Global Compact
				Requirement(s) omitted	Reason	Explanation	
GENERAL DISCLOSURES							
GRI 2: General disclosures 2021	2-1	Organizational details	119				
	2-2	Entities included in the organization's sustainability reporting	81				
	2-3	Reporting period, frequency and contact point	81				
	2-4	Restatements of information	81, 95–96				
	2-5	External assurance	81				
	2-6	Activities, value chain and other business relationships	57, 81				
	2-7	Employees	103				1
	2-8	Workers who are not employees	103				
	2-9	Governance structure and composition	119, 126–127				
	2-10	Nomination and selection of the highest governance body	123				
	2-11	Chair of the highest governance body	121, 126–127				
	2-12	Role of the highest governance body in overseeing the management of impacts	71, 82, 120–121				
	2-13	Delegation of responsibility for managing impacts	71, 82, 120				
	2-14	Role of the highest governance body in sustainability reporting	85				
	2-15	Conflicts of interest	Noncompliance			Processes are being developed to enable reporting in 2023.	
	2-16	Communication of critical concerns	70				
	2-17	Collective knowledge of the highest governance body	119				
	2-18	Evaluation of the performance of the highest governance body	Noncompliance			Processes are being developed to enable reporting in 2023.	
	2-19	Remuneration policies	120–121				
	2-20	Process to determine remuneration	120–121				
	2-21	Annual total compensation ratio	119–120				
	2-22	Statement on sustainable development strategy	9				
	2-23	Policy commitments	9–10, 70–71, 86				1, 10
	2-24	Embedding policy commitments	85–86				
	2-25	Processes to remediate negative impacts	87–88				
	2-26	Mechanisms for seeking advice and raising concerns	70, 86, 135				
	2-27	Compliance with laws and regulations	70				
	2-28	Membership associations	84				
	2-29	Approach to stakeholder engagement	82–83				
	2-30	Collective bargaining agreements	77				3, 4, 5

  No omissions are permitted or no sector-specific disclosures are available.

▶▶ GRI Index, cont.

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GRI Standard	Disclo-sure	Disclosure name	Page	Requirement(s) omitted	Reason	Explanation	Principles of the UN Global Compact
MATERIAL TOPICS							
GRI 3: Material topics 2021	3-1	Process to determine material topics	82–83				
	3-2	List of material topics	84				
ANTI-CORRUPTION							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	70, 109				10
SUSTAINABLE MATERIALS							
GRI 3: Material topics 2021	3-3	Management of material topics	87				
GRI 301: Materials	301-1	Materials used by weight or volume	67				8
ENERGY							
GRI 3: Material topics 2021	3-3	Management of material topics	87				
GRI 302: Energy 2016	302-1	Energy consumption within the organization	94				
	302-2	Energy consumption outside of the organization	94				9
	302-3	Energy intensity	94				
WATER AND EFFLUENTS							
GRI 3: Material topics 2021	3-3	Management of material topics	87				
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	65, 100				
	303-2	Management of water discharge-related impacts		Pandox does as yet not report on 303-2.	Information not available/incomplete.	Work procedures will be created in the coming year.	8
	303-5	Water consumption	100				
GHG EMISSIONS							
GRI 3: Material topics 2021	3-3	Management of material topics	87				
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	60, 96				
	305-2	Energy indirect (Scope 2) GHG emissions	60, 96				7, 8, 9
	305-3	Other indirect (Scope 3) GHG emissions	60, 96				
	305-4	GHG emissions intensity	60				
CLIMATE ADAPTATION OF BUILDINGS							
GRI 3: Material topics 2021	3-3	Management of material topics	87				
Company-specific disclosures: **Climate adaptation of properties**	P-1	Percentage of properties evaluated for climate-related risks through desktop analysis	62				7

▪ No omissions are permitted or no sector-specific disclosures are available.

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				Omissions			Principles of the UN Global Compact
GRI Standard	Disclo-sure	Disclosure name	Page	Requirement(s) omitted	Reason	Explanation	
WASTE							
GRI 3: Material topics 2021	3-3	Management of material topics	87				
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	66, 101				7, 8
	306-2	Management of significant waste-related impacts	66, 101				
	306-3	Waste generated	101				
SUPPLIER ENVIRONMENTAL ASSESSMENT							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 308: Supplier environmental assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	72–73, 109				7, 8
SUSTAINABILITY CERTIFICATION							
GRI 3: Material topics 2021	3-3	Management of material topics	87				
Company-specific disclosures: **Sustainability certification**	P-2	Certified properties as a percentage of all properties	69, 102				7, 8, 9
	P-3	Percentage of certified hotels in Property Management	69, 102				
EMPLOYMENT							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	106				3, 6
OCCUPATIONAL HEALTH AND SAFETY							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	78, 108				
	403-2	Hazard identification, risk assessment, and incident investigation	78, 108				
	403-3	Occupational health services	78				
	403-4	Worker participation, consultation, and communication on occupational health and safety	78, 108				
	403-5	Worker training on occupational health and safety	78				3, 6
	403-6	Promotion of worker health	78				
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	78				
	403-9	Work-related injuries	108				
	403-10	Work-related ill health	108				
Company-specific disclosures: **Sickness absence**	P-4	Sickness absence by segment	108				

▶▶ GRI Index, cont.

GRI Standard	Disclosure	Disclosure name	Page	Omissions Requirement(s) omitted	Omissions Reason	Omissions Explanation	Principles of the UN Global Compact
TRAINING AND EDUCATION							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	77, 107				
	404-3	Percentage of employees receiving regular performance and career development reviews	107				
DIVERSITY AND EQUAL OPPORTUNITY							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	78, 104–105				1, 2, 6
NON-DISCRIMINATION							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	75				1, 2, 6
SUPPLIER SOCIAL ASSESSMENT							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 414: Supplier social assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	72–73, 109				1, 2, 10
CUSTOMER HEALTH AND SAFETY							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 416: Customer health and safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	74				
CUSTOMER PRIVACY							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	75				
GUEST SATISFACTION							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
Company-specific disclosures: **Guest satisfaction**	P-5	Guest satisfaction in Operator Activities	74				

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				Omissions			Principles of the UN Global Compact
GRI Standard	Disclo-sure	Disclosure name	Page	Requirement(s) omitted	Reason	Explanation	
PROSTITUTION AND TRAFFICKING							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
Company-specific disclosures: **Prostitution and trafficking**	P-6	Number of incidents of prostitution or trafficking	70				2, 4
INCLUSIVE LOCAL COMMUNITIES							
GRI 3: Material topics 2021	3-3	Management of material topics	88				
Company-specific disclosures: **Inclusive local communities**	P-7	Number of hotels in Operator Activities, including the head office, that have community projects	79				

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TCFD Index

Pandox is reporting according to TCFD (Taskforce on Climate-Related Financial Disclosures) for the third year and this process was further developed this year. The purpose of this index is to make it easier for the reader to find the information included in TCFD reporting.

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Recommended disclosures	Recommended disclosures	Recommended disclosures	Recommended disclosures
A. Describe the board's oversight of climate-related risks and opportunities. See page 120, 135	A. Describe the climate-related risks and opportunities the organisation has identified. See page 98	A. Describe the organisation's processes for identifying and assessing climate-related risks. See pages 62, 97	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities. See page 99
B. Describe management's role in assessing and managing climate-related risks and opportunities. See pages 62, 97	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. See page 99	B. Describe the organisation's processes for managing climate-related risks. See pages 62, 99	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. See pages 60–61, 95–96
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios. See page 97	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. See pages 87–88, 97	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. See pages 58–59, 62

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Sustainability definitions

Accident rate
A comparative indicator for the ratio between the number of accidents and the number of hours worked at the company, multiplied by 200,000 working hours. It is used to make comparisons between different companies. Fatality rates and the rate of serious accidents are also reported.

BREEAM
Building Research Establishment Environmental Assessment Method (BREEAM) is the most widely used environmental certification system for buildings in Europe. The system evaluates and grades the total environmental impact of buildings.

GRI Standards
The world's most widespread standards for reporting sustainability information. The standards are issued by the Global Reporting Initiative (GRI) and consist of principles and disclosures that organisations are to measure and report to monitor their sustainability work.

ILO
The International Labour Organization is a UN agency that brings together governments, employers and workers of 187 member states to set labour standards, develop policies and devise programmes promoting decent work for all women and men.

International Bill of Human Rights
The International Bill of Human Rights consists of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights.

Materiality analysis
Analysis to identify, evaluate and establish which sustainability topics are important for an organisation to prioritise in its sustainability work. The analysis is based on external analysis and stakeholder dialogue combined with an evaluation of the Company's economic, environmental and social impact on the surrounding communities. In the years ahead it will also be important to evaluate the impact on the Company of these topics.

Science Based Targets initiative
The Science Based Targets initiative (SBTi) drives the development of relevant climate action in the private sector by enabling entities to set science-based emissions reduction targets in line with the Paris Agreement.

TCFD
TCFD stands for Taskforce on Climate-Related Financial Disclosures and is a framework to identify a company's climate-related risks and opportunities.

UK Modern Slavery Act
A UK law designed to combat all forms of human trafficking, forced or slave labour in an entity's own operations or in its supply chain. All operating entities or subsidiaries in the UK are subject to the law.

UN Global Compact
The UN Global Compact was created in 1999 at the World Economic Forum in Davos. Its purpose was to create international principles around human rights, labour, environment and anti-corruption to be enacted by businesses. The principles are based on the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration and the UN Convention against Corruption.

UN Sustainable Development Goals
Part of Agenda 2030; consists of 17 Sustainable Development Goals (SDGs) adopted by the UN General Assembly. The purpose is to end extreme poverty, reduce inequality and injustice in the world, promote peace and justice and solve the climate crisis by 2030.

Independent limited assurance report on the statutory sustainability report

To the general meeting of shareholders of Pandox AB (publ), corporate registration number 556030-7885

Assignment and division of responsibility
The Board of Directors is responsible for the sustainability report for the year 2022 on pages 55–116 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Focus and scope of review
Our review was conducted in accordance with FAR's recommendation RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the sustainability report has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our examination provides a reasonable basis for our opinion below.

Conclusion
A sustainability report has been prepared.

Stockholm, 7 March 2023
PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor-in-charge

Linda Andersson
Authorised Public Accountant