

Castellum's strategy

Castellum's strategy is described in the company's strategic plan, which is Castellum's central policy for the company's strategic orientation, strategies, priorities and goals. Extending over a three-year period, it is reviewed annually by Group Management before final adoption by the Board. Ultimately, the strategic plan aims to optimize the preconditions for Castellum to deliver on the company's overall growth target and creating shareholder value.

The Castellum Spirit

- Personal
- Passionate
- Proactive
- Reliable

Vision

Beyond expectations.
Castellum goes a step further, advancing innovation and one-of-a-kind solutions.

Mission

Creating workplaces where people and enterprises thrive.
Castellum promotes and creates successful workplaces, and offers new ways of working.

Business idea

We create successful and sustainable workplaces in Nordic growth regions by really keeping close to customers, while staying on the cutting edge of innovation and expertise.

Business model

Investments and development of commercial premises managed in a decentralized and customer-focused organization. Castellum focuses on cash flow and operates with low financial risk.

Overall objective

10%

Overall objective: 10% annual growth in income from property management, SEK/share.

17%

Performance 2018: 17% growth in income from property management, SEK/share.



Customers

STRATEGY

Castellum will offer existing and potential customers premises that are best suited for their objectives, and will position itself as an innovative corporate player. The needs of customers change and Castellum aims to be the real estate company that offers new solutions and efficient, flexible and sustainable premises. A clear customer focus is achieved through long-term customer relationships, local presence and service that exceeds customer expectations.

Castellum needs a highly diversified customer base that provides a good risk spread in terms of industry, maturity and the individual customer. Customers are to be found in industry, public agencies and public authorities.

STRATEGIC TOOL

- High customer satisfaction index (CSI)
- 1st to 3rd largest property company in the respective cities

OUTCOME 2018

- 77 on the CSI in the latest measurement (autumn 2018)
- Castellum is the largest, second largest or third largest property company in 13 cities

Property portfolio

STRATEGY

Castellum will develop and manage a property portfolio that supports targets set for growth in income from property management, thus creating shareholder value over time. Castellum's portfolio shift is continuously towards greater quality and density through new construction, expansions and reconstructions, acquisitions and sales in the Nordic growth markets that have the best conditions for growth among offices and logistics properties. The portfolio will constitute a Nordic property exposure alternative for Castellum's shareholders. The portfolio turnover should be actively managed, with a net investment volume of approximately 5% per year.

STRATEGIC TOOL

- At least 5% of the property value in net investments per year, equivalent to SEK 4.5 billion

OUTCOME 2018

- MSEK 2,657 in net investments, of which MSEK 2,455 pertained to acquisitions, MSEK 2,837 to new construction, expansions and reconstructions, and MSEK 2,635 to sales

Financing

STRATEGY

Castellum must maintain a low level of financial risk; the chosen key ratios for risk are loan-to-value ratio and interest coverage ratio. Castellum's financing strategy will support the business operations and manage the Group's financial risks while working for an open and transparent climate. The strategy will be reflected in the financial policy in order to ensure risk management through close monitoring.

Castellum's financial strategy can be summarized by five cornerstones: diversification, liquidity, strength, transparency and flexibility.

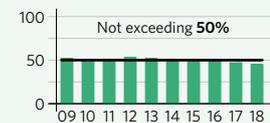
Castellum's goal is for the company's share over the long term to yield a competitive return in relation to risk, and to have a high level of liquidity.

STRATEGIC TOOL

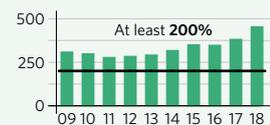
- Loan-to-value ratio — not to permanently exceed 50%
- Interest coverage ratio — at least 200%
- Dividend — at least 50% of pre-tax income from property management in dividend pay-outs

OUTCOME 2018

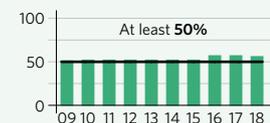
- The loan-to-value ratio amounted to 45% as of December 31, 2018



- The interest coverage ratio for 2018 was 454%



- SEK 6.10 per share in proposed dividend for 2018, equivalent to a payout ratio of 56%



“Castellum is to be an attractive employer with committed, motivated leaders and employees.

Employees

STRATEGY

Castellum is to be an attractive employer with committed, motivated leaders and employees working towards the same goal, thereby meeting high expectations. Castellum is building a goal-oriented organization in which its employees constantly challenge themselves and their colleagues to strengthen both the organization and individuals. The organization continually strives to become better, clearer and more open as regards expectations, and sees constructive monitoring as a natural part of management and employeeship.

STRATEGIC TOOL

- Employee satisfaction index (ESI)

OUTCOME 2018

- 81 on the trust index

Sustainability

STRATEGY

Castellum will be the most sustainable real estate company in Europe and a major player in building a sustainable society. Sustainability should be integrated into business operations and yield tangible results. This work should characterize the entire business from ownership, property management and property portfolio development to customer relationships, employees and financing.

This work is compiled in the sustainability agenda, *The Sustainable City*, where it is divided into four focus areas. Complete reporting on the goals is compiled on pages 66-73 of the sustainability section.

The planet

We will responsibly and efficiently reduce resource use and carbon emissions that cause global warming.

Future-proofing

We will create a sustainable property portfolio in a changing world.

Well-being

We will promote health, wellness and productivity.

Conduct

We will conduct business in a responsible manner in relation to the community as well as to our stakeholders.



Albin Eklund, one of Castellum's apprentices, doing his internship at our Uppsala office.

STRATEGIC TOOL

The planet

- 15% energy savings per square meter, compared with 2015
- Net-zero carbon emissions and 100% non-fossil fuel energy by 2030
- 100% non-fossil fuel powered vehicles by 2020
- 1% water conservation per year

Future-proofing

- 50% of the property portfolio in square meters will be environmentally certified in 2025.

Well-being

- Equality among all occupational categories by 2025.
- <2% short-term sick leave
- <3% long-term sick leave
- By 2025, 20% of Castellum's employees are to have international backgrounds to more closely reflect the composition of society.

Conduct

- 4% of all employees annually will be apprentices.

OUTCOME 2018

The planet

- -1% (0) cf. 2015, and +3% (-6) in like-for-like
- 85% (78) reduction in carbon emissions since 2007
- 95% (95) renewable energy
- 62% (34) non-fossil fuel powered vehicles
- -1% (-4) water conservation in the like-for-like portfolio

Future-proofing

- 33% of the property portfolio in square meters is environmentally certified, and certification of an additional 6% is in progress. Castellum owns more environmentally certified buildings than any other listed real estate company in Sweden.

Well-being

- 1.6% short-term sick leave
- 2.2% long-term sick leave
- For performance concerning equality and international background, read more on page 71.

Conduct

- In total, 85 young people were apprentices, had internship or holiday work at Castellum in 2018. Of these, 23 were apprentices, equivalent to approximately 6% of Castellum's employees; 14 of them were in developments.