

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Hotelism by Pandox

3

Sustainability

Pandox's most important contribution to more sustainable growth is in developing profitable green properties and signing green supplementary agreements with hotel operators. The purpose is to create resource-efficient properties and operations that reduce Pandox's climate footprint while also growing the business.

	2021	2020
Total number of BREEAM certified properties	6	3
Renewable energy, %	41	38
Employee satisfaction, %	78	81



CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

- Pandox's sustainability agenda
- Pandox's value chain
- Sustainability targets and strategies
- Focus areas
- Environment and climate
- Responsible and fair business
- Guest satisfaction and security
- Attractive and equal workplace
- Inclusive local communities
- Sustainability notes
- GRI Index
- TCFD Index
- Sustainability definitions

Properties

Financial

Governance

About sustainability

We are accelerating the pace to offer sustainable properties

Ongoing climate change requires action. New legal obligations are being introduced at a fast pace, the EU Taxonomy Regulation being among the most impactful so far. It requires entities to show what actions they are taking and to create new forms of cooperation to solve the global sustainability challenges.

In a relatively short space of time sustainability has become a disruptive force in business and Pandox is working on finding its role in this new, fast-changing landscape, above all by identifying projects that create the most benefits in an industry with long investment cycles. It is an industry that also has to navigate and report according to the EU's new Taxonomy Regulation. The majority of Pandox turnover, capital expenditure and operating expenses is covered by the new taxonomy. We have also started to analyse what share of our economic activities is eligible with the taxonomy criteria – an effort that can be described as laying the tracks while the train is in motion, because new updates are coming all the time and many requirements are subject to interpretation.

Climate work requires new forms of cooperation

In 2021 Pandox established a strategy council consisting of representatives from the executive management team to set important strategic priorities for the Company's continued sustainability work. This includes how to limit our impact on the climate, but also how to adapt our business to meet new requirements and expectations from our stakeholders.

Pandox is focusing on integrating sustainability in a strategic and structured way throughout the property portfolio. The extent to which we can achieve this differs between our two business segments. In Operator Activities we can control our sustainability agenda ourselves, whereas in Property Management we are dependent on tenants making changes in areas such as energy consumption and how properties are operated. To achieve our ambition of resource-efficient properties throughout the portfolio, we therefore need to continue developing the way we work and to identify processes for cooperation with tenants, hotel guests and suppliers. This is a substantial and important task, the complexity of which should not be underestimated. There are multiple dimensions to consider, particularly in terms of contracting practices, accountability and willingness to invest. The pandemic has unfortunately shifted the focus in the hotel industry from development to survival, often at the expense of long-term, capital-intensive sustainability investments. I'm convinced that,

“In a relatively short space of time, sustainability has become a disruptive force in business.”

once the pandemic ends, we can work with our business partners to find the right processes, targets and incentives to create attractive and sustainable hotel products. Until then Pandox is running its own pilot projects to create climate-smart properties that will show how to generate value for all parties.

Climate resilience analysis and science-based targets

Another important area of focus is analysing how resilient Pandox's properties are against the effects of climate change – both physically and in terms of revenue. The need for this became very obvious last summer when one of our hotel properties was badly affected by the floods in Bad Neuenahr, Germany. We will therefore perform an in-depth climate resilience analysis of our properties and produce action plans where these are needed, starting in 2022.

We will also analyse what having science-based targets (SBT) would mean for Pandox, with the aim of submitting a commitment letter in 2022.

Certification process continues through green investment programmes

Pandox has a medium-term ambition to have all 20 properties that we operate classified as green. We are doing this through our green investment programmes, where BREEAM certification, at the Very Good level is proof that we are succeeding in this effort. The first programme, which covers 12 properties and ends in 2023, is progressing according to plan. A couple of the hotels have already exceeded their sustainability targets. In 2020 three properties received BREEAM In-Use certification at the Very Good level. In 2021 two additional properties received the same rating as part of the green



investment programme and one hotel within Property Management. A further seven properties have been submitted for assessment. Our aim is to launch a new investment programme for an additional six hotels in 2022. As part of this work, we have initiated a dialogue with Pandox's long-term lenders regarding green financing.

An inclusive and equal company

The pandemic has increased the labour shortage in the hotel industry. Many of those laid off or furloughed during the pandemic have retrained and applied for work in other industries. This is one of the most important challenges for us to solve within Pandox's Operator Activities. It is therefore even more important for us to take good care of the employees we have. In this respect Pandox has a strong platform to continue to build on. The Allbright organisation's equality and inclusion report in 2021 showed that Pandox has a strong culture in which employees feel included and respected. According to our own employee survey, all employees at the head office and within Property Management would highly recommend Pandox as an employer. We're really proud of that! We're getting ready for a new year – join us!

Stockholm, March 2022
 Caroline Tivéus
 SVP, Director of Sustainable Business

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

● Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

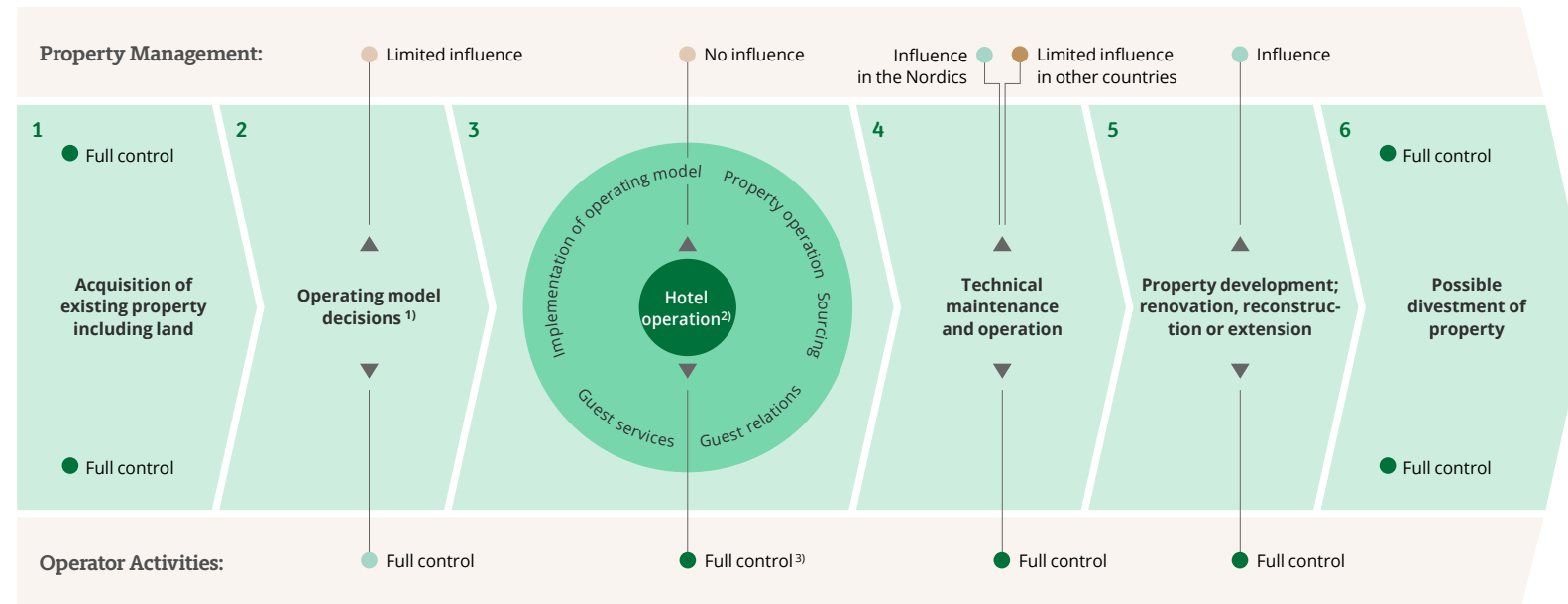
Financial

Governance

Responsibility in the value chain

Pandox owns 157 hotel properties in Europe and Canada. 20 hotels are operated by Pandox in the Operator Activities business segment and the remaining 137 hotel properties are leased to other hotel operators in the Property Management segment. Pandox is thus active throughout the hotel industry value chain – with varying roles and responsibilities where sustainability is concerned depending on the business segment.

Pandox's value chain stretches from acquisition and property development, through leasing, technical maintenance and hotel operation, to reconstruction, renovation and possible divestment of properties.



Pandox's influence in the value chain

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

● Full control ● Influence ● Limited influence ● No 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 Pandox with independent brand. Read more on page 23. If Pandox takes over a property where a lease already 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 topics are relevant, such as property operation, responsibility for employees, 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.

Influence within Property Management

In Property Management, which makes up 83 percent of the property portfolio's market value (137 hotel properties), responsibility for the property and sustainability is shared between the hotel operator and Pandox. This shared responsibility is regulated in the lease and depends on the prevailing practices in each country.

The hotel operator is responsible for the hotel's day-to-day operation.

Pandox is responsible for technical maintenance and operation, development, more substantial renovations, and for reconstruction 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.

It is the hotel operator, not the property owner, that is responsible for sourcing electricity, water, heating and cooling for the hotels. Pandox is therefore limited in its ability to influence the steps taken to reduce energy and water consumption at the hotel properties operated by the Company's tenants. Pandox's goal is to impact this by creating common incentives for improvement within the framework of supplementary agreements.

Influence within Operator Activities

Within Operator Activities, which accounts for 17 percent of the market value (20 hotels), 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 and guests etc. Properties are developed in close cooperation with Property Management.

Pandox's sustainability targets and strategy

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Pandox's overall sustainability goals are to offer its tenants resource-efficient properties that contribute to the UN Sustainable Development Goals, to reduce climate impact and to manage risks relating to climate change.

Pandox's sustainability work is aimed at promoting sustainable properties and operations, and creating new business opportunities.

The Company's sustainability strategy is based on Pandox'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 work on. Current trends and the risks and opportunities identified by the Company are also taken into consideration. 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.

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



➤ Read more about Pandox's vision, business concept, strategies and business model on pages 13–15.

➤ Read more about sustainability risks on page 114.

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

An integrated approach

Sustainability is integrated into Pandox's business model and is growing in significance in day-to-day work. There are clear activities and targets for sustainability within each focus area. They take into consideration that conditions vary between Property Management and Operating Activities in terms of Pandox's sustainability work, which is based on collecting data from various operations within the organisation. The data is analysed and used as a basis for the Company to define which projects are relevant. Pandox's entrepreneurial culture and flat organisation, combined with its size as a leading hotel property company, allow decisions to be made quickly. The Company runs pilot projects on an ongoing basis within new areas. The projects with a positive outcome can be scaled up and applied in more areas of the Company. Pandox can thereby ensure that the right investment decisions are made – whether they focus on environmental, social or other areas.



External initiatives, conventions 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

Membership of associations, organisations and industry initiatives

- Visita sustainability reference group
- Sweden Green Building Council
- European Public Real Estate Association (EPRA)
- Fastighetsägarna and its sustainability council
- GRI Sustainable Hospitality Global Committee

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

On the agenda for 2021–2022

Stakeholder dialogue and materiality analysis

The world is constantly changing and, in particular, sustainability has landed high up on the political agenda, which has consequences for both Pandox and many of its stakeholders. In autumn 2021, to ensure that the Company is focusing on the most material sustainability topics, Pandox therefore conducted a new dialogue with its stakeholder groups and also performed a new materiality analysis.

The first step was an analysis of sustainability trends and in-depth interviews with expert stakeholders to identify any new sustainability topics that have appeared on the agenda. Surveys were then carried out in which the stakeholders had the opportunity to weigh in how much emphasis Pandox should place on each sustainability topic. New topics, such as biodiversity, climate adaptation, green transport and wellbeing, were also tested.

Then Pandox performed a materiality analysis to evaluate its economic, environmental and social impact on the external environment throughout the value chain within the various sustainability topics. Combining stakeholder perspectives with an assessment of Pandox's actual impact provides results that show which topics are the most important to focus on and where Pandox can make the biggest difference. The results will form the basis for Pandox's sustainability work and reporting in 2022 and onwards.

[Read more about the results for each stakeholder group and the results of the materiality analysis in Sustainability Note 2.](#)

EU Taxonomy Regulation

As a property company, Pandox is required to report according to the EU Taxonomy Regulation. This involves showing to what extent the Company's operations are environmentally sustainable and live up to the EU's environmental objectives.

Eight sustainable economic activities within Pandox were identified that are covered by the taxonomy. For 2021 Pandox needs to report what proportion of its operations are based on the economic activities eligible by the Taxonomy Regulation and what proportion that are not eligible. Three KPIs are to be reported: share of turnover, capital expenditure and operating expenses. The proportion of activities not eligible with the taxonomy is also to be reported. Pandox's whole property portfolio is included in the analysis.

In 2022 Pandox will continue to report the percentage of its operations eligible by the Taxonomy Regulation, but also state the percentage aligned with it. Each economic activity therefore needs to be broken down and analysed property by property. To be a sustainable activity, at this time they need to contribute to at least one of the EU's two climate objectives: climate change mitigation or climate change adaptation. In addition, the activity is not to significantly harm

any of the other environmental objectives and is to be carried out in compliance with the minimum safeguards regarding human rights.

Pandox's ambition is to report the percentage of activities that meet the criteria in its next Annual Report.

[Read more about the taxonomy in Sustainability Note 4.](#)

Science-based targets

As a property owner, Pandox impacts the climate and climate change impacts Pandox. One example is the flooding in Germany, the UK and Belgium in the summer of 2021. One of Pandox's hotel properties in Bad Neuenahr in Germany was totally destroyed.

The next natural step is for Pandox to set science-based targets (SBT). This will involve the Company setting targets in line with the Paris Agreement that will then be subject to approval by the Science Based Targets initiative (SBTi) organisation.

In a first step, Pandox will aim to analyse what having science-based targets (SBT) would mean for Pandox, and then submit a commitment letter in 2022.

Facts about the taxonomy

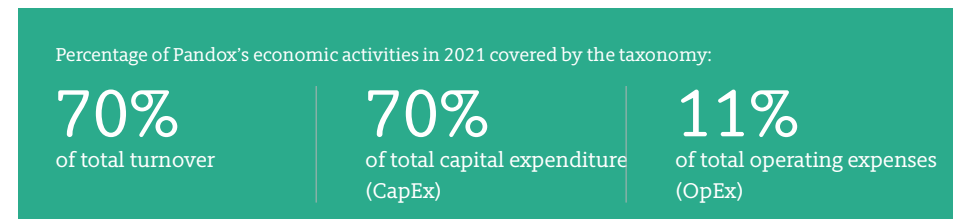
For an economic activity to be considered environmentally sustainable according to the EU Taxonomy Regulation, the activity must:

1. Contribute to at least one of six environmental objectives listed in the taxonomy
2. Do no significant harm to any of the other objectives
3. Comply with minimum safeguards for human rights

The EU's six environmental objectives

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

[For a breakdown by economic activity, see Sustainability Note 4.](#)



CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Focus area: Environment and climate

Pandox's most important contribution to more sustainable growth is made in developing profitable green properties. The goal is to create resource-efficient properties and operations that reduce Pandox's environmental and climate footprint, but that can also handle climate change impacts such as torrential rain and a warmer climate.

Pandox's main environmental impact comes from heating and electricity, and the use of building materials in activities such as renovation. Within the hotel industry, water consumption and waste management are also material sustainability topics. 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.

Pandox's reduction of GHG emissions ¹⁾ in 2021 is equivalent to

5,451 (2,125)

return flights
Stockholm–Brussels for one person ¹⁾

¹⁾ Scope 1 and 2. A return flight Stockholm–Brussels for one person in economy class = 342.5 kg CO₂e
(Source: klimatsmartsemester.se, Jan 2022)

Property Management Operator Activities – Pandox-operated hotels

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

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to targets in the UN SDGs
BREEAM certification for buildings at the Very Good level 12 out of a total of 20 properties in Operator Activities by 2023 ¹⁾		5 of 20 hotels ⁴⁾	3 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 operation 100% of hotels operated by Pandox no later than three years after acquisition		100% 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 13.1
80% of external hotel operators' hotel operations no later than 2025 ²⁾		63% of 137 hotels	80% of 136 hotels	Targets 6.3, 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5 and 13.1
Percentage of renewable energy to reach at least 80% within Operator Activities by 2025 ³⁾		48% of 20 hotels	38% of 20 hotels	Target 7.2
Install solar panels 30% of all hotels in Operator Activities no later than 2023 ³⁾		25% of 20 hotels	15% of 20 hotels	Target 7.2
Reduce food waste by an average of 30% per hotel in Operator Activities no later than 2023 ¹⁾		0% of 14 hotels Delays due to Covid-19 and delivery delays.	Paused due to Covid-19	Targets 8.4, 12.3 and 12.5
Reduce resource consumption Implement Pandox's green investment programme no later than 2023 to reduce energy consumption, water consumption and GHG emissions.		Decrease <ul style="list-style-type: none"> • gas: -25% • electricity: -22% • water: -15% • CO₂ emissions: -24% 	Decrease <ul style="list-style-type: none"> • gas: 0% • electricity: -8% • water: -12% • CO₂ emissions: -7% 	Targets 6.4, 7.3, 8.2, 8.4 and 11.6
Sign green supplementary agreements 1–5 signed agreements no later than 2025 ³⁾		Ongoing dialogue	Paused due to Covid-19	Targets 6.4, 7.2, 7.3 and 8.4

¹⁾ Compared with 2020 ²⁾ Compared with 2018 ³⁾ Compared with 2019 ⁴⁾ One additional property was certified within Property Management during the year. A total of six properties are certified.

Climate impact and climate adaptation

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

● Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

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Pandox's climate impact comes from its GHG emissions, but climate change is also having an impact on Pandox. One of the Company's hotel properties in Germany experienced this last summer when catastrophic floods swept through Europe. Dorint Hotel Bad Neuenahr in Germany was hit hard by the floods and has had to remain closed since then.

GHG emissions from energy, building materials and purchased goods

Pandox's largest sources of direct GHG emissions come from fuel combustion in its own operations and any leakage of refrigerants, which give rise to Scope 1 emissions. Pandox also purchases electricity, district heating and cooling, which give rise to Scope 2 emissions. Pandox's total market-based GHG emissions in Scope 1 and 2 amounted to 6,112 (7,979) metric tons of CO₂e.

In 2021 Pandox focused on gaining a better understanding of GHG emissions that arise in the value chain and that the Company is indirectly responsible for. The Company's largest Scope 3 emissions upstream in the value chain come from purchased building materials, products and services, mainly in connection with new construction, reconstruction of properties and hotel renovations.

For the first time, Pandox performed a lifecycle analysis of the first part of the value chain for a new build project, a reconstruction project and two hotel renovations. Also in 2021, Pandox conducted a spend analysis of the supplier ledger for purchased goods and services. The purpose of these analyses was to get a better understanding of GHG emissions upstream in the value chain and to identify

ways of reducing emissions going forward. The lifecycle analyses showed, among other things, that building carcasses and beam structures constituted the largest emissions items in new construction, and in renovations, furniture was the largest item. A key factor in reducing emissions in the future will be to choose the right materials, but also the right supplier and the right product.

Downstream in the value chain means emissions from tenants' hotel operation, mainly from energy consumption, which is the single largest emissions category.

Pandox is also working on reducing emissions from waste and business travel. Corporate travel is business-critical in order to develop Pandox's operations. It does, however, give rise to a significant share of emissions. The handbook for head office employees has travel instructions urging them to choose alternatives to air travel if possible. During the year Pandox has in large part used digital conferencing platforms instead of having physical meetings.

Through a solar energy project in India, Pandox was able to carbon-offset its Scope 1 emissions, which amounted to 3,511 (4,276) metric tons of CO₂e. The project has Gold Standard certification.

[Read more about GHG emissions in Sustainability Note 6.](#)

Analysis of 2021 climate risks

Pandox's insurance advisor performed desktop analysis of all hotel properties regarding risks caused by the current climate conditions, for example exposure to flooding, torrential rain, earthquakes, heatwaves etc. The results show that a few properties are consid-

ered to have high or significant risk. They also conducted on-site risk inspections at 15 hotels. Two hotels were determined to have elevated exposure to flood risk. Preventive steps have been taken.

Work on future-proofing the properties and adapting them for a changed climate and society will be intensified in the years ahead.

Climate scenario analysis 2050

In 2021 Pandox held a workshop for the executive management team on climate change and the Task Force on Climate-Related Financial Disclosures (TCFD), in which an initial analysis of climate scenarios for 2050 was made. ¹⁾ Two climate scenarios were analysed – a worst case scenario in which the world has failed to transform, emissions continue to increase and the physical risks of climate change become a reality, and a best case scenario in which the world has successfully collaborated, transformed society and met the Paris Agreement's 1.5 degree target.

The purpose was to prepare the Company's strategies, operations, properties and finances for various potential future climate scenarios. An initial analysis was performed of long-term climate-related risks and opportunities, and how these would impact the Company. See the next page.

Pandox will continue to evaluate long-term climate risks and opportunities, develop its climate reporting according to TCFD and the EU taxonomy and continue to make climate assessments of the properties. This will provide knowledge about which properties may be affected by a changed climate and society, and what is required in order to adapt the Company's operations to handle a volatile climate. This is an important foundation for decisions on necessary climate adaptations, and to remain a relevant and attractive property owner in the long term.

¹⁾ Sources: TCFD "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities", UN IPCC, and smhi.se/klimat/framtidens-klimat



Dorint Hotel Bad Neuenahr after the floods.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

● Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

2050



Best case scenario 2050 (IPCC scenario RCP 1.9)

The world in 2050 – best case scenario

- GHG emissions close to net zero by 2050
- +1.5–4° temperature rise in Europe (globally 1.5°)
- Global sea level rise of around 20 cm (around 30–80 cm by 2100)
- Nations of the world working together on joint initiatives
- Tough policies and legal regulations and control mechanisms such as taxes have been introduced
- Extremely fast transformation of society, infrastructure and buildings has taken place and low energy intensity has been achieved
- Strong increase in new technology and digitalisation
- Increased regulation with sustainability requirements for e.g. land use, building standards
- More calls for action – from customers, investors and authorities
- Lower population increase (around 9 billion in 2100)

 POTENTIAL CLIMATE RISKS AND OPPORTUNITIES FOR PANDOX ¹⁾

Physical risks (acute and chronic)

- Extreme weather and floods are slightly more common and may damage Pandox's properties
- Sea levels are rising slightly. This could potentially impact properties in coastal locations.
- The average temperature is rising, which increases the need for ventilation and cooling at the hotels.
- Somewhat higher temperatures and a small increase in the number of heatwaves may lead to some water shortages.
- Shortages of, for example, natural resources, water, materials and raw materials needed for operations, construction and renovation may arise.

Transition risks

- Political decisions, taxes and regulations are introduced regarding GHG emissions and transformation.
- International travel patterns and modes of transport change. The travel taking place is fossil-free and more regional. There are changes to transport systems. 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 their 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.
- There is a risk of some properties not meeting new demands from tenants and society, or of being too expensive to transform.

- Shortages of certain natural resources, raw materials and energy may arise, resulting in more expensive input goods.
- The electrification of society may create a power shortage.

Opportunities

- Aligning development of the hotel properties with upcoming requirements and practices to remain an attractive and relevant property owner.
- Climate-adapted and resource-efficient properties reduce the amount of energy needed.
- 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 and have significant potential.
- Produce renewable energy by, for example, installing solar panels on roofs or investing in solar parks. 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 accounting for Pandox's largest emissions, to reduce these together.
- Use materials and resources more efficiently by focusing on recycling and reuse.

 POTENTIAL FINANCIAL AND STRATEGIC IMPACT ON PANDOX ¹⁾

Financial impact

- 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 reconstruct.
- Increased revenue and rising value of properties if Pandox can offer tenants climate-adapted hotel properties.

Impact on strategy and operations

- The property portfolio needs to be transformed to increase the number of new buildings, reconstructions 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 flexible – 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.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

● Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

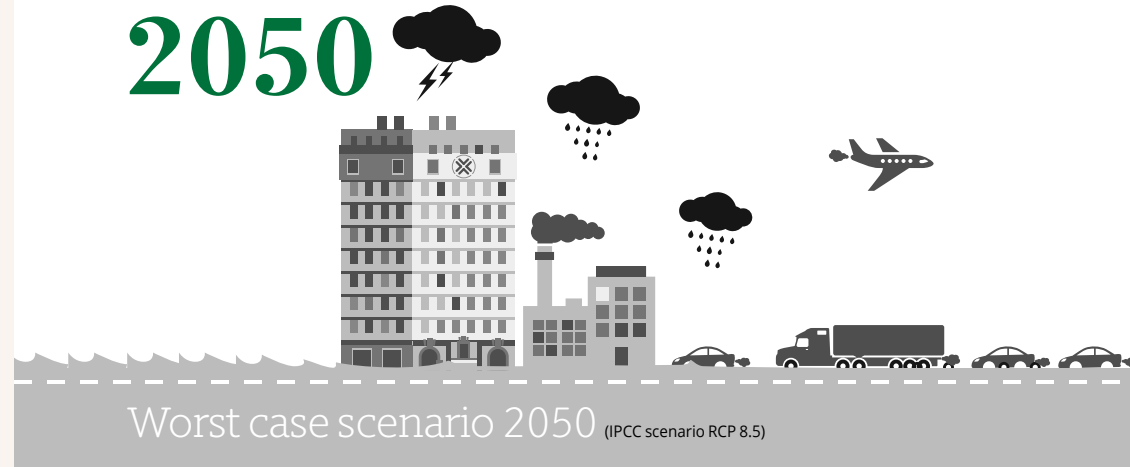
Sustainability definitions

Properties

Financial

Governance

2050



The world in 2050 – worst case scenario

- GHG emissions continue to increase at today's rate
- The world is still significantly dependent on fossil fuels
- Energy intensity remains high
- Temperature rise in Europe is around 2-5° in 2050
- Rising sea levels of up to around 0.5 m (reference point Malmö, taking into account land uplift)
- Increased risk of floods, water encroachment, erosion etc.
- More days of extreme weather: rainfall, storms, heat and drought
- Lower volumes of snow in the mountains
- No revolutionary change in political and legal requirements and regulations
- No revolutionary transitions made

POTENTIAL CLIMATE RISKS AND OPPORTUNITIES FOR PANDOX ¹⁾

Physical 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.
- With higher temperatures and more heatwaves, properties may not, for example, have sufficient ventilation and cooling. This could lead to an inferior indoor climate for guests and employees.
- A serious shortage of, for example, natural resources, water, materials and raw materials needed for operations, construction and renovation may arise.

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 may be an opportunity.

Transition risks

- 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.

POTENTIAL FINANCIAL AND STRATEGIC IMPACT ON PANDOX ¹⁾

Financial impact

- Increased operating costs for insurance, administration, operation, 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.

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.

¹⁾ Sources: TCFD "The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities", UN IPCC, and smhi.se/klimat/framtidens-klimat

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

● Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

Energy consumption

Pandox's operations require continuous access to energy, as there is activity at the properties more or less around the clock. Energy is, for example, needed to heat the hotel properties, and for ventilation and cooling, lighting and kitchen equipment. It is therefore of the utmost importance to use energy efficiently. The total energy consumption of Pandox's entire property portfolio (where measured data is available) increased by 10 percent in 2021 compared with the previous year. This was a result of higher occupancy at the hotels when pandemic restrictions were eased and travel increased. All of the energy measures implemented within Operator Activities have not yet had an effect.

➤ Read more about energy consumption in Sustainability Note 5.

➤ Read more about the green investment programme on page 47.

Green electricity – vital to climate transformation

Pandox is working towards a long-term goal of increasing the use of renewable energy sources as part of the Company's ambition to offer green properties. In 2021 the total share of renewable energy – for example from wind and hydropower – was 41 (38) percent of the total energy consumption. For hotels within Property Management renewable energy accounted for 39 (38) percent and in Operator Activities, 48 (38) percent.

In the case of some hotels, Pandox has no influence over the choice of energy source due to the structure of the lease.

The electricity produced within Pandox's own operations in 2021 is equivalent to

1.67 million hours of TV viewing in a hotel room. ¹⁾

¹⁾ A 42" plasma TV uses 0.350 kWh per hour.

Solar panels – an opportunity for hotels

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

In 2021 solar panels were installed at Hilton Brussels Grand Place and Hilton Garden Inn London Heathrow. This means that 25 (15) percent of the 20 hotels now have solar panels installed. In 2022, solar panel installation is planned for Holiday Inn Lübeck and Mayfair in Copenhagen. More hotels are being evaluated.

At the hotels it operates, Pandox produced a total of 1,000 (310) MWh of solar energy in 2021.



Solar panels at Holiday Inn Brussels Airport

Energy saving projects in Property Management

For Pandox as a property owner – in order to maintain property values and reduce operating costs, but also from an environmental perspective – it is very important to maintain the properties and make them more energy efficient.

In 2021 several energy-saving projects were implemented within Property Management for estimated annual savings of almost 520,000 kWh and 7.6 million litres of water.

Motel One Copenhagen in Denmark has achieved energy savings estimated at 60,000 kWh per year by improving roof insulation and installing energy-efficient lighting in hotel rooms and corridors.

Scandic Crown, which is one of Gothenburg's largest hotels with more than 300 rooms and a conference and restaurant section, installed new fans and fan motors during the year, which will save an estimated 21,000 kWh annually.

Vildmarkshotellet in Kolmården was renovated in 2021. This involved installing new taps and shower heads for an estimated reduction in water consumption of more than 200,000 litres per year. More energy-efficient lighting was also installed at the hotel, which is expected to bring energy savings of 3,300 kWh per year.

At Elite Stora Hotellet in Jönköping around 85 percent of the heat is now recycled using heat exchangers, which will provide estimated savings in heat consumption equivalent to 90,000 kWh per year.

Comfort Hotel Börsparken in Oslo was renovated during the year, involving the installation of additional insulation in the facade and new windows, aimed at maintaining and improving the energy efficiency of the property. It is estimated that this will save more than 30,000 kWh per year.

➤ Read more about energy consumption in Sustainability Note 5.

Pandox's green investment programmes for hotels it operates

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

As Pandox mainly acquires existing buildings that are often quite old, there is significant potential and also a responsibility to develop and renovate the properties to make them more resource-efficient. Pandox has launched a green investment programme for the years 2020–2023. The goal is to reduce 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 programme is focusing on measures to reduce energy

and water consumption, and on technical installations such as building monitoring systems with integrated submeters. This provides, for example, an opportunity to trace where in the property usage occurs and to discover any water leaks. At the end of the year, all the hotels had building monitoring systems with submeters installed for more climate-smart management of the buildings. The programme is also helping to improve guest comfort through better control over heating, ventilation and cooling systems.

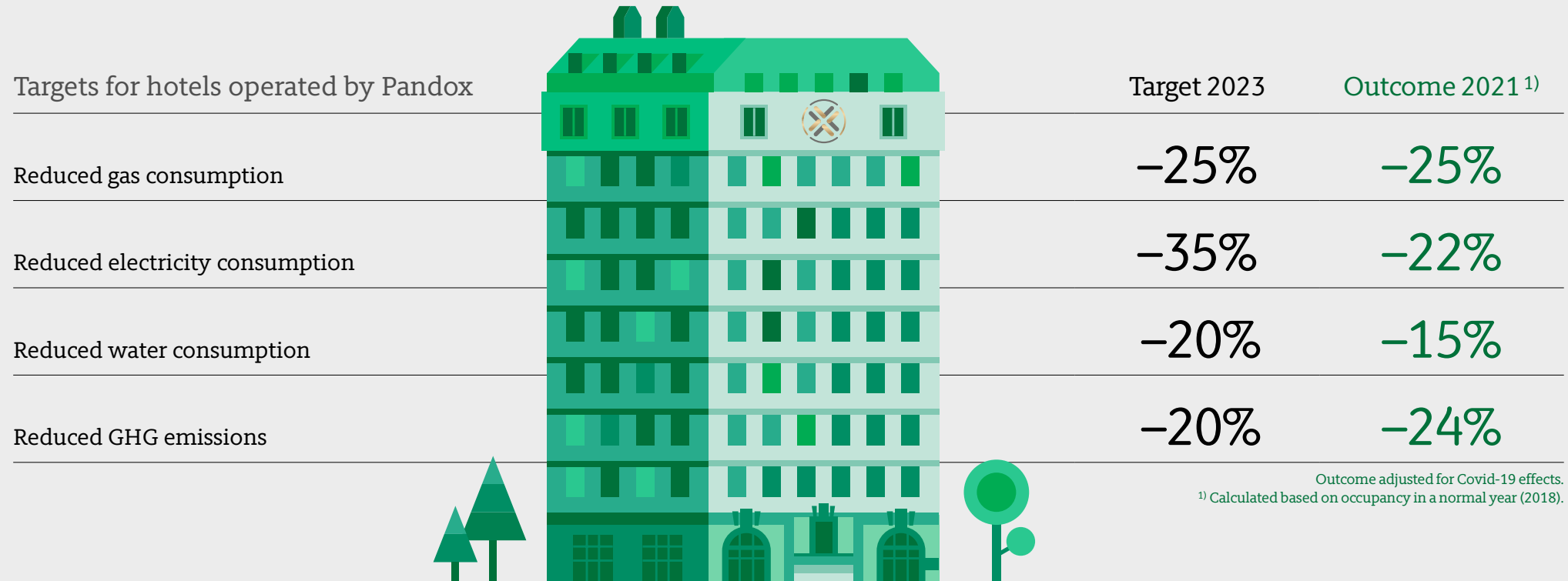
It is important to generate commitment and awareness in this area among general managers and technical administrators, so that the programme has the level of focus necessary to

achieve successful outcomes. This includes 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 total investment in the current green investment programme is around MSEK 80 and the average return on investment is estimated to be around 20 percent. In 2021 we were able to see the first savings, but the main effect is expected to be realised in 2022.

In 2021 a new investment programme, 2.0, was created for an additional six hotels in Pandox's Operator Activities segment. The aim is for work on this to start in 2022.

Targets for hotels operated by Pandox



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

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Water consumption

Water shortage in major cities

A shortage of water is an accelerating problem in some parts of the world. There are also areas in Europe that are now classified as water-stressed, i.e. where the amount of fresh water is no longer sufficient to meet the needs of society. Pandox uses water in water-stressed areas, including London and Brussels. Efforts to improve water consumption efficiency are therefore very important.

[Read more about water consumption and water-stressed areas in Sustainability Note 7.](#)

Water consumption at the hotels

Water consumption in the hotel properties is affected by how much showering, dishwashing, cleaning, laundering, flushing and watering takes place. Pandox is aiming to reduce its water consumption by installing water-saving equipment 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. In 2021 Pandox continued implementing a metering system for water consumption at hotels in Operator Activities. Any leaks or deviations from the normal daily water consumption are registered in realtime, making it possible to quickly identify and remedy problems such as leaks by responding to an alert.

[Read more about reduced water consumption under Pandox's green investment programme on page 47.](#)

Waste and recycling

By setting clear targets, Pandox aims to constantly reduce the volume of waste in operations. One important strategy is to work in a more circular way by reducing waste volumes and by reusing and recycling resources. Pandox's largest waste items are plastics, packaging and food waste. In 2021 Pandox generated 6.4 (1.4) metric tons of hazardous waste, for example in the form of IT equipment, batteries and wastewater residuals, and 1,389 (1,276) metric tons of non-hazardous waste such as domestic waste, paper and plastic in Operator Activities. Of this, 641 (540) metrics tons of waste went to recycling.

In 2021 a desktop analysis was carried out for the hotels in the green investment programme. It revealed large differences in levels of knowledge about waste management and reporting. To address this, a pilot project was implemented at Hilton Grand Place in Brussels. Inflow and outflow were analysed on site and the results showed that 53 percent of waste was not sorted. This resulted in an action plan that is expected to save at least 21,000 kg of GHG emissions per year. Examples of actions introduced are training personnel in sorting and recycling, not accepting

packaging from suppliers, not using plastic packaging for food, and composting food waste. In addition, AI-based sensors were tested in waste receptacles to weigh the waste and optimise collection. The same process will be implemented at other hotel properties operated by Pandox, taking into account the situation and waste streams at the properties, as well as national laws and practices.

Based on the desktop analysis, a target has been set for hotels operated by Pandox to reduce unsorted waste to 40 percent and to increase recycled waste to 60 percent by the end of 2023. Delivery on this target will be verified on an ongoing basis through on-site checks.

A project to phase out all plastic bottles in guest rooms and restaurants and replace them with glass bottles continued in 2021 at the hotels in Operator Activities. As the restaurants at all of the hotels have been closed for periods of time during the pandemic, implementation of this project has been delayed. The timeframe will therefore be extended to the end of 2022 and the project will be incorporated into the waste audit process.

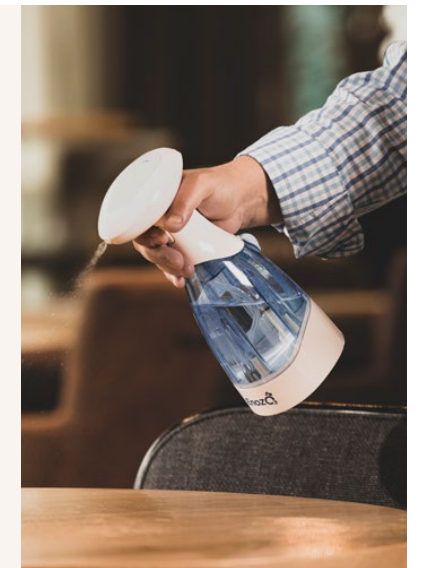
[Read more about waste in Sustainability Note 8.](#)

Chemicals

Chemicals are mainly used in hotel cleaning in Operator Activities and in replenishing refrigerants following leakage.

Pandox is aiming to reduce the amount of harmful chemicals as they not only have a negative impact on the environment and climate, but also on employee health and safety. Six out of seven hotels operated by Pandox in Brussels supplemented or switched entirely to non-chemical cleaning products in 2021. In Germany the corresponding figure was 60 percent. The project will continue in 2022.

Pandox has also decided to switch from synthetic refrigerants to natural refrigerants, such as carbon dioxide or propane, to the greatest extent possible at the hotels it operates. This is to reduce environmental impact and GHG emissions.



CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

● Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance



Reduced food waste from restaurants

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

Pandox has enlisted the help of foodtech company Winnow, which has a system to categorise and register all food that is thrown away. The aim is to increase awareness of overproduction and to improve purchase planning. The project was to be launched in 2021 but was delayed due to the pandemic, as it requires at least 30 percent occupancy and open restaurants to generate the critical mass of food waste needed for reliable analysis. In December Winnow, like many other companies

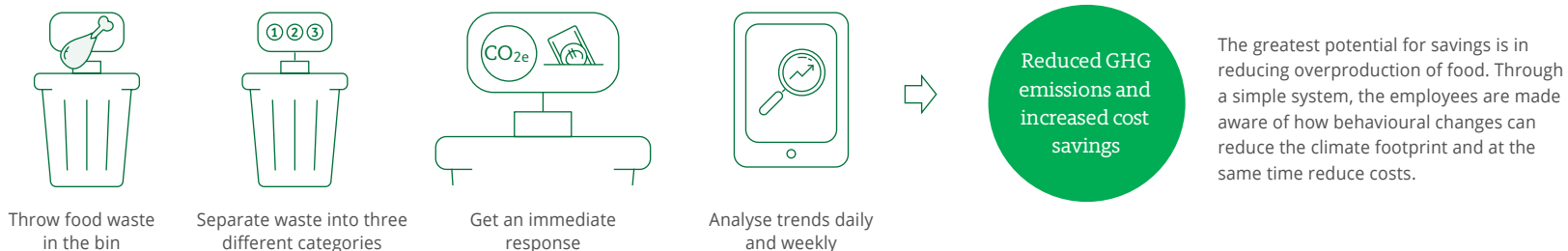
during the pandemic, also had problems with hardware deliveries. As the categorisation process is complete, the rollout of the system will take place as soon as the hardware is delivered. The project covers 15 of the hotels that Pandox operates within Operator Activities. The five other hotels operated by Pandox will not be part of the project as restaurant operations at four of them are too small to be relevant and one hotel was closed for renovation, but will introduce Winnow in 2022.

Around 2,300 hotels in the European hotel industry have started to use the Too Good To Go app, which allows hotels to offload surplus food at a discounted price instead of throwing it away. This will become part of Pandox's food waste project.

There will also be a process to identify what proportion of food purchases are locally sourced or can be replaced by food from local suppliers.

Alongside these efforts, Pandox is encouraging the use of other solutions at the hotels to reduce food waste and create behavioural change, which will also help to reduce GHG emissions. In the autumn DoubleTree by Hilton Brussels City replaced the buffet in its conference department with plated portions and achieved a dramatic reduction in food waste of 53 percent. The hotel is now offering its guests more vegetarian/vegan options and aiming to switch to more local suppliers.

Pandox is reducing food waste in cooperation with food tech company Winnow



¹⁾ According to analysis performed by Winnow.

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Property inspections

Conducting various types of inspections at Pandox's properties is an important tool to ensure the quality and safety of the products for guests, visitors and employees in the properties.

Pandox carries out annual internal product and lease inspections within Property Management. The purpose is to ensure that the properties are in good condition and tenants are meeting their commitments. The inspections lead to direct actions and form a basis for contract negotiations. A total of 76 (69) such inspections were performed in 2021.

Pandox also performs building surveys on a regular basis to check on the condition and functioning of the properties. This is particularly important in connection with planned

reconstructions, additions or extensions. A structural survey of the properties is also performed in connection with acquisitions, based on functions and regulatory requirements, but also focusing on environmental risks such as contaminated land.

Annual risk assessment

In addition, Pandox's insurance brokers perform annual risk assessment on 10 percent of Pandox's properties, focusing on the risk of fire or property damage. As of 2020 these inspections include risks caused by climate change, such as a building's exposure to floods, heavy rainfall, earthquakes, heatwaves etc.



A property inspection in progress.

Green supplementary agreements

To achieve Pandox's goal of offering its tenants green properties, it is important to first enter into green supplementary agreements with the tenants within the Property Management segment. To be able to enter into such agreements, Pandox and the tenant need to share the same view of climate issues because climate change has altered the rules of the game and requires faster transition than the average length of an agreement. The aim is to create common incentives to reduce environmental and climate impacts in both the properties and hotel operations, with clear monitoring. This is because properties and operations are dependent on each other to achieve the desired effect.

The long-term goal is to enter into green supplementary agreements with all tenants.

The pandemic has temporarily shifted the focus from long-term, capital intensive sustainability investments in the hotel industry to survival. In 2021 dialogue was resumed with one of the larger tenants in connection with lease renegotiation, but due to the effects of the pandemic the negotiations had to be postponed until 2022. Further dialogue will take place in 2022. Pandox is convinced that more opportunities will open up after the pandemic. Until then, Pandox is running a pilot project to explore what the process could potentially look like with the tenants.

(>) For data on energy, GHG emissions, water and waste, see Sustainability Notes 5-8.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

● Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

Environmental certification

An important element of Pandox's work is to obtain environmental certification for the properties and operations. This independent third-party certification is a mark of quality and provides proof of the efforts being made at the hotel properties. Certification is a tool to improve environmental performance by implementing measures in buildings as well as in management processes and operations. It is also a good tool to increase internal knowledge of and commitment to environmental work.

Certification of properties

BREEAM is the established standard in Europe for green buildings. The certification process involves assessment and a scoring system in the following categories: Energy, Transport, Water, Waste, Pollution, Health and Wellbeing, Land Use & Ecology, Materials, Innovation and Management. Pandox's aim is to achieve a BREEAM In-Use rating of Very Good. The goal is to certify all 12 properties included in Pandox's first green investment programme no later than 2023. At the beginning of the year three properties were certified at the Very Good level. In 2021 an additional two hotel properties were certified at the same level within Operator Activities. The remaining seven properties are waiting to receive certification and are expecting to be notified in spring 2022. The properties are located in Germany, Belgium and the UK.

In 2021 Pandox decided to seek certification for an additional six properties in Operator Activities no later than 2024 as part of Pandox's new green investment programme 2.0.

Certification of Pandox's properties in Property Management that are leased to other hotel operators is also an important area of focus. However, here agreement and cooperation are needed between Pandox and the tenant before a decision on certification can be taken. To obtain certification it is necessary to upgrade, for example, systems and technical installations, and a significant commitment from the tenant's employees is also needed. Various routines must also be integrated into the hotel operator's day-to-day operations and maintenance plans. At this time, this is outside existing lease structures, which means that the tenants need to regard BREEAM certification as a business opportunity for them as well.

In 2021 Scandic Luleå was BREEAM-certified as a pilot project within Property Management, with positive results. The project is being used as a basis for further discussions with tenants about certification and green supplementary agreements.

➤ Read more about Pandox's green investment programmes on pages 47 and 52.

➤ Read more about Pandox's green supplementary agreements on page 50.

Certification of hotel operations

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. Green Key certification is one of the leading standards for environmental responsibility and sustainable operations in the tourism industry, including for hotels. Certification means that clear environmental measures

have been identified, are being implemented and are leading 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. Operations are also to focus on social responsibility as well as communication and cooperation with guests and other stakeholders.

100 (100) percent of the 20 hotels within Pandox's Operator Activities segment had environmental certification as of the end of 2021. Of the 137 hotels within Property Management, which are operated by tenants, 63 (80) percent had some form of environmental certification of hotel operations. As a result of the pandemic, some hotels have not been able to renew their certification. The main certifications used are Green Key, Nordic Swan and ISO 14001. 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.

➤ Read more about sustainability certifications in Sustainability Note 9.



Property Manager Mark Wouters outside the newly renovated Hotel Indigo and the Double-Tree by Hilton Brussels City, which was being renovated in 2021.

Green investments reduce climate footprint

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Mattias Bernunger, VP Asset Management & Development at Pandox, is responsible for the Company's green investment programme 1.0, the new investment programme 2.0 which is under development, and for BREEAM certifications at the hotels Pandox operates.

What is green investment programme 1.0?

"It is Pandox's first green investment programme; it covers 12 of the 20 hotels we operate and will continue until the end of 2023. Preparations are currently under way for a second green investment programme, 2.0, which will include a further six hotels operated by Pandox."

What is the most important aspect of the green investment programme?

"Above all it provides increased awareness of the positive effect that green investment and green actions provide for Pandox in the form of a smaller climate footprint. We are also seeing a clear financial effect through the cost savings made. Through good cooperation between hotels, consultants and key individuals at Pandox, we have sparked interest in green investment and created an efficient process."

What has been the biggest challenge during Covid-19?

"Covid-19 has restricted us on many fronts, including availability of people, opportunities to meet, travel and implementing initiatives and projects on site. The hotels have had low occupancy. We have therefore seen cost increases and longer lead times for some of the projects in the investment programme, which has delayed the end result. We're still optimistic and we are seeing a positive trend. Our investment programme will be aligned with our plans as soon as occupancy at the hotels increases again."

Has the pandemic had any positive effects?

"In hotels with very low occupancy we have been able to set a more precise base level for energy and water consumption. This allows us to set more accurate targets in relation to occupancy. Also, at the hotels where we had already rolled out the green investment programme, we have been able to close down the properties in a controlled way and in doing so, save energy, water and money."



"We have sparked interest in green investments and created an efficient process."

Mattias Bernunger
VP Asset Management & Development

What is included in investment programme 2.0?

"We have taken the best of Pandox's first green investment programme, such as energy and water reduction measures and technical installations, but also included BREEAM certification and the waste perspective."

Will the new programme live up to the ambitions of the Paris Agreement?

"We have studied the requirements in the Paris Agreement, and with good planning and targeted action, I believe that over time we'll be able to realise the intentions in the Paris Agreement in our own operations."

How is the BREEAM certification process going?

"Two hotels were certified during the year at the Very Good level. This means that five of the 12 hotels are now certified at that level. This year we submitted an additional seven hotels

for certification. We're frequently checking on the process and always making improvements. We're convinced that more of the hotels will receive certification at the Very Good level. We hope to be notified by BREEAM in spring 2022."

Is it worth the expense and time it takes to obtain BREEAM certification?

"The certification process involves a lot of administrative work, but it's also very educating and helps our hotels to develop. We also believe that it's easier for certified hotels to secure green financing and that they ultimately have more satisfied guests."

What is required to reach the Very Good level?

"It is essential for both executive management and the Board to understand the issues. We also need to have a dedicated team with the patience and skills to chase materials, prepare the required documentation and ensure that we're pursuing the right topics so that the process is relevant for us. A follow-up process also needs to be implemented."

What has BREEAM given you?

"BREEAM has given us a more organised process and a greater understanding of how we can constantly improve in areas such as the environment, energy efficiency, the physical environment at the workplace, wellbeing among employees and much more."

What do you think will be the next big sustainability topic going forward?

"Climate change and our adaptation to a warmer climate. We must reduce greenhouse gas emissions and get the high carbon dioxide concentrations in the atmosphere under control. We need to find innovative and profitable ways to store carbon dioxide, which is our biggest threat and challenge."

Focus area: Responsible and fair business

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

For Pandox as a leading hotel property company it is essential to act responsibly and professionally in all business relationships. The Company is to be a long-term and reliable partner and must mitigate the risks of corruption and human rights violations that exist in the industry.

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

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
Every year ensure that 100% of the Company's employees have completed Pandox's Code of Conduct course		95%	91%	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		0 cases	1 case	Target 8.7
Zero tolerance for corruption in Pandox's own operations and in the supply chain		0 cases	2 cases	Target 16.5

Pandox (Property Management + Operator Activities + head office)



Business ethics and anti-corruption

Pandox's Anti-Corruption Policy and Code of Conduct for employees form the basis for good business ethics and compliance with laws and practices. Ongoing training is needed to ensure compliance with the Policy and Code. Pandox therefore has a target for all employees to have completed Pandox's digital training in the Code of Conduct. In 2021, 95 (91) percent of all employees had completed the training. The training is to be completed by all new recruits and every three years by all employees. In the year ahead the training will be updated and developed.

Employees within Pandox's Operator Activities segment complete 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 has zero tolerance for corruption, which is clearly stated in the Company's Anti-Corruption Policy. If there is the slightest indication or suspicion of corruption, employees are to consult with their manager or manager's manager. No cases of corruption were reported in 2021.

Pandox also has a whistleblower system provided by an external party to promote an open culture where employees and external stakeholders are unafraid to report problems. No cases were reported in 2021 through this system.

[Read more in Sustainability Note 11.](#)

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

● Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

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 zero tolerance for criminality, human trafficking, prostitution or sexual exploitation. No cases of prostitution were reported during the year. In 2021 an inventory was made of the level of training in human rights, with a particular focus on human trafficking and prostitution, at the hotels in Pandox's Operator Activities segment. 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 been given access to the digital courses of other hotels.

In 2022 human rights due diligence will be carried out. This is a process to identify, manage and report on company risks associated with human rights – both in the supply chain and in Pandox's own operations.

Pandox has also published a Modern Slavery Act statement in which the Company strongly opposes all forms of exploitation, servitude and child labour.

Verification of the supply chain

Pandox's Code of Conduct for business partners 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.

Verification of existing suppliers

Pandox's biggest suppliers are companies within the construction industry and property management, and those providing goods and services for hotel operations. In 2021 Pandox maintained its focus on sustainable supply chains. The Company's existing suppliers fill out a self-assessment form. During the year Pandox initiated a dialogue with suppliers whose performance was in the lowest 10 percent of respondents based on the most recent self-assessment form.

The purpose is to support them to work more professionally and in a structured way on critical sustainability topics.

All suppliers categorised as high-risk in Property Management who participated in a training workshop in 2020 went through the digital self-assessment process again. The result was that 53 percent went from being assessed as high-risk suppliers to low-risk suppliers. They achieved this by strengthening their sustainability policies and processes by, for example, producing a code of conduct or an anti-corruption policy. A follow-up process will be carried out in 2022 for the remaining suppliers.

In autumn 2021 Pandox decided to expand its auditing of existing suppliers to include the 150 largest suppliers at the corporate level as identified in the 2020 spend analysis. A total of 82 suppliers were audited in 2021. 37 of these were identified as high-risk suppliers. Pandox will take steps to follow up on these in 2022 and then allow them to repeat the assessment during the year to ensure compliance with Pandox's Code of Conduct for business partners.



Verification of new suppliers

The construction industry is the industry identified as having the highest risk for Pandox. New suppliers in Property Management that supply goods or services above a certain annual minimum limit are to be audited. The aim is to do this before a contract is signed and to conduct random follow-up audits.

With respect to food and beverage suppliers, 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. 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.

🔍 For data on anti-corruption and supplier audits, see Sustainability Notes 11 and 12.

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Focus area: Guest satisfaction and security

Satisfied guests are the result of the hotels being operated successfully. Pandox's properties must also be safe and secure – both for those working there on a daily basis and those visiting temporarily. The Covid-19 pandemic has imposed new requirements on the organisation.

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

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
Guest satisfaction At least 80% of guests at the hotels operated by Pandox would recommend Pandox hotels to others		82%	80%	N/A
Guest safety Guests at hotels operated by Pandox must always feel safe		1	0	Targets 3.4 and 8.8
Guest privacy and data security Zero tolerance for incidents		0	0	N/A

Operator Activities – own hotel operations Pandox (Property Management + Operator Activities + head office)



Satisfied hotel guests

Guest satisfaction is one of the most important indicators in Pandox's Operator Activities segment, as it shows how well the hotel is living up to guest expectations. Indirectly it is also a measure of the competitiveness of the product that Pandox is offering its tenants in the form of attractive hotel properties.

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.

Conference bookers and business travellers are demanding that hotels are environmentally certified and are able to report GHG emissions per guest night. Leisure travellers have also started to require this, as more and more people become aware of the climate crisis today. According to Booking.com, 65 percent of travellers want to stay at a hotel with green certification. Both Google and Tripadvisor offer an option to search for green hotels. According to Google these searches have increased four-fold since 2020.

Pandox's target for the hotels it operates is that at least 80 percent of the hotel guests will recommend the hotel to others. Guest satisfaction was 82 (80) percent according to Pandox's annual guest survey, which was conducted by an external party in 2021. The increase can primarily be linked to the lifting of Covid-19 restrictions, which resulted in fewer limits on what hotels were able to provide, compared with the previous year.

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance



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. Hotel premises must be safe and comply with building standards and other laws. Employees must also have the right skills to operate them in a safe, secure and professional manner.

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.



Data security and customer privacy

Pandox works actively to prevent incidents related to data security and protection of guests' personal data from happening. The Code of Conduct for employees contains guidelines on privacy and information security. To minimise the risk of a data breach, 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 2021 there were 0 (0) incidents at hotels operated by Pandox.

Finding new uses for hotels

In 2020 and 2021 many hotels were used as quarantine hotels by various groups, such as the military, students and business travellers. This was very demanding in terms of food management, services and extra personnel.

Evangelos Cambouris, General Manager of Holiday Inn Brussels Airport, which launched a programme of loaning personnel among Pandox-operated hotels, talks about this:

Why was it necessary to loan personnel in the midst of the pandemic?

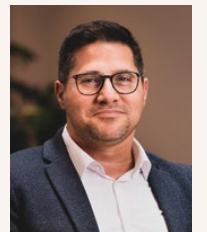
"Between November 2020 and June 2021 we functioned as a quarantine hotel, which meant that we needed to produce individually wrapped and vacuum packed meals. We produced a total of 114,000 meals, including breakfast, lunch and dinner. All of a sudden we found ourselves with a staff shortage, so we asked colleagues at Pandox's other hotels in Brussels to help us out. My theory was that it was better to utilise those from within Pandox's own operations who had no work than to recruit temporary personnel."

How did it go?

"It exceeded our expectations. We worked with Hilton Grand Place, DoubleTree Montreal, The Hotel and Hotel Indigo. It was fantastic to experience the solidarity among our hotels, regardless of brand. A total of 20 people came, to work in areas such as our kitchen and reception. We also loaned out personnel to other hotels. It was a win-win situation."

What was the reaction like among the staff and guests?

"Our colleagues were very happy to be able to work again and to have fewer unemployed days. It also gave them an opportunity to get to know each other better, share experiences and discover other Pandox hotels. It created greater loyalty. The guests in turn appreciated the service and safety that we were able to deliver."



Evangelos Cambouris,
General Manager at
Holiday Inn Brussels Airport



CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

● Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

Running a hotel during a pandemic

Richard Lee, General Manager at Hilton Garden Inn Heathrow Airport, ran an airport hotel during the pandemic. He witnessed a number of changes happening among us and watched as the pandemic brought many new experiences.

How did the pandemic affect the hotel and those of you working there?

“At the beginning of the crisis there were moments when it felt as if a tsunami of problems was washing over us fast and with full force. Our established ways of working and thinking were completely erased. Now, in hindsight, we can see how we were forced to be more agile and resilient, and to make faster decisions. I believe that Pandox's agile culture and flat organisation helped us to be more proactive and flexible than our competitors that have a more traditional and hierarchical structure. This enabled us to adapt, because the hotels were forced to find entirely new ways of providing services to our guests. Some of the temporary solutions we introduced were perhaps not as elegant as our normal guest experience, but in a way it took us back to the origins of the hospitality industry: we provided a safe and welcoming environment when people needed it. Because we're an airport hotel, many of the guests staying with us were stranded or trying to get home to their nearest and dearest. When I look back I feel proud of the resilience we showed and of the help we were able to provide to so many people.”

What has been the main challenge during the pandemic?

“Apart from the obvious effects on the business, our other big challenge was taking care of our employees' health and well-being. Covid-19 negatively impacted everyone's lives at work

and at home, which manifested itself in a number of complex and sometimes surprising problems that our employees were presented with. There is no handbook or guidance for managers to tell us how to act in such situations. All we could do was to make sure that we provided humane leadership, showed people that we cared and did our best to support them. Naturally, we didn't do everything right, but I believe that our team of employees could see the effort we were putting into supporting everyone. They became closer and that increased commitment and loyalty.”

What will be the biggest challenge after the pandemic?

“There was an enormous shift in the relationship between employee and employer during the pandemic – our teams expect things to be different now and want to work in new ways. It's easy to just see this as a staff shortage crisis, but I believe it goes far deeper than that. It's a challenge for us all to change the way we look at our culture and our purpose as an employer, and at our own individual ways of working. Employees want more flexibility, a better work-life balance, better terms and benefits, more training and development opportunities, and an increased sense of meaning in their work roles.”

“There was an enormous shift in the relationship between employee and employer during the pandemic”

Richard Lee, General Manager, Hilton Garden Inn, Heathrow

Why are we seeing this change?

“No doubt there are many economic and social reasons for this change, and it's impacting most industries and countries. Here in the UK it's very easy to blame Brexit for the staff shortage. While it's true that the changes in our immigration rules have limited the supply of migrant workers, there must be more to it than that because many of my colleagues in Europe are experiencing the same challenges. I believe that the pandemic gave people an opportunity to think about what's important to them and whether their work role coincides

with the lifestyle they want and their personal goals. Employees want to feel a strong connection to a clear purpose at work and to know that their work is making a positive contribution to their company, their own development and the world around them. They also expect higher compensation in the form of salary and benefits, but in return they're willing to go the extra mile at work, take on more responsibility and develop new skills. Many people in my team have found themselves a sideline – such as being a baker, DJ or social media star! It's extraordinary and inspiring to discover hidden talents within our team and to see how passionate they are about their projects.”

How can Pandox respond to this change?

“Although the short-term effect of the change has been relatively acute, I believe that the new paradigm provides an opportunity for a responsible, purpose-driven company like Pandox. Employees are no longer willing to work for low quality employers. This provides us with a new opportunity to attract, retain and develop the best talent for our teams, which in turn helps us to create a more guest-centric experience at the hotels and ensure guest loyalty. Pandox has always had a clear purpose and a culture based on fair play. That puts us in a very advantageous position as an employer after the pandemic.”



Richard Lee, General Manager at the Hilton Garden Inn at London Heathrow Airport.

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

Focus area: Attractive and equal workplace

Pandox has 1,560 (1,552) employees who come from 85 (91) 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 in the workplace.

The majority of Pandox's employees work at the hotels operated by Pandox within Operator Activities. Within 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.

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

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
At least 80% satisfied employees in annual survey		78%	81%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8 and 10.2
Increase the percentage of women in the roles of general manager and hotel manager		39%	38%	Targets 5.1, 5.5 and 10.2
Report sickness absence with effect from 2021		7%	7%	Targets 3.4 and 8.8

Operator Activities - own hotel operations Pandox (Property Management + Operator Activities + head office) Property Management



Fewer employees during the pandemic

In 2021 Pandox furloughed 855 (1,034) employees and 70 (119) employees were laid off. The support packages varied from country to country and the most employees were furloughed in countries where the most support was provided. However, the majority of the hotels were not fully closed because they needed to be ready when restrictions were lifted. They wanted to be ahead of the game, because it takes about a month to open up a hotel.

One immediate impact of the pandemic in the hotel industry was that many furloughed employees retrained or started working in other industries, and this was also the case at Pandox's hotels. To retain and attract new employees when demand for guest nights increases again, it is important to be perceived as an attractive employer.



CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

● Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

Attractive employer

Pandox makes every effort to be one of the most attractive employers in the hotel property industry. In order to achieve this, Pandox offers a dynamic and also secure working environment that encourages development and does not tolerate discrimination or harassment. Employees are offered a clear mandate to succeed in their role at work. As the Company is 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.

No cases of harassment were reported in 2021. In addition, workplace evaluations of the physical and psychosocial work environment are carried out every three years or when significant changes are made within the organisation, in order to offer an attractive workplace.

Pandox's quarterly employee survey for hotel employees within Operator Activities showed employee satisfaction of 76 (81) percent for the fourth quarter of 2021.

The same employee survey was implemented at the head office in 2021. The result for the fourth quarter of 2021 was 80 percent. This means that average employee satisfaction overall within Pandox was 78 percent.

Employees who work directly for Pandox, such as those at the head office, in Property Management and general managers, were also asked if they would recommend Pandox as an employer. All responded that they would.

Employee turnover is another indicator of how satisfied the employees are. Employee turnover decreased to 29 (42) percent in 2021. Among Pandox's hotel employees, the turnover was 30 (43) percent and among employees at the head office including Property Management, 6 (6) percent. The higher turnover at the hotels is due to there being many hourly workers and younger people who tend to switch jobs more often.

All of Pandox's employees are able to join a trade union. Collective agreements are used in Operator Activities and collective bargaining takes place. In 2021, 69 (72) percent of the total number of employees were covered by collective agreements.



Development opportunities

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

The average number of hours of training per employee in 2021 was nine hours. There is no significant difference among men and women or between different types of positions.

In 2021 performance and career development reviews were conducted with 58 (41) percent of Pandox's employees. The increase is related to Operator Activities and to more people returning to work after the pandemic.

⌵ For more information, see Sustainability Note 10.

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 0 (1) 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, reconstruction 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 influence their practices, 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.

For the second year in a row Pandox is also monitoring sickness absence among its employees. The pandemic has left its mark on sickness absence, particularly among hotel employees where the degree of furloughs has impacted sickness absence. Sickness absence amounted to 7 (7) percent in 2021, which is the same level as the previous year.

Employees at Pandox's head office are offered health checks at specific intervals depending on their age.

⌵ For more information, see Sustainability Note 10.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

● Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

Health and wellbeing

Pandox encourages flexibility at work and physical activity to promote wellbeing and improve performance. Pandox Movement is an initiative for the head office and 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).

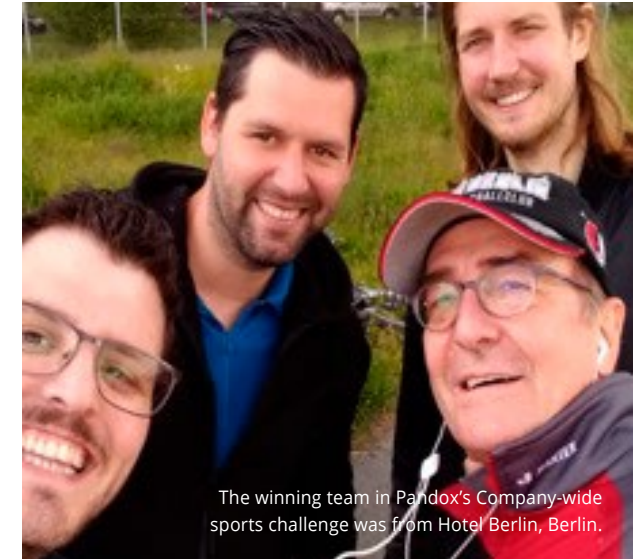
Hotels in the Operator Activities segment are themselves responsible for the health and wellbeing programmes offered to employees, which is usually determined by which brand the hotel operates under. Certain hotels offer employees wellness opportunities in the form of use of the hotel's gym, pool and sauna before or after their shift. Some hotels offer employees help to stop smoking as a way of promoting better health. In 2020–2021 some initiatives were paused or had to change course due to restrictions relating to Covid-19.

Around the world together

In May Pandox organised its first Company-wide sporting activity. The aim was to create joint commitment, encourage exercise and reconnect with colleagues after being furloughed or working from home for more than a year.

The goal was to walk, run or cycle around the world together. Challenges were set at both a local level and across the Company, with all of the teams able to follow each other's progress on a shared website. The activity achieved a participation rate of 80 percent, of which 65 percent succeeded in reaching their individual goals. Together the employees clocked up 89,549 kilometres – the equivalent of going around the world twice.

🔗 For more information on health and safety, see Sustainability Note 10.



The winning team in Pandox's Company-wide sports challenge was from Hotel Berlin, Berlin.

Diversity and gender equality

The hotel industry is characterised by diversity – both in terms of nationality and age groups. Pandox's employees should reflect the diversity that exists among the guests.

In 2021 a diversity and inclusion survey was carried out among the employees by an independent party. The purpose was to give Pandox a clearer picture of how the employees perceive their work situation so the Company can ensure that Pandox is an equal-opportunity and inclusive company. The results showed that the employees feel included and treat each other with respect. This applies in all markets and regardless of gender. Moreover, 83 percent feel they can express their opinions without fear of negative consequences. Despite this positive result, the Allbright anonymous survey showed that some employees have experienced discrimination based on race or gender, although no concrete cases of discrimination have been reported to Pandox.

The outcome was presented to the Board of Directors, the executive management team and all general managers to ensure that they are well aware of the challenges and opportunities that exist. The primary focus going forward will be on ensuring that the workplaces are inclusive places to be in. Inclusion is not about fitting in, but rather being able to go to work and know that you will be respected regardless of who you are. Pandox will educate hotel managers and their teams and propose concrete steps to take.

In a second stage Pandox will also improve the recruitment process to increase awareness of how bias and structures that are restrictive and exclude people can impact the recruitment results. This is particularly important for attracting and retaining the best talent and increasing the recruitment pool. This project has been postponed as the ongoing pandemic has negatively impacted the recruitment selection process.

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 within Operator Activities at the end of 2021 was 21 (30) percent. The decrease is due to one hotel with a female general manager being reclassified to Property Management and thus no longer being operated by Pandox, and another hotel closing for renovation after which it will be reclassified from Property Management to Operator Activities. Finally, the female general manager at Hotel Hubert, which is Pandox's internal training ground for upcoming hotel managers, was replaced by a male general manager as part of the rotation there. This is where people can try out the role of hotel manager for six months.

The percentage of women in Pandox's executive management team increased to 40 (22) percent.

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions

- Properties
- Financial
- Governance

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Focus area: Inclusive local communities

Pandox wants to help create 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 safe and secure areas in the vicinity of the hotel.

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

Targets	Who is affected	Outcome 2021	Outcome 2020	Contributes to UN SDGs
Community projects Every hotel and the head office will be involved in at least one project to support the local community in 2021 (Target: at least 19 projects)		10 hotels	18 hotels	Targets 4.4, 4.5, 8.6 and 10.2
All hotels are to have facade and/or entrance lighting to increase safety in the vicinity		17 hotels	14 hotels	Target 11.7

Operator Activities – own hotel operations

Pandox (Property Management + Operator Activities + head office)

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.

Just over half of Pandox's employees (54 percent) live within a 10 kilometre radius of the hotel where they work, and 4 percent of the employees live in socioeconomically vulnerable areas.

Pandox uses local and regional companies for technical operation, property services, laundering linens and towels etc. 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, 17 (14) have lighting at their entrances and 17 (15) have surveillance cameras.

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 2021 half of the hotels in Operator Activities were engaged in local projects. During the year some of the hotels had to pause these activities due to the pandemic. This will be reviewed in 2022. Examples of projects include providing food to homeless people and offering internships to young people with functional disabilities. See examples of the head office projects on the next page.



A selection of Pandox's joint and charity projects in 2021

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

● Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance



Enbacksskolan in Tensta

For four years now Pandox has been working closely with Enbacksskolan in Tensta, a school in a socioeconomically vulnerable area outside Stockholm. The purpose is to broaden the students' network of contacts in the job market and to lower entry barriers in society and thereby facilitate integration. Among the ways this is being done is through field trips and internships. Due to Covid-19 restrictions and significant uncertainty about restrictions in the future, the school cancelled its internship programme in 2021. However, Pandox was able to help Enbacksskolan with study days during the year. Representatives from Scandic Star in Sollentuna and Attendo visited the students in years 7–9 at the school during the first quarter. In the fourth quarter, students in year 8 were invited on a field trip to Scandic Star in Sollentuna, where they gained an insight into the job opportunities that exist in the hotel industry. At Scandic Star they were

also able to try out various cleaning, restaurant and care-taking duties.

Covid-19 hit many of the students at Enbacksskolan particularly hard, with more unemployed parents and more children in day care centres during the summer holidays. Pandox therefore provided support in the form of bus trips to places to swim, entry fees and lunch at Eskilstuna Zoo, guided tours in Stockholm on the amphibious Ocean Bus and entry into Sky Park in Vaxholm.

In addition, 55 students in years 8 and 9 attended a camp in the Björnö nature reserve in August where they were able to try camping. Many of the students had never been out in nature before and, according to the students, this was the highlight of their year. The experience covered many school subjects such as natural sciences and sport. The activities also allowed them to visit new places away from where they lived.

Giving People

The summer holidays in 2020 and 2021 were particularly challenging financially for many families with children if the parents had been laid off or furloughed. For two years in a row Pandox has supported the organisation Giving People, which provides families in vulnerable areas with groceries. Bags of groceries were distributed to families who could not afford to buy the essentials to get by – especially important when all meals had to be eaten at home during the pandemic. In many families the only food the children get is what is served at school.



Maskrosbarn

Pandox again supported children's rights organisation Maskrosbarn's summer campaign. The summer is especially difficult for children whose parents struggle with addiction or mental illness, or for children exposed to violence.

The purpose of the campaign was to raise funds in order to offer recreational activities that allow children to take a break from their everyday lives. Another objective was to make summer camps available to more children, allowing them to get away from a dysfunctional home life and meet others in similar situations, under guidance from trained coaches.



Sustainability notes

CONTENTS

Hotelism by Pandox
Strategy and operations
Market and trends
Sustainability
Pandox's sustainability agenda
Pandox's value chain
Sustainability targets and strategies
Focus areas
Environment and climate
Responsible and fair business
Guest satisfaction and security
Attractive and equal workplace
Inclusive local communities
● Sustainability notes
GRI Index
TCFD Index
Sustainability definitions
Properties
Financial
Governance

1. About the Sustainability Report	63
2. Materiality analysis and stakeholder dialogue	64
3. Sustainability management	67
4. EU Taxonomy Regulation	68
5. Energy	69
6. GHG emissions	71
7. Water	73
8. Waste	73
9. Sustainability certifications	74
10. Employees	75
11. Anti-corruption	81
12. Suppliers	81
13. Guests	81

1 ABOUT THE SUSTAINABILITY REPORT

Pandox's annual Sustainability Report has been prepared in accordance with the GRI Standards, Core level. At the end of 2021 the GRI Standards were updated, but this new version will be implemented in Pandox's reports in future years. The report also constitutes Pandox's statutory Sustainability Report and meets the disclosure requirements in the Swedish Annual Accounts Act regarding sustainability reporting. The Sustainability Report also constitutes Pandox's Communication on Progress Report relating to the Ten Principles of the UN Global Compact. Pandox has also been reporting according to TCFD since 2020. In this Annual Report Pandox has also started reporting according to the EU Taxonomy Regulation.

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 based on a materiality analysis performed in 2018 to form a complete picture of the sustainability topics that are material for the Company and its stakeholders. A new stakeholder dialogue was initiated and a new materiality analysis was implemented at the end of 2021. This will have an impact on reporting in 2022.

The Sustainability Report covers the full year 2021. The last report was published on 17 March 2020. The information in Pandox's Sustainability Report has not been externally audited.

Due to the Covid-19 pandemic a few hotels in Operator Activities have been partially closed or have reduced staffing levels from time to time. The same applies to the Company's tenants. Other than this, there have been no significant changes in Pandox's organisation or supply chain.

Changes to the property portfolio

Pandox acquired Aparthotel Adagio Edinburgh in Scotland on 21 December 2021 as an addition to the Property Management business segment. Pandox does not have access to 2021 sustainability data for the property and it is therefore not included in the sustainability data reported. The aim is to include the property's sustainability data in 2022.

On 1 October 2021 the h27 hotel in Copenhagen was reclassified from Operator Activities to Property Management when a lease was signed with hotel operator Motel One. The property's sustainability data for the period 1 January–30 September 2021 is reported in the tables for "Operator Activities and HQ" and sustainability data for the fourth quarter of 2021 is reported in the tables for "Property Management" in the Annual Report sustainability notes.

Maritim Hotel Nürnberg in central Nuremberg, Germany, was reclassified from Pandox's Property Management segment to Operator Activities on 1 September 2021. The previous lease with Maritim Hotels expired at that time and Pandox took over operation of the hotel. The hotel has been closed for renovation since it was taken over and will remain closed for much of 2022. There is no sustainability data for the property for 2021.

Report scope and boundaries

The focus of the report is the same as in previous years and covers the parts of the business over which Pandox has operational control. 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 2021 measures 2,084,947 (2,070,126) sq m.

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".

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 93 hotels provide energy data, which represents 82 percent of the 137 hotels in the segment. This includes all Scandic hotels and the majority of Nordic Choice hotels. For competition-related and/or organisational reasons, other tenants are not yet permitting 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 provides a better basis for setting science-based targets in future years 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.

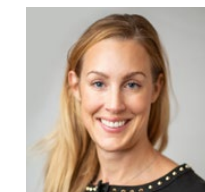
The base year for sustainability data is stated in each table.

Changes in 2021 reporting

As of the 2021 Annual Report, employee data is reported as number of employees on 31 December 2021 instead of full-time equivalents (FTE) as used in the 2020 Annual Report. The data for the comparison year 2020 has therefore also been restated as the number of employees on 31 December.

With respect to the two GRI standards GRI 308 and GRI 414, Pandox has switched from reporting GRI 308-1 to GRI 308-2 and from GRI 414-1 to GRI 414-2.

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CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

2 MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE

Feedback from Pandox's stakeholders on the Company's sustainability work 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, hotel guests, investors, professional and other organisations, suppliers and employees. These main stakeholders may in turn have 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.

Materiality analysis 2018

In 2018 Pandox carried out a stakeholder dialogue and a materiality analysis to ensure that the sustainability topics in areas where the Company has the greatest impact on the external environment and that are the most important to the stakeholders are prioritised in future sustainability work. Pandox carried out interviews and online surveys in order to define and prioritise the most material sustainability topics. Through external benchmarks, status analysis and interviews with employees, Pandox identified a list of the most material sustainability topics from a value-chain perspective. These sustainability topics were prioritised based on the positive and negative impact they have on Pandox's communities from an environmental, social and economic perspective. The results were validated at a workshop attended by senior executives.

A review of the material topics, based on SASB Standards, was also carried out in 2020 to ensure that Pandox reports on the topics that financial actors consider the most important. Sustainability reporting for 2021 has been based on the above-mentioned materiality analysis.

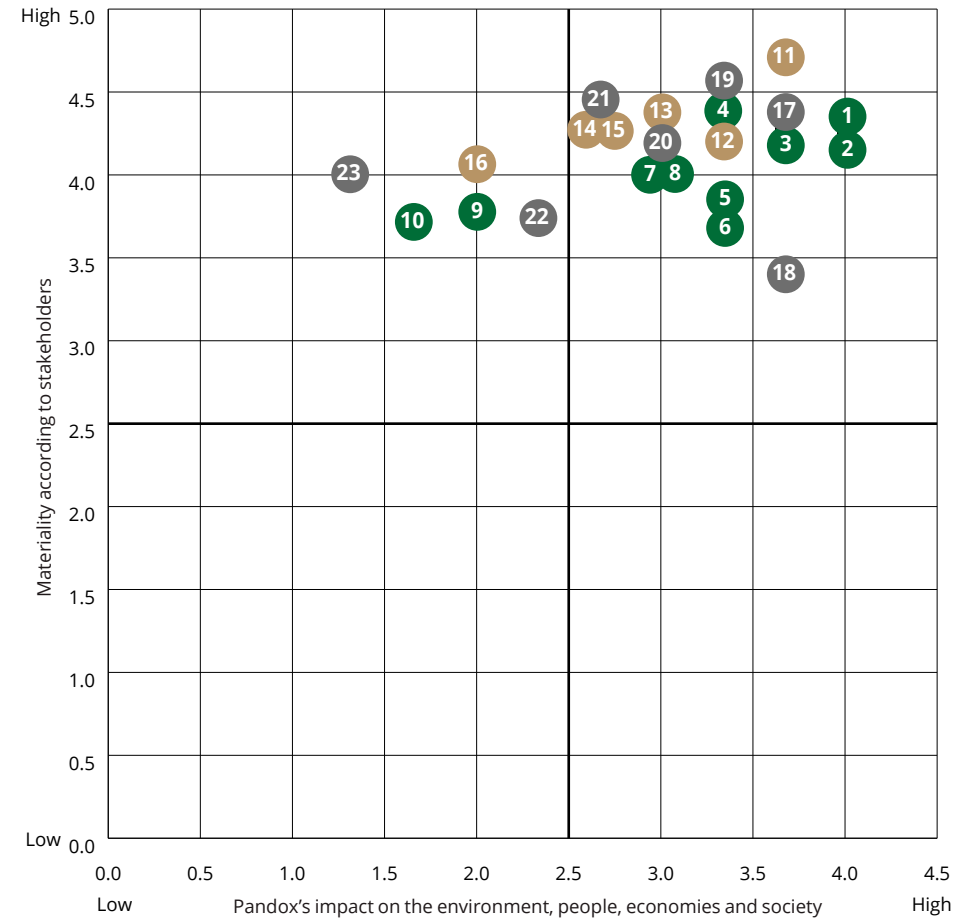
Materiality analysis 2021

In autumn 2021 a new stakeholder dialogue was carried out to determine whether there have been any changes in the stakeholders' expectations and requirements. This began with an analysis of the external environment and in-depth interviews with expert stakeholders to identify new sustainability topics that may be material for Pandox. Surveys were then carried out in which the stakeholders had the opportunity to evaluate how much emphasis Pandox should place on each sustainability topic. Pandox tested both the previous material sustainability topics and new ones, including biodiversity, climate adaptation, green transport and wellbeing, but also the issue of increased cooperation between hotel chains, property owners and suppliers.

Pandox then performed a new materiality analysis to evaluate Pandox's positive and negative impact on the surrounding communities throughout the value chain from an economic, environmental and social perspective. When the GRI Standards were updated in October 2021, the importance of companies focusing on and reporting on sustainability topics in which the company has the greatest impact on the surrounding communities was emphasised.

The results are presented in the matrix on the right. This will form the basis for Pandox's reporting in 2022 and onwards.

Materiality analysis 2021



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 buildings¹⁾
 - 8 Reduced water consumption
 - 9 Green transport¹⁾
 - 10 Biodiversity¹⁾
- Employees and suppliers**
 - 11 Business ethics and anti-corruption
 - 12 Increased cooperation in the value chain within sustainability¹⁾
 - 13 Health and safety of employees and subcontractors
 - 14 Fair employment terms for employees
 - 15 Attractive and equal workplace
 - 16 Wellbeing, employees¹⁾
- 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 food¹⁾
 - 23 Wellbeing, guests and visitors¹⁾

¹⁾ These sustainability topics were not included in the 2018 materiality analysis, but were identified and evaluated as new topics in the 2021 stakeholder dialogue and materiality analysis.

►► Note 2, cont.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

RESULTS OF STAKEHOLDER DIALOGUE CONDUCTED IN 2018 AND 2021

Stakeholder group	Dialogue format	Most important sustainability topics	
		2018	2021
Hotel guests	Survey	<ul style="list-style-type: none"> Fair working conditions for employees Reuse, recycle and minimise waste Reduced energy consumption and CO₂e emissions 	<ul style="list-style-type: none"> Health and safety of guests, visitors Satisfied hotel guests (quality of services) Wellbeing of guests and visitors Customer privacy and data security
Tenants	Survey/interview	<ul style="list-style-type: none"> Reduced water consumption Prevent trafficking and prostitution Fair working conditions for employees 	<ul style="list-style-type: none"> Business ethics, anti-corruption Employee health and safety Satisfied tenants and hotel guests Zero tolerance for trafficking and prostitution
The community	Survey/interview	<ul style="list-style-type: none"> Environmentally certified buildings Diversity, equal opportunities and non-discrimination Board of Directors and executive management team are committed to sustainability 	<ul style="list-style-type: none"> Reduced energy consumption Reduced climate impact / Climate adaptation Business ethics, anti-corruption / Increased cooperation Health and safety of guests, visitors
Suppliers	Survey/interview	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Diversity, equal opportunities and non-discrimination Hotel safety 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Business ethics, anti-corruption Health and safety of guests, visitors
Analysts	Interview	<ul style="list-style-type: none"> Training and professional development for employees Fair working conditions for employees Sustainable supply chain 	<ul style="list-style-type: none"> Business ethics, anti-corruption Zero tolerance for trafficking and prostitution Reduced energy consumption / Environmental certification of buildings Reduced climate impact
Investors	Survey/interview	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Ensure customer privacy and protect customer data Transparent sustainability reporting 	
Shareholders	Survey/interview	<ul style="list-style-type: none"> Reuse, recycle and minimise waste Hotel safety Fair working conditions for employees 	
Board of Directors	Survey/interview	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Diversity, equal opportunities and non-discrimination Hotel safety 	
Executive management team	Survey	<ul style="list-style-type: none"> Reduced energy consumption and CO₂e emissions Board of Directors and executive management team are committed to sustainability Hotel safety 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Sustainable products and materials Attractive and fair workplace Health and safety of guests, visitors
Hotel employees	Survey	<ul style="list-style-type: none"> Reuse, recycle and minimise waste Fair employment terms for employees Training and professional development for employees 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Attractive and fair workplace Customer privacy and data security Employee wellbeing
General managers	Survey	<ul style="list-style-type: none"> Training and professional development for employees Reuse, recycle and minimise waste Local community engagement 	
Employees: head office and Property Management	Survey	<ul style="list-style-type: none"> Reuse, recycle and minimise waste Hotel safety Sustainable supply chain 	<ul style="list-style-type: none"> Zero tolerance for trafficking and prostitution Attractive and fair workplace Employee health and safety Customer privacy and data security

Ongoing dialogue with stakeholders

In addition to the specific stakeholder dialogue on sustainability that took place in 2018 and 2021, Pandox has an ongoing dialogue with its stakeholders throughout the financial year.

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 these conversations were dominated by Covid-19.

Dialogue with employees takes the form of quarterly employee surveys. Read more on page 59.

Dialogue with shareholders and investors takes place on a quarterly basis when the interim reports are produced, through road shows, informal meetings and through surveys on what they want to see in the Annual Report. In 2021 Pandox also invited its ten largest shareholders for a dialogue on the EU Taxonomy Regulation and on what they expect of Pandox. This has impacted the internal strategy process. For more information on the Taxonomy, see page 41 and Sustainability Note 4.

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 54 and Sustainability Note 12.

Dialogue with professional organisations takes place in connection with their evaluation of Pandox's sustainability work, and results from studies such as GRESB, Sustainalytics and CDP. Also on these occasions there is direct dialogue with the organisations about improvements and opportunities.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

PANDOX'S MATERIAL SUSTAINABILITY TOPICS AND HOW THEY LINK TO GRI REPORTING FOR 2021

Focus area	Pandox's material sustainability topics 2021	Reported GRI disclosures and company-specific disclosures in the 2021 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
	GHG emissions and impact on climate change	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
	Water consumption	GRI 303-5 Water consumption
	Waste and recycling	GRI 306-3 Waste generated
	Sustainability-certified properties and hotel operations	<i>Company-specific disclosures:</i> P-1 Percentage of sustainability-certified properties P-2 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	<i>Company-specific disclosure:</i> P-5 Number of incidents of prostitution or trafficking
Guest satisfaction and security	Satisfied guests and partners	<i>Company-specific disclosure:</i> P-4 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 equal 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 in the workplace	GRI 403-9 Work-related injuries GRI 403-10 Work-related ill health P-3 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	Contribution to local communities	<i>Company-specific disclosure:</i> P-6 Percentage of hotels in Operator Activities, including the head office, that have community projects

Pandox's material sustainability topics 2022 onwards ¹⁾
<p>Environment and climate</p> <ul style="list-style-type: none"> Reduced energy consumption Reduced climate impact (reduced GHG emissions) Climate adaptation of buildings (NEW) Water consumption Reduced waste and increased recycling/reuse Environmentally certified buildings Environmentally certified hotel operations Sustainable materials and products (NEW)
<p>Responsible and fair business</p> <ul style="list-style-type: none"> Good business ethics/anti-corruption Sustainable supply chain and cooperation in the value chain Zero tolerance for trafficking and prostitution
<p>Guest satisfaction and security</p> <ul style="list-style-type: none"> Satisfied guests Health and safety of guests and visitors Customer privacy and data protection
<p>Attractive and equal workplace</p> <ul style="list-style-type: none"> Attractive workplace that encourages development Occupational health and safety of employees and subcontractors Fair employment terms and equal rights
<p>Inclusive local communities</p> <ul style="list-style-type: none"> Responsibility to local community

¹⁾ Sustainability topics relating to locally produced, vegetarian/vegan food, green transport, biodiversity and wellbeing of employees, guests and visitors were assessed in Pandox's materiality analysis not to be material at this time. Pandox is monitoring development in these areas and may make a different assessment in future analyses.

CONTENTS

Hotelism by Pandex

Strategy and operations

Market and trends

Sustainability

Pandex's sustainability agenda

Pandex's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

3 SUSTAINABILITY MANAGEMENT

Decision-making body on sustainability



The **Board of Directors** has overall responsibility for the strategic focus of sustainability and climate work. 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. In 2021, for example, the Committee discussed supplementary agreements with green provisions that make it possible to work in a structured way on sustainability in Property Management as well. 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 Pandex'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 2021 there was a focus on following up on the progress of the next green investment programme's launch.

The SVP, Director of Sustainable Business reports sustainability performance to executive management on a continual basis and reports to the hotel managers in the Operator Activities segment through, among other things, the quarterly Green Update reports. Sustainability is also a permanent element of the 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.

Pandex appointed additional personnel in 2021 to manage the sustainability project and reporting process.



All Pandex 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 Pandex'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.

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

Pandex'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 Pandex operates.

Pandex's Environmental Policy establishes the values and guidelines for Pandex'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.

Pandex's Tax Policy states that Pandex 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 Pandex 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, Pandex regards paying tax as part of its social responsibility.

All of the above policies are signed by the Board of Directors and communicated on Pandex's website.

The Purchasing Policy and Maintenance Policy enable Pandex'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, Pandex continued to collect sustainability data on a monthly basis in 2021 in areas such as water and energy use as well as waste. This data is validated every quarter.

At the end of the year all of the Company's hotels in Operator Activities, 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 Pandex's own operations to gain control, set goals and reduce waste, and the need to put in place supplementary agreements containing green provisions in Property Management to meet the requirements in both the EU taxonomy and the Paris Agreement.

Towards the end of 2021 Pandex switched to a different sustainability data collection system.

To ensure compliance with the Codes, Pandex 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.

Whistleblower system

Pandex values an open culture and works to ensure that employees are not afraid to report irregularities and problems in the workplace so that they can be addressed. Pandex therefore has an independent, external whistleblower system available to employees and other stakeholders. Any suspected irregularities or deviations from Pandex's policies can be reported anonymously into the system. Matters reported are handled by Pandex's General Counsel in consultation with the SVP, Director of Sustainable Business.

IMPORTANT GOVERNING DOCUMENTS

Pandex has two codes of conduct, one for the employees and one for business partners, as well as the following policies: Environmental Policy, Anti-Corruption Policy, Human Rights Policy, Tax Policy, Financial Policy, Purchasing Policy, Maintenance Policy, Personal Data Policy, Information Security Policy and Insider Policy. In addition to this Pandex has produced a Modern Slavery Act statement.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

4 EU TAXONOMY REGULATION

Pandox is to report according to the EU Taxonomy Regulation, which involves showing to what extent the Company's operations are environmentally sustainable and live up to the EU's six environmental objectives. Initially only the first two environmental objectives in the taxonomy are included: climate change mitigation and climate change adaptation.

As a first step, the Company has analysed which of Pandox's economic activities are eligible by the Taxonomy Regulation and has produced guidance and instructions on how to collect data internally in accordance with the taxonomy.

Pandox's economic activities eligible by the taxonomy

- Renovation of existing buildings
- Installation, maintenance and repair of energy-efficient equipment
- Installation, maintenance and repair of charging stations for electric vehicles in buildings
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- Installation, maintenance and repair of renewable energy technologies
- 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

2021 ¹⁾	Pandox total (MSEK)	Economic activities eligible by the taxonomy (%)	Economic activities not eligible by the taxonomy (%)
Turnover	3,273	70%	30%
Capital expenditure (CapEx)	1,500	70%	30%
Operating expenses (OpEx)	413	11%	89%

¹⁾ Reporting is based on the guidelines published at the end of 2021.

Reporting for 2021

For 2021 Pandox is reporting what proportion of its operations are eligible by the Taxonomy Regulation and the proportion not eligible. This is based on eight economic activities divided into three indicators: share of turnover, capital expenditure and operating expenses. The share not eligible by the regulation are also to be reported. Pandox's whole property portfolio is included in the analysis.

Pandox's Operator Activities are not included in reported data because the Taxonomy Regulation stipulates that property management is to constitute the underlying operations in the property. Within Operator Activities, Pandox's operation of hotels constitutes the underlying operations and, accordingly, this business segment is not eligible by the Taxonomy Regulation.

Reporting for 2022

In 2022 Pandox will continue to report the share of its operations eligible by the Taxonomy Regulation, but also state the percentage aligned with it. Each economic activity therefore needs to be broken down and analysed for each property.

In order to be an environmentally sustainable activity, at this time, it needs to contribute to at least one of the EU's two climate objectives: climate change mitigation or climate change adaptation. In addition, the activity is not to significantly harm any of the other environmental objectives and is to be carried out in compliance with the minimum safeguards set out in the regulation regarding human rights. Pandox's aim is to report the share of alignment in its next Annual Report.

Turnover

In Property Management, this consists of rental income and other property income and in Operator Activities, of revenue from operating activities.

Eligible by the taxonomy (70%): Rental income within Property Management is eligible by the taxonomy.

Capital expenditure (CapEx)

Consists of investments in investment properties (Property Management) and operating properties (Operator Activities). Both segments also include investments in right-of-use assets in the form of site leaseholds, office premises, cars and other leased equipment.

Eligible by the taxonomy (70%): All reported IFRS investments (including right-of-use assets) within Property Management are eligible by the taxonomy except for investments in right-of-use assets in the form of office premises, cars and other leased equipment.

Operating expenses (OpEx)

Pandox defines IFRS OpEx as operating expenses to maintain and operate investment properties (Property Management) and operating properties (Operator Activities).

Eligible by the taxonomy (11%): Maintenance and repair costs, which essentially means investments in investment properties that cannot be capitalised.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

5 ENERGY

Pandox is reporting measured energy consumption for 113 out of the total of 157 properties for 2021. Energy consumption amounted to 410,379 MWh and the average energy intensity was 204 kWh/sq m. Energy consumption increased during the year both in Pandox's Operator Activities and among tenants in Property Management due to slightly higher occupancy. Not all of the energy measures implemented within Operator Activities have had an effect yet.

The table "Pandox's energy consumption within Operator Activities and HQ" presents data for the 20 properties Pandox operates as well as the head office. The table "Tenants' energy consumption within Property Management" on the next page shows energy consumption downstream in the value chain for tenants in the Property Management segment. Actual data from 93 of 137 properties is included. A standard calculation is made for 44 properties. Read more about Pandox's energy work on page 46.

41 (38) percent of all the energy consumed in 2021 for Pandox's entire property portfolio came from renewable energy sources such as wind power, hydropower and solar. Fuel includes gas, pellets and fuel oil. Six hotels produce their own electricity or heat, which amounted to 1,045 (308) MWh in 2021.

Description of the standard calculation method

As of this Annual Report, Pandox is making standard calculations and reporting energy consumption in properties leased to tenants in Property Management for which Pandox has no data. Read more about the reason for this in Sustainability Note 1. Standard calculations are made by taking energy intensity (kWh/sq m) for properties in Property Management that have measured data, multiplied 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 a 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		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Fuel	2,612	2,020	2,359	25,469	22,810	29,296	28,081	24,830	31,655
Electricity	36,033	22,130	22,776	6,094	6,507	15,484	42,711	28,637	38,260
– of which own electricity production							584	308	
Heating	1,282	0	0	7,152	6,119	9,010	8,895	6,119	9,010
– of which own heat production							461	0	
Cooling	136	0	0	3,877	4,579	8,089	4,013	4,579	8,089
Total energy consumption	40,063	24,150	25,135	42,592	40,015	61,879	83,700	64,165	87,014
Total weather-normalised energy							81,475	62,980	87,839
Energy intensity, kWh/sq m							214	169	265

¹⁾ The data covers Pandox's own operations, i.e. 20 hotels in Operator Activities and the Pandox head office. There is no data for Maritim Hotel Nürnberg as this was reclassified from Property Management to Operator Activities in September 2021. Data for Motel One is for Jan–Sept 2021 as the hotel was reclassified to Property Management on 1 October 2021. Total energy consumption was higher in 2021 than the previous year as a result of higher occupancy at the hotels. 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 372,955 sq m. No energy produced internally is sold.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

►► Note 5, cont.

 TENANTS' ENERGY CONSUMPTION WITHIN PROPERTY MANAGEMENT ¹⁾

(MWh)	Renewable energy ²⁾			Non-renewable energy			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Fuel	2,067	100	232	19,616	18,139	2,589	21,683	18,239	2,821
Electricity	82,566	83,847	80,758	24,491	22,205	475	107,057	106,052	81,233
Heating	5,213	0	0	93,010	94,595	79,591	98,223	94,595	79,591
Cooling	71	0	0	4,042	3,629	3,088	4,113	3,629	3,088
Energy consumption (from properties with measured data)	89,917	83,947	80,990	141,159	138,568	85,743	231,076	222,515	166,733
Weather-normalised							223,235	200,317	165,865
Energy intensity, kWh/sqm (measured data)							189	174	228
Standard calculation of energy consumption for properties with no measured data ¹⁾		-	-		-	-	97,828	-	-
Total energy consumption		-	-		-	-	328,904	-	-
Total energy intensity, kWh/sqm							194	-	-

¹⁾ This table presents energy consumption downstream in the value chain, i.e. among tenants who are responsible for operating the hotel properties owned by Pandox in the Property Management segment. 93 out of a total of 137 properties provided actual measured data for 2021, including all of the Scandic hotels. Data for Motel One is for Oct-Dec 2021 as the hotel was reclassified to Property Management on 1 October 2021. Actual measured data for 2020 included 94 hotels while data for 2019 included 62 hotels, which explains the increase from 2019 to 2020. The increase from 2020 to 2021 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. For a description of the standard calculation method, see Sustainability Note 5 on the previous page.

²⁾ The total percentage of renewable electricity was 77 (68) percent thanks to the operators signing renewable energy agreements.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

6 GREENHOUSE GAS EMISSIONS

Pandox reports GHG emissions for 157 (114) of the total of 157 (156) properties. Of these, Pandox received measured data from 113 properties. A standard calculation has been used for the remaining 44 properties. Read more about this under the table.

Direct Scope 1 and Scope 2 emissions

Pandox's total direct GHG emissions in Scope 1 and 2 amounted to 6,112 (7,979) metric tons of CO₂e in 2021, which is a reduction of 23.4 percent. The reduction is equivalent to 5,451 return flights Stockholm–Brussels for one person in economy class according to klimatsmartsemester.se. This includes emissions from 20 (20) hotels in Pandox's Operator Activities segment and the head office.

Emission intensity based on the direct emissions amounted to 16 (21) kg CO₂e per sq m. The calculation is based on a floor space of 372,955 sq m. This does not include Maritim Hotel Nürnberg which was closed.

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 1 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.

Indirect emissions in Scope 3 *Upstream in the value chain*

The most material Scope 3 emissions upstream in Pandox's value chain come from purchased goods, materials and services for operating activities, which amounted to 26,656 metric tons of CO₂e, and emissions from capital goods, which amounted to 21,020 metric tons of CO₂e.

Pandox performed lifecycle analysis in 2021 to refine its reporting of GHG emissions from the product and building stages in the construction of new hotel properties and the remodelling and renovation of existing ones. Purchases of construction materials, products and services for one large new-build project, one large remodelling project and two hotel renovations were analysed by an independent consulting firm. Emissions are reported in the capital goods category under the GHG Protocol, as properties have a long life and are reported as non-current assets in the financial statements.⁵⁾

Pandox has also performed spend analysis for supplier ledgers for goods and services purchased in 2021 and 2020 with the help of the company Normative. The following GHG Protocol Scope 3 categories were analysed

using this method: purchased goods and services, capital goods (other), upstream production of fuel and energy, and waste generated in operations. The analysis shows lifecycle emissions for each supplier.⁴⁾

In 2021 Pandox also started collecting actual measured data within the organisation on business travel to obtain more reliable data. GHG emissions from Pandox's own business travel amounted to 325 metric tons of CO₂e (2,000) in 2021. Business travel is therefore no longer considered a significant emissions category. Pandox will, however, continue to measure and monitor this item annually in order to take steps if business travel increases.

Downstream in the value chain

Emissions downstream in the value chain are emissions from tenants operating and heating hotels, which is the single largest emissions category. Emissions amounted to 36,514 metric tons of CO₂e and are reported in the GHG Protocol's downstream leased assets category. 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 emission intensity per square metre in the properties that have measured data, multiplied by the floor space in square metres of the properties with no measured data.

Base year and comparability

The table shows GHG emissions for the years 2019, 2020 and 2021. It is not possible to compare total emissions year-on-year as Pandox's data collection process has evolved each year to include more Scope 3 categories. The Company is also aiming to keep updating emission factors used so that emissions data will reflect the relevant energy mix each year.

2019 is used as the base year for reporting Pandox's GHG emissions in Scope 1 and 2. Emissions for the base year are presented in the table below. Collection and calculation methods for these emissions are comparable year-on-year for 2019, 2020 and 2021.

Regarding Scope 3 emissions, over the past two years we have developed our collection and calculation methods, which means that year-on-year comparisons are not possible. In future Annual Reports, Pandox will use 2021 as the base year for Scope 3 emissions. Emissions for the base year are presented in the table below.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

►► Note 6, cont.

 PANDOX'S GHG EMISSIONS ¹⁾

(metric tons CO ₂ e)	2021	2020	2019	Method 2021
Scope 1 emissions	3,511	4,276	5,761	Actual energy data ²⁾
Scope 2 emissions (market-based)	2,601	3,703	2,946	Actual energy data – market-based ²⁾
Scope 2 emissions (location-based)	9,893	7,571	9,229	Actual energy data – location-based ²⁾
Total emissions Scope 1 and 2 (market-based)	6,112	7,979	8,707	Actual energy data – market-based ²⁾
Total emissions Scope 1 and 2 (location-based)	13,404	11,847	14,990	Actual energy data – location-based ²⁾
Change, % (market-based)	-23.4%	-8.4%	-0.4%	Actual energy data – market-based ²⁾
Change, metric tons CO ₂ e (market-based)	-1,867	-728	-36	Actual energy data – location-based ²⁾
Material Scope 3 emissions ³⁾				
1. Purchased goods and services	26,656	93,000	N/A	Spend-based ⁴⁾
2. Capital goods	21,020	6,000	N/A	
– of which new construction, remodelling, renovation of properties	20,301	N/A	N/A	LCA-based standard calculation ⁵⁾
– of which other	719	N/A	N/A	Spend-based ⁴⁾
3. Upstream production of fuel and energy	3,057	1,209	1,741	Actual data + spend-based ⁴⁾
5. Waste generated in operations	563	4,000	N/A	Spend-based ⁴⁾
13. Downstream leased assets	36,514	30,586	17,666	
– of which based on measured data from tenants	25,378	30,586	17,666	Actual energy data ²⁾
– of which standard calculations for other tenants	11,136	N/A	N/A	Energy-based standard calculation ⁶⁾
Total emissions Scope 3	87,810	134,795	19,407	
Total emissions Scope 1, 2 and 3 (market-based)	93,884	142,774	28,114	
Total emissions Scope 1, 2 and 3 (location-based)	101,214	146,642	34,397	

¹⁾ Pandox's data collection methods were developed in both 2020 and 2021 to be more comprehensive. Lifecycle analysis and a new spend analysis have raised knowledge levels, which has led to new methods as well as recategorisation – mainly of Scope 3 emissions – compared with previous years. For example, Scope 3 emissions from remodelling and renovation of properties in 2020 were categorised as purchased goods, while in 2021 they were categorised as capital goods. Pandox also switched to a different reporting system for sustainability data in 2021 and the emission factors have been updated to more relevant ones. Two years of a pandemic have also resulted in greater variations in operations. For this reason it is not possible to make year-on-year emissions data comparisons.

²⁾ 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. The reported Scope 1 and 2 emissions are based on energy consumption reported. 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 EPA (origin-labelled electricity och Bra miljöväl).

Fuels (coal, oil, natural gas, pellets, wood chips, biogas, bio oil): Swedenergy, 2019.

Petrol: Swedish Energy Agency Fuel Act, 2019 (wheel to wheel), 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.

³⁾ 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; 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 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, remodelling and renovation of properties – includes Scope 3 emissions from the building stage (A1–A5).

⁴⁾ 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.

⁵⁾ This includes GHG emissions from the product stage and building stage (A1–A5) for construction projects, large remodelling projects and hotel renovations carried out. Standard calculations have been used for the emissions, based on lifecycle analysis completed in 2021 for one construction project, one large remodelling 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 301 kg CO₂e/sq m for the construction project, 149 kg CO₂e/sq m for the remodelling project and 48 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 2021.

⁶⁾ 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.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

7 WATER

Pandox's total water consumption for the entire property portfolio amounted to 1,460,953 cubic metres and the average water intensity was 669 m³/sq m. The reported water consumption, for which Pandox has received measured data, covers 107 (113) of the total of 157 (156) properties. Standard calculations were introduced from 2021 for the properties with no measured data.

The total water consumption increased in 2021 due to eased pandemic restrictions, which resulted in an increase in the number of hotel guests. Despite the increase in the total water consumption, Pandox was able to see that the projects to reduce water consumption under the green investment programme started to yield results as the increase was not on a par with occupancy in Operator Activities. Read more about the green investment programme on page 47.

In 2021 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 are water-stressed, i.e. where water demand is much greater than the supply ²⁾.

🔗 Read more about Pandox's work on water consumption page 48.

PANDOX'S WATER CONSUMPTION WITHIN OPERATOR ACTIVITIES AND HQ ¹⁾

(m ₃)	2021	2020	2019
Total water consumption	233,667	227,226	446,908
– of which water consumption in water-stressed areas ²⁾	68,552	74,667	N/A
Water intensity, litres/sq m	615	611	1,438
Water intensity, litres/guest night	338	389	264

¹⁾ The water consumption data covers the Pandox head office and Pandox's 20 hotels in Operator Activities. There is no data for Maritim Hotel Nürnberg as this was reclassified from Property Management to Operator Activities in September 2021. Data for Motel One is for 1 Jan–30 Sept 2021, as the hotel was reclassified to Property Management on 1 October 2021.

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.

TENANTS' WATER CONSUMPTION IN PROPERTY MANAGEMENT ¹⁾

(m ₃)	2021	2020	2019
Water consumption from properties with measured data ¹⁾	814,380	803,799	983,296
Water consumption from properties subject to standard calculation ²⁾	412,906	N/A	N/A
Total water consumption	1,227,286	803,799	983,296
– of which water consumption in water-stressed areas ³⁾	17,595	11,426	N/A
Water intensity, litres/sq m	723	705	1,195
Water intensity, litres/guest night	311	246	173

¹⁾ The water consumption data is based on measured data reported by tenants covering 87 (93) of the total of 137 (136) properties in Property Management. Data for Motel One is for 1 Oct–31 Dec 2021, as the hotel was reclassified to Property Management on 1 October 2021.

²⁾ The water consumption data based on the standard calculation is for 50 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.

8 WASTE

The volume of waste was higher in 2021 than in 2020 due to higher occupancy at the hotels as a result of eased Covid-19 restrictions. The data for waste generated in 2021 is for 19 (18) of the 20 (20) hotels in Operator Activities and for the Pandox head office. In Property Management the corresponding number was 86 of 137 hotels. 2021 is the first year this data is being reported for tenants.

In 2021 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 48.

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

(metric tons)	2021		2020		2019	
Disposal method ²⁾	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste
Reuse	113	0	0	0	0	0
Recycling	641	0.7	540	1.4	1,699	4
Composting	18	0	31	0	44	0
Energy recovery	171	5.6	372	0	895	0
Incineration	9	0	0	0	0	1
Landfill	60	0	333	0	890	0
Other/Unknown	377	0.2	0	0	0	0
Total volume of waste	1,389	6.4	1,276	1.4	3,528	5

¹⁾ The data for waste generated in 2021 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 Maritim Hotel Nürnberg as this was reclassified from Property Management to Operator Activities in September 2021. Data for Motel One is for 1 Jan–30 Sept 2021, as the hotel was reclassified to Property Management on 1 October 2021. Hazardous waste for energy recycling consists of wastewater residuals.

²⁾ Pandox does not use the methods of reuse, deep well injection or storage on site.

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

(metric tons)	2021	
Disposal method ²⁾	Non-hazardous waste	Hazardous waste
Reuse	27	0
Recycling	788	8
Composting	16	0
Energy recovery	737	0
Incineration	107	0
Landfill	19	1
Other/Unknown	1,595	3
Total volume of waste	3,289	12

¹⁾ Measurement started in 2021. Data for waste generated in 2021 is for 86 of 137 hotels in Property Management. Data for Motel One is for Oct–Dec 2021 as the hotel was reclassified to Property Management on 1 October 2021.

²⁾ Pandox does not use the methods of reuse, deep well injection or storage on site.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

9 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 beginning of the year three properties were certified at the Very Good level. In 2021 an additional three hotel properties were certified at the same level. A further seven properties operated by Pandox are waiting for their certification and are expecting to be notified in spring 2022.

In 2021 Pandox decided that an additional six properties in Operator Activities will be certified no later than 2025 as part of Pandox's new green investment programme 2.0.

All hotels in Pandox's Operator Activities segment have sustainability-certified hotel operations, and in Property Management, 63 (82) percent of tenants have certified their hotel operations.

[🔗 Read more about Pandox's work on certification on page 51.](#)

 SUSTAINABILITY-CERTIFIED PROPERTIES ¹⁾

Pandox properties	Total number of BREEAM-certified properties		
	2021	2020	2019
Number of certified properties	6	3	0
Certified area, sq m	74,178	44,833	0
Percentage of certified properties in Operator Activities, % ²⁾	25%	15%	0%
Certified properties as a percentage of all properties, %	4%	2%	0%

¹⁾ Data showing the number of Pandox-owned hotel properties that are certified to BREEAM In-Use. Five of the properties are part of the green investment programme in Operator Activities and one 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 2021				
	Number of certified hotels			Type of certification				
	2021	2020	2019	Nordic Swan	Green Key	ISO 14001	Green Tourism	Other
Number of certified hotels	106	129	115	47	26	16	4	30
Certified area, sq m	1,490,407	1,700,822	1,519,197	575,614	509,081	197,336	96,678	484,612
Percentage of certified hotels in Operator Activities, %	100%	100%	89%	0	70	10	10	60
Percentage of certified hotels in Property Management, %	63%	82%	69%	34	9	10	1	13
Certified hotels as a percentage of all properties, %	68%	83%	74%	30	17	10	1	19

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 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. The number of certifications in Property Management has decreased, mainly due to the fact that, due to the Covid-19 pandemic, the Jurys Inn hotels have not been able to focus on or allocate resources to renewing their certifications. They aim to renew these after the pandemic. For an overview of the hotels' sustainability certifications, see the list of hotel properties on pages 101-105.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

10 EMPLOYEES

All employee data is reported as number of employees as of 31 December 2021. 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.

In 2021, due to Covid-19, 855 (1,034) employees were furloughed and 70 (119) had to be laid off, calculated as number of employees. However, the majority of the hotels were not fully closed as they needed to be able to resume operations quickly once restrictions were lifted, as happened during the summer for example.

The main increase in employees compared with the previous year was in Europe.

[Read more about Pandox as an employer on page 58–60.](#)

 NUMBER OF EMPLOYEES BY GENDER, TYPE OF EMPLOYMENT CONTRACT AND TYPE OF EMPLOYMENT (FULL-TIME OR PART-TIME) ¹⁾

	2021			2020		
	Women	Men	Total	Women	Men	Total
Permanent employment	737	743	1,480	719	752	1,471
Temporary employment	38	42	80	47	34	81
Total	775	785	1,560	766	786	1,552
Full-time	581	674	1,255	618	709	1,327
Part-time	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) ¹⁾

	2021			2020		
	Permanent employment	Temporary employment	Total	Permanent employment	Temporary employment	Total
Nordics	81	6	87	84	2	86
Europe	990	74	1,064	940	79	1,019
Canada	409	0	409	447	0	447
Total	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 10, cont.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

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. Half of the total number of employees in 2021 were women and half 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 2021 this number was in line with previous years. The percentage of women in executive management increased from 22 percent in 2020 to 40 percent in 2021.

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

A survey of diversity and inclusion was made in 2021 and will be followed up in 2022.

🔗 [Read more about Pandox as an employer on page 58–60.](#)

 GENDER DISTRIBUTION BY EMPLOYMENT CATEGORY ¹⁾

	2021			2020		
	Total number	Gender distribution,%		Total number	Gender distribution,%	
		Women	Men		Women	Men
Board of Directors	6	33%	67%	6	33%	67%
Executive management team	10	40%	60%	9	22%	78%
Operator Activities						
Senior management	66	39%	61%	52	38%	62%
Middle management	154	47%	53%	144	49%	51%
Hotel employees	1,290	51%	49%	1,306	50%	50%
Property Management						
Senior management	3	0%	100%	3	0%	100%
Middle management	1	0%	100%	3	0%	100%
Other administrative employees	10	20%	80%	9	22%	78%
Head office						
Middle management	4	50%	50%	4	75%	25%
Other head office employees	22	59%	41%	22	64%	36%
Total within Pandox (excl. Board)	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).

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

►► Note 10, cont.

 AGE DISTRIBUTION BY EMPLOYMENT CATEGORY ¹⁾

	2021				2020			
	Total number	Distribution by age group, %			Total number	Distribution by age group, %		
		<30 years	30-50 years	>50 years		<30 years	30-50 years	>50 years
Board of Directors	6	0%	50%	50%	6	0%	50%	50%
Executive management team	10	0%	20%	80%	9	0%	22%	78%
Operator Activities								
Senior management	66	6%	61%	33%	52	4%	65%	31%
Middle management	154	22%	58%	20%	144	18%	65%	17%
Hotel employees	1,290	24%	45%	31%	1,306	20%	48%	32%
Property Management								
Senior management	3	0%	100%	0%	3	0%	100%	0%
Middle management	1	0%	100%	0%	3	0%	67%	33%
Other administrative employees	10	30%	20%	50%	9	11%	22%	67%
Head office								
Middle management	4	0%	50%	50%	4	0%	75%	25%
Other head office employees	22	9%	86%	5%	22	23%	72%	5%
Total within Pandox (excl. Board)	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 10, cont.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

New employee hires and employee turnover

The number of new employees and employee turnover was high in the age category < 30 in 2021. 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.

The employee turnover is also explained by the fact that it is calculated based on the number of employees on 31 December 2021 and is therefore impacted by increased restrictions introduced towards the end of the year in many of the countries where Pandox operates.

🔗 [Read more about Pandox as an employer on page 58–60.](#)

 NEW EMPLOYEES AND EMPLOYEE TURNOVER BY GENDER, AGE AND REGION ¹⁾

	2021				2020			
	New employees, %		Employee turnover, %		New employees, %		Employee turnover, %	
	Number	Share, % ²⁾	Number	Share, % ³⁾	Number	Share, % ²⁾	Number	Share, % ³⁾
Key ratios for different groups:								
Women	180	23%	241	31%	37	5%	289	38%
Men	179	23%	215	27%	41	5%	361	37%
Age < 30	214	60%	203	57%	40	13%	239	79%
Age 30–50	119	16%	190	26%	30	4%	268	34%
Age > 50	26	5%	63	13%	8	2%	143	30%
Nordics	17	20%	22	25%	13	15%	26	31%
Europe	245	23%	308	29%	59	6%	526	52%
Canada	97	24%	126	31%	6	1%	98	22%
Total within Pandox	359	23%	456	29%	78	5%	650	42%

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 the number of new employees divided by the total number of employees in the respective category. In 2021, for example, 214 individuals under the age of 30 were recruited, which represents 60 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.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

►► Note 10, cont.

Professional development

The number of performance and career development reviews completed in 2021 in Property Management is in line with the previous year. In Operator Activities the number increased due to more people being physically present at the hotels when restrictions were eased. The level for the head office decreased due to an increase in the number of new employees during the latter part of the year. These employees will have their first performance and career development review in 2022.

In 2021 Pandox also started to collect and report on number of training hours. The average number of training hours per employee was nine hours in 2021. Pandox's goal is to ensure that every employee is given the opportunity to develop through training.

🔗 [Read more about Pandox as an employer on page 58–60.](#)

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

Employment category	2021			2020		
	Percentage			Percentage		
	Total	Women	Men	Total	Women	Men
Key ratios for different groups:						
Executive management team	89%	75%	100%	100%	100%	100%
Operator Activities						
Senior management	94%	100%	88%	97%	100%	94%
Middle management	77%	85%	71%	60%	66%	54%
Other hotel employees	52%	52%	53%	34%	37%	31%
Property Management						
Senior management	100%	–	100%	100%	–	100%
Middle management	100%	–	100%	67%	–	67%
Other administrative employees	100%	100%	100%	100%	100%	100%
Head office						
Middle management	100%	100%	100%	100%	100%	100%
Other head office employees	91%	85%	100%	100%	100%	100%
Total within Pandox	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 have 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.

 AVERAGE HOURS OF TRAINING PER EMPLOYEE ¹⁾

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

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

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

►► Note 10, 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.

The majority of Pandox's employees work within Operator Activities. 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 employees prefer not 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 at 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 pages 58–60.

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 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 as a building proprietor or client to determine if there is anything to be learnt 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 2021 there were slightly more work-related accidents within Operator Activities. The injuries that occurred were isolated falling accidents and cuts. There were no deaths, accidents, injuries or incidents among the employees at the head office, in Property Management or among insourced subcontractors during the year.

The most common risks in the hotel and restaurant industry involve stress injuries due to heavy lifting, falls (due, for example, 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, but during the pandemic no cases of work-related ill health were reported to Pandox. This is explained by a combination of fewer hours worked and the proactive steps taken by the hotels.

Sickness absence during a pandemic year

Pandox has also been collecting and analysing data on sickness absence since 2020 to assess the current situation and to determine if the Company needs to

establish common goals for this going forward. Sickness absence in both 2021 and 2020 were impacted by the Covid-19 pandemic when employees were furloughed.

🔗 Read more about Pandox's work on health and safety on pages 58–60.

	Number	
	2021	2020
WORK-RELATED ILL HEALTH ¹⁾		
Employees		
Deaths as a result of work-related ill health	0	0
Reported work-related ill health	0	0
Subcontractors		
Deaths as a result of work-related ill health	0	0
Reported work-related ill health	0	0

¹⁾ Work-related ill health is when poor health or illnesses were caused by exposure to hazards at work or a poor work environment.

	Sickness absence, %	
	2021	2020
SICKNESS ABSENCE BY SEGMENT ¹⁾		
All types of sickness, ill health or injuries		
Operator Activities	7.1%	7.0%
Property Management	0.3%	1.9%
Head office	0.2%	0.7%
Total	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.

	2021		2020	
	Number	Rate of deaths/accidents	Number	Rate of deaths/accidents
WORK-RELATED INJURIES ¹⁾				
Employees				
Fatalities resulting from work-related injuries	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	0	0.00	1	0.18
Reported work-related injuries	13	2.05	12	2.19
Subcontractors				
Fatalities resulting from work-related injuries	0	0.00	0	0.00
Serious work-related injuries (excl. fatalities)	0	0.00	0	0.00
Reported work-related injuries	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 1,270,306 in 2021 and 1,095,650 in 2020 for the head office, Property Management and Operator Activities.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

● Sustainability notes

GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

11 ANTI-CORRUPTION

Pandox has zero tolerance for corruption, which is clearly stated in the Company's Anti-Corruption Policy. In 2021 there were 0 (2) cases of corruption.

🔗 Read more in the chapter "Responsible and fair business" on pages 53–54.

NUMBER OF CASES OF CORRUPTION

	2021	2020	2019
Total number of cases of corruption	0	2	0
– of which cases where an employee was dismissed due to corruption	0	1	0
– of which cases where contracts with business partners were terminated or not extended due to corruption	0	1	0
– of which the number of legal cases regarding corruption filed against the Company or our employees	0	0	0

12 SUPPLIERS

Pandox implemented a digital audit system for suppliers in 2020, in which selected suppliers carry out a self-assessment.

In 2021, 82 existing suppliers were evaluated based on environmental and social criteria as well as governance. The suppliers that participated were identified as high-risk suppliers in Property Management, with a focus on suppliers in the construction industry, and suppliers to hotels within Pandox Operator Activities that are operated under independent brands or franchise agreements.

The results of the 2021 self-assessment showed that there was a need for several of the suppliers to design and establish formal processes in important areas such as human rights, rights at work and business ethics. None of the suppliers was identified as having a significantly high environmental risk, as no significant real or potentially negative environmental impact was identified as part of the audit. On the other hand, some risks relating to social and/or governance aspects were identified among 45 percent of the suppliers who were audited.

During the year Pandox invited 55 suppliers of the 79 audited in 2020 to participate in a training workshop to help them get started and/or to improve their existing sustainability-related policies and procedures. Pandox has also initiated a one-on-one dialogue with the suppliers who performed among the lowest 10 percent of the respondents in the self-assessment audit.

In 2021 Pandox also started to produce requirements and processes to be able to audit new and recurring suppliers in Property Management before contracts are signed. Due to the pandemic, these processes have not yet been implemented by the Company.

🔗 Read more about Pandox's work on certification on page 54.

AUDIT OF EXISTING SUPPLIERS BASED ON ENVIRONMENTAL AND SOCIAL CRITERIA

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

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 2021 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.

13 GUESTS

During the year there was one incident within the organisation of a guest's health being negatively affected. The incident reported in 2021 involved a child being injured on a hotel bed. The case was investigated by insurance companies. There were 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 55–56.

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

	2021	2020	2019
Total number of incidents where the guests' or visitors' health or safety were negatively affected on a visit to a Pandox hotel	1	0	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	1	0	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

	2021	2020	2019
Total number of data security breaches, such as stolen customer data	0	0	1
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

GRI Index

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

● GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

GRI Standard	Disclosure	Page	Principles of the UN Global Compact
GRI 102: GENERAL DISCLOSURES, 2016			
ORGANISATIONAL PROFILE			
	102-1 Name of the organisation	117	
	102-2 Activities, brands, products and services	3-4, 13, 16-17	
	102-3 Location of headquarters	117	
	102-4 Location of operations	4	
	102-5 Ownership and legal form	117	
	102-6 Markets served	4, 13, 16-17	
	102-7 Scale of the organisation	4, 7, 58, 126	
	102-8 Information on employees and other workers	75	1, 3
	102-9 Supply chain	38, 54	
	102-10 Significant changes to the organisation and its supply chain	63	
	102-11 Precautionary Principle or approach	67	7
	102-12 External initiatives	39-40	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
	102-13 Membership of associations	40	
STRATEGY			
	102-14 Statement from senior decision-maker	10-12, 180	
ETHICS AND INTEGRITY			
	102-16 Values, principles, standards, and norms of behaviour	12, 67, 184	10
GOVERNANCE			
	102-18 Governance Structure	181-185	
STAKEHOLDER ENGAGEMENT			
	102-40 List of stakeholder groups	64	
	102-41 Collective bargaining agreements	59	3
	102-42 Identifying and selecting stakeholders	64	
	102-43 Approach to stakeholder engagement	41, 64-65	
	102-44 Key topics and concerns raised	64-65	
REPORTING METHODOLOGY			
	102-45 Entities included in the consolidated financial statements	165	
	102-46 Defining report content and topic boundaries	38, 63-66	
	102-47 List of material topics	66	
	102-48 Restatements of information	63	
	102-49 Changes in reporting	63-66	
	102-50 Reporting period	63	
	102-51 Date of most recent report	63	
	102-52 Reporting cycle	63	
	102-53 Contact point for questions regarding the report	63	
	102-54 Claims of reporting in accordance with the GRI Standards	63	
	102-55 GRI content index	82-84	
	102-56 External assurance	63	

► GRI index, cont.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

● GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

GRI Standard	Disclosure	Page	Principles of the UN Global Compact
SPECIFIC DISCLOSURES – GRI 200: ECONOMIC PERFORMANCE			
GRI 205: Anti-corruption, 2016			10
GRI 103: Governance	103-1/2/3 Sustainability management	38–41, 53–54, 63–67	
	205-3 Confirmed incidents of corruption and actions taken	53, 81	
SPECIFIC DISCLOSURES – GRI 300: ENVIRONMENTAL			
GRI 302: Energy, 2016			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 46–52, 63–67	
	302-1 Energy consumption within the organisation	69	
	302-2 Energy consumption outside of the organisation	70	
	302-3 Energy intensity	69–70	
GRI 303: Water, 2018 ¹⁾			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 47–48, 63–67	
	303-5 Water consumption	47–48, 73	
GRI 305: Emissions, 2016			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–41, 42–45, 47–52, 63–67	
	305-1 Direct (Scope 1) GHG emissions	43, 71–72	
	305-2 Indirect (Scope 2) GHG emissions	43, 47, 71–72	
	305-3 Other indirect (Scope 3) GHG emissions	43, 71–72	
	305-4 GHG emission intensity	71–72	
GRI 306: Waste, 2020 ²⁾			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 48–49, 63–67, 73	
	306:3 Waste generated	73	
GRI 308: Supplier environmental Assessment, 2016			8
GRI 103: Governance	103-1/2/3 Sustainability management	38–42, 53–54, 63–67, 81	
	308-2 Negative environmental impacts in the supply chain and actions taken	54, 81	
Company-specific disclosure: Sustainability certifications			7, 8, 9
GRI 103: Governance	103-1/2/3 Sustainability management	38–41, 51–52, 63–67, 74	
	P-1 Sustainability-certified properties	74	
	P-2 Percentage of Pandox's Operator Activities that are sustainability-certified	74	

Deviation from GRI Standards:

¹⁾ GRI 303 Water and effluents: Pandox has started reporting according to the 2018 standard, but no data is available on topic-specific governance in GRI 303-1 and 303-2. Once the pandemic has ended, Pandox will look at the possibility of collecting this data. Read more in Sustainability Note 7.

²⁾ GRI 306 Waste: Pandox has started reporting according to the 2020 standard, but no data is available on topic-specific governance in GRI 306-1 and 306-2. Once the pandemic has ended, Pandox will look at the possibility of collecting this data. Read more in Sustainability Note 8.

►► GRI index, cont.

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

● GRI Index

TCFD Index

Sustainability definitions

Properties

Financial

Governance

GRI Standard	Disclosure	Page	Principles of the UN Global Compact
SPECIFIC DISCLOSURES – GRI 400: SOCIAL			
GRI 401: Employment, 2016			4, 5, 6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 75-80	
	401-1 New employee hires and employee turnover	78	
GRI 403: Occupational health and safety, 2018			2, 3
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 80	
Topic-specific management:	403-1 Occupational health and safety management system	80	
	403-2 Hazard identification, risk assessment, and incident investigation	80	
	403-3 Occupational health services	59, 80	
	403-4 Worker participation, consultation, and communication on occupational health and safety	59, 80	
	403-5 Worker training on occupational health and safety	59, 80	
	403-6 Promotion of worker health	59, 80	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	59, 80	
Result disclosures:	403-9 Work-related injuries	80	
	403-10 Work-related ill health	59, 80	
Company-specific disclosure:	P-3 Sickness absence by segment	59-60, 80	
GRI 404: Training and Education, 2016			6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 79	
	404-1 Average hours of training per year per employee	59, 79	
	404-3 Percentage of employees receiving regular performance and career development reviews	59, 79	
GRI 405: Diversity and equal opportunity, 2016			1, 2, 6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 76	
	405-1 Diversity of governance bodies and employees	60, 76-77	
GRI 406: Non-discrimination, 2016			1, 2, 6
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 58-60, 63-67, 75-77	
	406-1 Incidents of discrimination and corrective actions taken	60	
GRI 414: Supplier Social Assessment, 2016			1, 2, 5, 6, 10
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 53-54, 63-67, 81	
	414-2 Negative social impacts in the supply chain and actions taken	54, 81	
GRI 416: Customer Health and Safety, 2016			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 55-56, 63-67, 81	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	81	
GRI 418: Customer Privacy, 2016			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 55-56, 63-67, 81	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	81	
Company-specific disclosure: Guest satisfaction			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 55-56, 63-67	
	P-4 Guest satisfaction in Operator Activities	55	
Company-specific disclosure: Prostitution and trafficking			1, 2, 4
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 53-54, 63-67	
	P-5 Number of incidents of prostitution or trafficking	54	
Company-specific disclosure: Inclusive local communities			
GRI 103: Governance	103-1/2/3 Sustainability management	38-41, 61-62, 63-67	
	P-6 Percentage of hotels in Operator Activities, including the head office, that have community projects	61-62	

CONTENTS

- Hotelism by Pandox
- Strategy and operations
- Market and trends
- Sustainability
 - Pandox's sustainability agenda
 - Pandox's value chain
 - Sustainability targets and strategies
 - Focus areas
 - Environment and climate
 - Responsible and fair business
 - Guest satisfaction and security
 - Attractive and equal workplace
 - Inclusive local communities
 - Sustainability notes
 - GRI Index
 - TCFD Index
 - Sustainability definitions
- Properties
- Financial
- Governance

TCFD Index

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

In 2021 Pandox started analysing climate change scenarios.

[🔗 Read more on pages 43-45.](#)

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 67	A. Describe the climate-related risks and opportunities the organisation has identified. See pages 43-45	A. Describe the organisation's processes for identifying and assessing climate-related risks. See pages 42-45, 108-114	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities. See pages 43-45, 50
B. Describe management's role in assessing and managing climate-related risks and opportunities. See page 67	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. See pages 43-45	B. Describe the organisation's processes for managing climate-related risks. See pages 42-52, 108-114	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. See pages 43, 71-72
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios. See pages 43-45	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. See pages 108-114	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. See pages 42-43, 46-52, 68-74

CONTENTS

Hotelism by Pandox

Strategy and operations

Market and trends

Sustainability

Pandox's sustainability agenda

Pandox's value chain

Sustainability targets and strategies

Focus areas

Environment and climate

Responsible and fair business

Guest satisfaction and security

Attractive and equal workplace

Inclusive local communities

Sustainability notes

GRI Index

TCFD Index

● Sustainability definitions

Properties

Financial

Governance

Sustainability definitions

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.

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.

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.

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.

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. The 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 UN Convention against Corruption.

Materiality analysis

Analysis to establish areas that are important for an organisation to prioritise in its sustainability work. The analysis is based on stakeholder dialogue combined with an analysis of the Company's economic, environmental and social impact on the surrounding communities.

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 2021 Sustainability Report on pages 36–86 and for ensuring that the report is prepared in accordance with the Annual Accounts Act.

Orientation and scope of the 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 2022

PricewaterhouseCoopers AB

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Auditor-in-charge

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