



Velfra

Sustainability report 2023



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1. Velfra

Based in Oslo, Velfra is a long-term owner of critical social infrastructure assets within health, care and education in Norway. Velfra leases specialist properties on long-term contracts to a range of operators of assisted living & habilitation (ALH), rehabilitation centres, preschools, schools and is owned by two leading infrastructure funds, Nordic-based Infranode and Netherlands-based DIF Capital Partners (DIF). Velfra currently owns 45 single-user assets with a total area of approx. 50 000 sqm. The portfolio is managed by Velfra's managing director and with the assistance of Newsec Property Asset Management AS, which is responsible for the day-to-day technical follow-up of our assets. As a responsible investor and based on personal commitment and the expectations and demands from our investors, Velfra has a strong focus on ESG and is committed to contribute to decarbonization, environmental and social sustainability.

1.1 ESG strategy

Velfra has the strategic objective to achieve outstanding ESG performance with the following tactical objectives and operationalization of the strategy concerning ESG.

Table 1: ESG objectives and measurements

Tactical objective	Operational focus / measures
Improve energy efficiency of portfolio	<ul style="list-style-type: none"> ▪ Monitor energy consumption in portfolio ▪ Map energy efficiency measures in portfolio ▪ Proactive towards regulatory energy efficiency requirements ▪ Increased energy efficiency as integrated part of maintenance planning
Reduce carbon emissions	<ul style="list-style-type: none"> ▪ Carbon neutral scope 1+2 by 2025 ▪ Prioritize suppliers with carbon emission factors ▪ Prioritize suppliers with environmental certifications ▪ Prioritize electric car and public transport ▪ Reuse of building materials
Minimize HSE risk	<ul style="list-style-type: none"> ▪ Quarterly HSE-reporting ▪ HSE-focus in tenant follow-up ▪ Assess additional HSE-measures for highest risk assets ▪ Use of suppliers with transparent subsupplier structure ▪ Yearly inspection of tenants HSE obligations
High corporate governance standards	<ul style="list-style-type: none"> ▪ Conduct business with highest degree of ethics and integrity ▪ Up-to-date corporate manual ▪ Transparency internally and externally ▪ Annual and publicly available sustainability report
Take social responsibility	<ul style="list-style-type: none"> ▪ Combine maintenance with social responsibility ▪ Yearly sponsoring of social entrepreneurship ▪ Pursue and use market power to achieve a diverse and inclusive culture

1.2 Sustainability through our customers

In addition to Velfra's own direct sustainability initiatives, our customers play a significant role with regards to UN development goals good health and well-being, and quality education. Within assisted living & habilitation, people with mental and/or physical difficulties or disability are

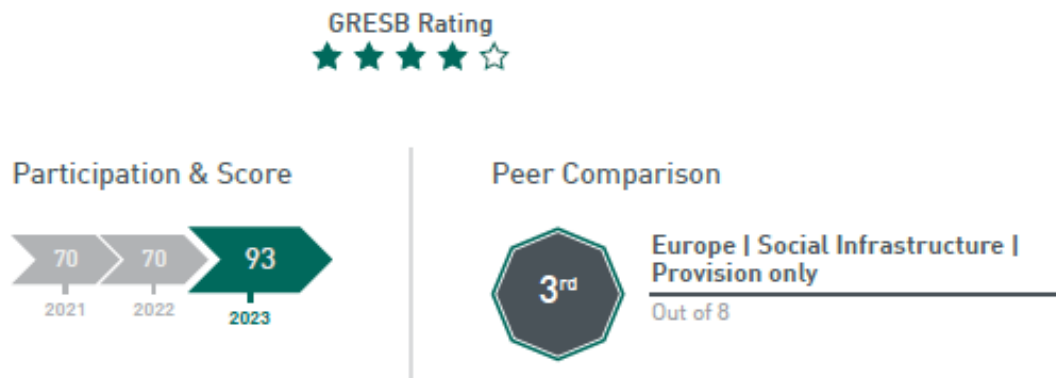
provided with a home and support customized for their needs. Within our rehabilitation centres, people who have undergone surgery or sickness are trained to speed their recovery. In our schools and preschools, children and youth receive high quality education in a safe environment to develop them as individuals and to reach their full potential.

2. Focus areas 2023

Sustainable development is a common social responsibility. Velfra contributes through its core business, with property leasing to health care, schools and kindergartens. To ensure transparency and facilitate for safe and forward-looking operations, Velfra has during 2023 conducted a variety of assessments regarding sustainability themes. As the term sustainability refers to a variety of themes, aspects, and initiatives, some of the chapters following overlaps or complements each other.

2.1 Sustainability reporting (ESG)

Sustainability reporting is a way of communicating environmental, social and governance (ESG) progress and goals. There are several ways sustainability can be reported and measured, such as through assessment portals and validated independent organizations. Velfra has in 2023 reported on sustainability in GRESB (Global Real Estate Sustainability Benchmark), for DIF and to Velfra's Lender. These reporting forms are shortly described below:



- **GRESB** is an independent organization and provides validated ESG performance and benchmarks with the goal of improving business sustainability. Velfra started with its GRESB-reporting in 2021. GRESB differentiates on asset types, where Velfra is categorized as Social Infrastructure. GRESB-reporting works as a survey with questions and documentation requirements to gather information on the company's ESG performance. In this survey, future goals and measures is also included to facilitate continuous improvement on sustainability.
- **DIF Capital Partners** is a global investor. In line with their sustainability strategy and ESG-reporting, Velfra has provided greenhouse gas (GHG) figures and completed a ESG-survey for DIF.
- **Lender** ESG-survey was prepared and distributed. Velfra contributed to its Lender's increasing sustainability focus and performed the survey on ESG. This survey was only intended for internal usage.

2.2 Data collection

Velfra has put a lot of effort into collecting relevant data for the calculation of our footprint as a starting point and guidance with regards to future objectives and measures for reducing energy consumption and greenhouse gas emissions.

- Velfra collects electricity consumption data from all our assets through the digital meters and the public portal Elhub
- Velfra collects additional manual data from our customers with regards to other energy consumption, waste and HSE
- Velfra collects detailed data as energy consumption, transport, HSE, waste and environmental product declarations from larger maintenance projects for calculation of CO₂e footprint
- Velfra has started collecting automatically generated data on waste from our larger assets from waste management companies.

To further streamline data collection is crucial when it comes to succeeding in achieving environmental objectives and Velfra supports all public and private initiatives to automatize and simplify this process.

2.3 Climate risk

Carbone4 conducted in 2022 a physical risks analysis of Infranode portfolio fund 1, including Velfra's property portfolio. The analysis follows the CIARA methodology, which covers ten hazards included in the taxonomy, but also a complementary analysis to cover the rest of the relevant hazards. For physical climate risks, it was found that the only high, future risk is the risk of heavy blizzard conditions. This might lead to severe damage on roofs, in addition to drafts, plumbing issues, door frame rotting and foundation cracking. Historic risks also show that cold waves and heavy snow has been a hazard previously. Climate risk is one of the themes reported in ESG.

In addition, Velfra has in 2023 conducted a screening of all properties with regards to physical risks, such as avalanche risk, rockslide risk, quick-clay risk and flooding based on publicly available data from The Norwegian Water Resources and Energy Directorate. The results show that Velfra's portfolio in general has a low exposure towards the mentioned risk. Only 5 of Velfra's assets have low-to-moderate exposure towards known risk of misc. landslide risks.

2.4 Carbon footprint

As a part of the ESG reporting, Velfra has established a carbon footprint of the company (GHG account). The carbon footprint is developed in line with the internationally recognized *GHG Protocol*. The calculated emissions are presented in Table 3. The GHG protocol divides the emissions into "scopes", depending on where in the value chain emissions have occurred. The full carbon footprint for 2021 to 2023 is listed in Appendix 1.

As Velfra has no internal productions, only 1 employee and the only car used is an electrical vehicle, Velfra has no emissions from scope 1 (direct emissions). Scope 2 emissions, from electricity and district heating in the Velfra office are fairly low, visualized in Figure 1.

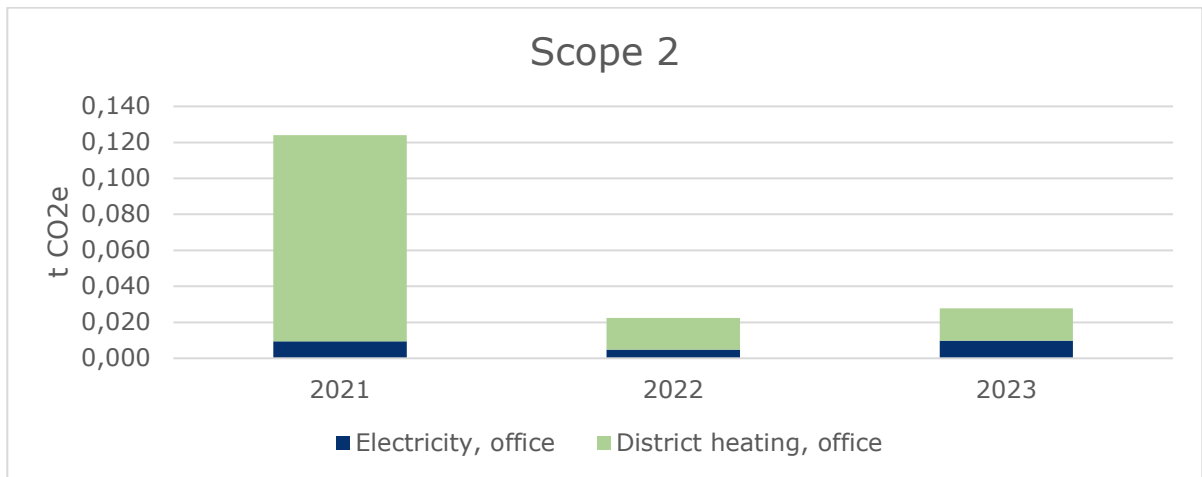


Figure 1: Calculated carbon footprint of scope 2, energy consumption [kg CO₂e]

There has been a small increase in energy consumption at the Velfra office from 2022 to 2023, which has led to emission increases from both district heating and electricity. This is due to a change of office. The emissions from district heating compared to 2021 are lower due to a change in emission factor.

Indirect emissions, emissions that occurs geographically elsewhere, such as during production of a product, are placed in scope 3. Scope 3 emissions are shown in Figure 2.

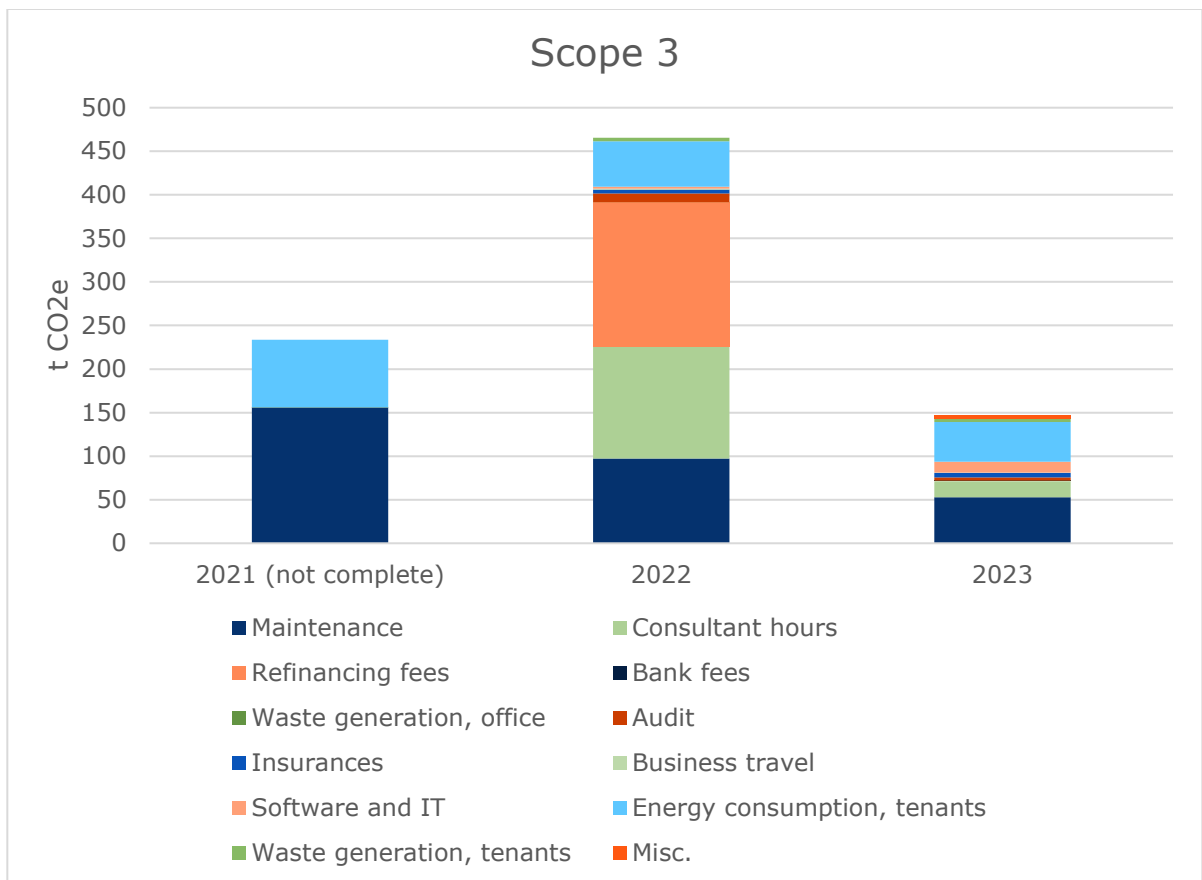


Figure 2: Calculated carbon footprint of scope 3, emissions from the value chain [t CO₂e]

The main reason for the large decrease in Scope 3 emissions from 2022 to 2023 is the spend-based emission cost related to a refinancing process in 2022, which involved a lot of external advisors. The largest share of emissions in 2023 is generated by maintenance of the Velfra properties. Energy consumption from the same assets is also significantly contributing to the emissions. Waste generation at the Velfra office is negligible compared to the other activities.

Emissions from maintenance of the leased assets has in previous years seemed unrealistically high. These emissions were calculated using economical results, based on average emissions from the construction industry. This does not take into consideration that most of the money spent on maintenance is in fact mainly wages for the hired employees, and not actual building materials. Thus, it was assumed that this emission factor is unsuitable for the purpose of refurbishing and maintenance. In order to establish a robust and realistic carbon footprint, Velfra has with the assistance of Rambøll developed a new emission factor adapted to the actual conditions. The new emission factor is made by calculating emissions from real projects based on the purchases, energy consumption and EPDs. Subsequently, emissions per NOK can be used as emission factor.

This new emission factor gives a more realistic calculated carbon footprint for Velfra in 2023. This carbon footprint may then be used as a baseline for the net zero strategy, explained further in chapter 3.2.

In 2022 Velfra started investigating the possibilities to become net zero for scope 1 and 2. To make up for the relatively small emissions from energy consumption in the Velfra office, the plan was to produce the same amount of electricity on one of the assets in the Velfra portfolio using PV panels. However, because the office and the potential asset is not located on the same property, the emission reduction from PV production would therefore count as a scope 3 reduction instead of scope 2. Velfra and our advisors have so far not been able to identify how the limited scope 1+2 emissions can be eliminated. Velfra prefers to focus on measures with actual emission reductions rather than measures that will only reduce emissions on paper. Thus, Velfra has not yet looked into certificates of origin, but this might be a necessary step in the future to reach net zero. As Velfra has only 1 employee and has a shared office solution without it's own electricity subscription, a certificate is anyhow difficult to obtain until further.

2.5 Energy assessments

During 2022, Rambøll has assessed the energy efficiency of four buildings which are leased to Unicare. The four buildings are Unicare's rehabilitation centers at Rykkinn, Hokksund, Steffensrud and Moss. Additionally, Velfra has conducted a benchmark analysis of energy consumption in our Assisted living and habilitation assets, to identify which assets to prioritize for energy efficiency measures.

During 2023, Velfra has planned and budgeted for energy efficiency assessments of Velfra's 2 schools and also assigned an advisor to prepare a comprehensive road-map to lift the Energy Performance Certificates and improve energy efficiency of the entire portfolio. This work is currently ongoing.

2.6 Social responsibility

Velfra is committed to contributing to an environment where all people are included, treated with dignity and respect. We aim to promote diversity and inclusion through our business.

Velfra is committed to always being an inclusive company that welcomes people with all backgrounds. Velfra aims to create a work environment both internally and externally where all differences are valued.

Velfra has the following commitment with regards to social sustainability:

- Follow and promote national and fair wage requirements
- To ensure effective systems and policies are in place to prevent and eliminate modern slavery
- Be fully committed to the health and safety of our own staff and the staff of our suppliers and their sub suppliers
- To promote professional skills development and to promote employment of people with disabilities and/or special needs
- To demonstrate positive social impact and responsible procurement practices
- Promote diversity and inclusion

Velfra has since 2021 been a sponsor of Mental Helse Ungdom ("MHU"), a member-based interest organization for children and young people up to 36 years of age. MHU work for increased openness about mental health, prevention of mental disorders and a better mental healthcare service.

With regards to gender equality, Velfra has only one employee – which is male. In Velfra's board there are 3 female and 2 male board members.

2.7 Working conditions

Velfra is a small company and does not perform field work or physical challenging tasks. However, Velfra has an agreement with Newsec, which manage, tender and carries out repair work and refurbishment projects on Velfra's leased properties. Thus, the work ethics in Newsec is important for Velfra's impact through the supply chain. Newsec is certified by ISO 14001:2015 and ISO 9001:2015, is a member of the Norwegian Green Building Council and has a clear internal anti-corruption guideline with a whistleblowing system. Velfra now demands an ESG-report from every larger project, including both environmental, social and economical data. Thus, Velfra takes an active part in ensuring that Newsec's high standards are sustained in its projects.

2.8 Health and safety

Velfra is committed to the health and safety of our own staff, the staff of our suppliers and their sub suppliers. The suppliers must comply with all applicable international and national laws and directives related to health and safety in the workplace. In addition, the following applies (not an exhaustive list):

- All employees must be informed about potential safety or health risks in their work.
- Employees must be offered health services and covered by personnel insurance that is relevant to the job they will perform.
- Appropriate work and protective equipment must be provided for the employees.
- Written safety instructions must be available to all employees.
- Service providers and suppliers must register all accidents, incidents and hazards, and implement measures to ensure proactivity and minimize the risk of injury and accident.
- Deliveries must be carried out in a safe manner and in accordance with Norwegian legislation.

Identified deviations are followed up swiftly and reported/known accidents and incidents are reported as part of Velfra's HSE reporting.

Velfra is committed to health and safety of the users of our assets. Fire safety and physical hazard at the assets shall be always be at the of our priority list. Velfra is regularly inspecting our assets and reviewing our customers duties when it comes to internal control, service on fire safety installations, escape routes etc. In 2022 Velfra has with the help of Newsec implemented a facility management system for more systematic follow-up and control of HSE-obligations. Furthermore

Velfra regularly carries out electrical inspections of all ALH and preschool-assets to identify potential non-conformities and remediate deviations.

Velfra is for 2024 planning to conduct an external audit of structure, documentation and follow-up of fire safety in the portfolio, with the objective to ensure best-practice both at lessor and lessee level.

2.9 Customer satisfaction survey

Velfra annually measures customer satisfaction with the assistance of The Norwegian Tenant Satisfaction Index (Norwegian abbreviation: NLI). This is the largest customer satisfaction benchmark for commercial real estate leasing in Norway, and, combined with its Swedish sister survey, also the largest in Scandinavia. It measures the tenant portfolios of landlords and property managers and help align the deliveries towards customers.

The 2023 survey was sent out to 41 contact persons from our 5 tenants, with a response rate of 79 %. The score ended at an average of 82, compared to 74 in the 2022 survey and 63 in the 2021 survey. Velfra currently scores higher than the industry average in commercial real estate.

CSI HISTORY COMPARED TO THE INDEX



3. Further work

Velfra has begun planning for the future, as reducing the impact on society requires a continuously effort. Some of the initiatives are especially aimed at increasing Velfra's positive impact on economic, social and environmental sustainability. Other initiatives are adapted to the two investors, Infranode and DIF, in order to create more transparent value chains. This chapter outlines the activities set to 2024, although the reporting initiatives also includes the activities already completed in 2023.

3.1 Sustainable Finance Disclosure Regulation

As a part of the European Green Deal and the increasing regulatory requirements related to the real estate sector, it is an ongoing discussion on which frameworks Velfra should report on. Chapter 2.1 is an example of this. The Sustainable Finance Disclosure Regulation (SFDR) is a regulation that some of Velfra's investors are already reporting on and could potentially be

mandatory for Velfra in the future. Infranode is collecting relevant information from their investee objects from 2022.

3.2 Net Zero strategy

As mentioned in chapter 2.4, a carbon footprint assessment has been done for Velfra. Based on this carbon footprint, a climate strategy for reaching net zero was proposed to the board in May 2022. A first draft of the net zero strategy is shown in Figure 3. As the baseline needs to be calculated with a more accurate emission factor for operation and maintenance of the property portfolio. Subsequently the net zero strategies need to be updated in accordance. Velfra is dedicated to first and foremost reducing its environmental impact, and in this case its GHG emissions. To be formally net zero scope 1+2 according to the GHG protocol will come second to real reductions.

Action	Timeframe	Status
Map current emissions	2022	
Decide on a science based climate strategy	2023	
Calculate a robust baseline	2023	
Local energy production	2024	
Reach net zero scope 1 + 2	2024	
Offset / buy carbon credits (if necessary)	2028	
Reach net zero scope 1 + 2 + 3	2030	

Figure 3: Climate strategy for Velfra towards net zero

3.3 Circular economy

Velfra has very limited development activity and is therefore not a large consumer of building materials. That said, Velfra aspire to contribute to the transition into a circular economy through setting demands towards our sub-suppliers, encourage reuse of materials and to choose long-lasting reusable materials. Furthermore, Velfra aims to maintain our portfolio proactively, with the objective of reducing the long-term need for replacing building materials.

Velfra has during 2023 developed a standard specification for rehabilitation works in our ALH-assets, which includes requirements with regards to sustainable material use.

3.4 New energy efficiency requirements

As a consequence of the EU green deal and the new regulations there are a both uncertainties and rapid developments in different existing laws and requirements. One that might have a substantial effect on Velfra is the "Energy performance of buildings directive" from EU, which could require increased energy performance of the Velfra properties. To reduce energy consumption from the assets could thus be legally required, in addition to being an important climate mitigation measure. Newsec has been engaged to develop a road-map to increase the average EPC-ratings, which will be completed in Q2 2024.

3.5 Measured progress

In order to secure a continuous improvement towards real sustainable development, Velfra has established several key performance indicators (KPI's). These are tracked annually, aiming to increase the positive impact on society. Some of the KPI's are also reported in the GRESB assessment, which is further explained in chapter 2.1.

Table 2: KPIs for sustainable development

Goal	Key performance indicator	Score 2021	Score 2022	Score 2023	Comment
Improve overall ESG impact	GRESB Score > 75	70	70	93	
Net Zero operations	Emissions from scope 1+2	0,12 t	0,02 t	0,03 t	First step towards climate neutral operations
HSE-accidents last 12m	Fatalities and injuries with minimum 1 day absence among own staff and contractors/subcontractors working with maintenance or facility management on our properties or general management of our portfolio (Norw: H1)	0	0	0	Long-term objective of < 1
HSE-incidents last 12m	Near miss fatalities in our assets related to HSE-regulations for the building	1	3	0	Long-term objective of < 2
Social responsibility initiatives	Sponsoring of social sustainability initiative	Yes	Yes	Yes	
Ongoing energy efficiency projects	Number of projects last 12m connected to Velfra's environmental responsibility commitments	3	3	3	Long-term goal of > 2
Customer satisfaction	CSI score (0-100)	62	74	82	Long-term goal of > 75
Diversity	Board composition	40/60	40/60	60/40	
Social sustainability	Identified breaches - child labor, DEI, modern slavery, freedom of association, labor rights etc.	0	0	0	Long-term goal of 0
Biodiversity	Identified damage to/from biodiversity, ground pollution, hazardous substances, air, light and noise pollution	0	0	0	Long-term goal of 0

3.6 Transparency Act

In 2022, the Transparency Act (Åpenhetsloven) was implemented in Norwegian law, in order to promote enterprises' respect for fundamental human rights and decent working conditions and their impact through own operations and value chain. The Act applies to larger Norwegian enterprises or enterprises that offer goods and services in Norway. The Transparency Act is meant to ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions.

Velfra published it's first public account in relation to the Norwegian transparency Act in June 2023 on Velfra's webpage www.velfra.no and will in Q2 2024 publish an updated report.

Appendix 1

GHG emissions

All calculated emissions are listed in the table below.

Table 3: Calculated GHG emissions for Velfra in 2021-2023.

Scope	Activity	2021	2022	2023
		Tonn CO ₂ e	Tonn CO ₂ e	Tonn CO ₂ e
1	Stationary combustion	0	0	0
	Mobile combustion	0	0	0
2	Electricity, office	0,009	0,005	0,010
	District heating, office	0,11	0,02	0,02
	Sum Scope 2	0,12	0,02	0,028
3	Maintenance	156	97	53
	Consultant hours	-	129	19
	Refinancing fees	-	166	-
	Bank fees			1
	Waste generation, office	0,001	0,005	0,003
	Audit		9,8	3,5
	Insurances		4,4	5,1
	Business travel	0,13	1,10	0,45
	Software and IT	-	2,24	12,48
	Energy consumption, tenants	78	52	45
	Waste generation, tenants	-	4,3	3,6
	Misc.			3,7
	Sum scope 3	233,79	465,64	146,39
1,2,3	Scope 1+2+3	234	466	146