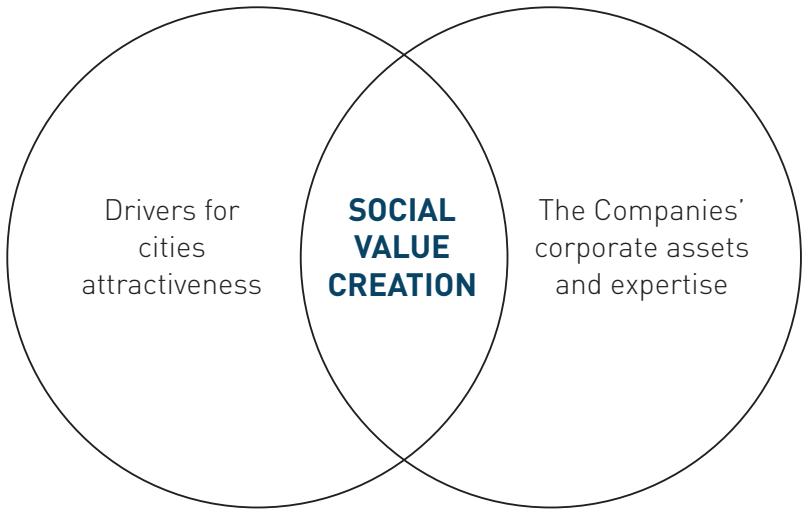
WE LOVE CITIES

A WHITE PAPER FROM THE **STRONGHOLD** GROUP

HOW WE ARE CREATING SOCIAL VALUES

STRONGHOLD



Scope of work

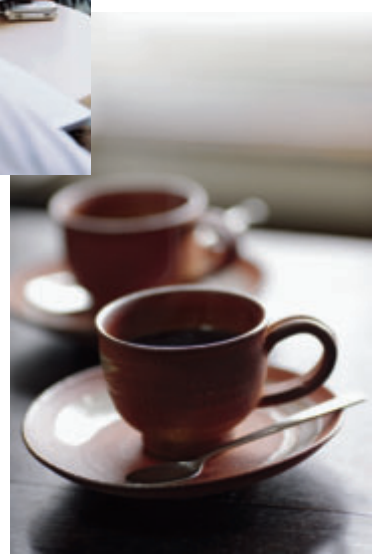
Many companies feel pride in contributing to the creation of social values, in addition to the regular business. For companies within the Stronghold Group (hereafter known as the Companies) it comes naturally to contribute to cities' attractiveness. Cities bring people and ideas together. Cities are a breeding ground for creativity, innovation, entrepreneurship and GDP growth, essentials for a thriving economy.

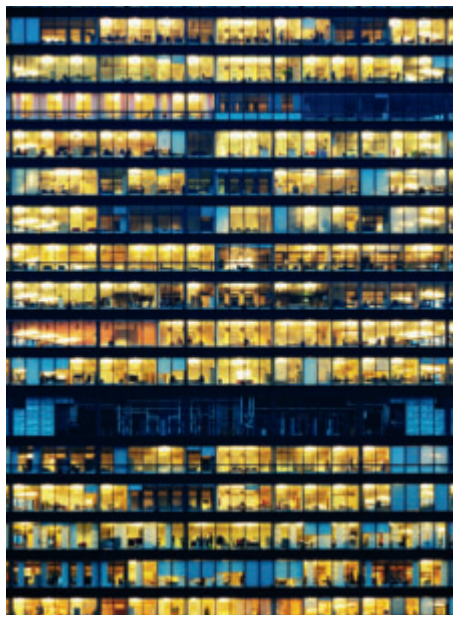
This white paper is based on well-known success factors for cities' attractiveness and describes, primarily for colleagues, clients and partners, how our Companies create social values.

If you are a student looking for a job and read this, we hope you will become excited by the thought of working with us and being a part of our efforts to strengthen cities' attractiveness. If a politician reads this and understands the importance of politics and business working in the same direction we have come far.

Let this inspire you. Whoever you are.

ESPRESSO
WATER
MILK
HOT CHOCOLATE
JUICES
CASH ONLY





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Cities bring people and ideas together. Cities are a breeding ground for creativity, innovation, entrepreneurship and GDP growth, *essentials for a thriving economy.*

Letter from the board

The Stronghold Group's mission is to be an active community builder in the cities we operate in. Our ambition is to contribute to, and enhance, those cities' attractiveness. An attractive city is a city that demonstrates competitiveness and sustainable growth. It attracts highly desirable capital, world class entrepreneurs and sought-after talents.

An attractive city is expected to be lively, rich in culture and architecture, to offer appealing surroundings to live in, high quality education, opportunities to improve well-being and to host sports events.

For most people an attractive city also offers career opportunities, access to top ranked universities (which in turn require opportunities for students to get accommodation), affordable housing in pleasant surroundings, state of the art healthcare and well-functioning infrastructure. Both today and in the future.

However, Stronghold's mission is not solely the result of a desire to do good. Our mission stems from many years of witnessing the close relationship between a city's prosperity and property returns. As much as 70 percent of the total property return can be explained by the GDP growth.*

*) Source: Newsec

In many respects it is the responsibility of municipalities and politicians to work for cities' attractiveness, but we are confident that the work we are doing in the Stronghold Group, what we call *Good Citizenship*, is increasingly important.

This white paper describes what the Companies have achieved, what they are currently undertaking and above all; the scope of improvements they have identified and are now working towards achieving. The work is based on a stakeholder dialogue, key success factors for thriving cities and continuous improvement.

This is how our Companies create social values.

October, 2014

The great opportunity lies in the ability to engage the entire Group's power of innovation in environmental issues.

-60%

Bremen 3 is an office building in Stockholm that was acquired by Niam in 2008 and leased to the Court Administration. After acquisition, Niam initiated a cost savings program focused on energy efficiency. As part of the program, Niam invested in a geothermal heat exchanger used for heating and cooling.

The property now uses 60% less energy with an annual saving of **€150,000.**

EASE OF DOING BUSINESS

Cities' attractiveness depends on a number of factors which are interrelated and should not be looked upon independently, for example, the business and regulatory environment, institutions, the quality of human capital, cultural aspects and the quality of environmental governance. These factors not only help a city to sustain economic growth, but also to secure future competiveness.

Already global businesses are beginning to develop strategies from a city, rather than from a country perspective. Well over half of the world's population lives in cities generating more than 80 percent of global GDP. In the next 30 years almost all urban population growth will occur in cities of developing and emerging economies.

One of the most important parameters for cities to grow is the ability to attract foreign capital. But foreign investors, like domestic investors, may stay away from investing if they perceive a lack of transparency, weak governance, poor investor protection or a lack of credible advisors. These insights contributed to the foundation of Newsec, Niam and Datscha.

Based on transparency and market intelligence Newsec supports investment opportunities by providing insight. Newsec matches sellers with buyers, helps property owners find the right tenants and assists tenants in finding suitable rental premises at the right price.

Niam was the first opportunistic fund manager to invest in the Nordic real estate sector and today operates the largest Nordic opportunistic and core-plus platforms. Over time, Niam has raised more international capital than any of its peers within the region.

Datscha source real estate data form a variety of sources and consolidate the information in a modern and easy-to-use web toll. Datscha's web tool is well established among banks, real estate consultants, agents and real estate owners.

On the whole, transparency is a driving force in many of our service offerings and experience is a prerequisite.

1,000

Niam is a property owner with the capacity and flexibility to operate both large scale city redevelopments as well as smaller building usage conversions.

Niam is currently in the process of creating up to 1,000 apartments in the Stockholm region.

ENVIRONMENTAL RESPONSIBILITY AND IMPACT

The real estate industry has become increasingly aware that we need to act here and now if we are to reach the EU climate targets by 2020.* It is not yet a norm, but we are definitely seeing a difference in the pricing of buildings with environmental classifications both for rents and valuations.

High standards of environmental governance make a city attractive for both businesses and people. Companies cannot by themselves solve all environmental problems, but they are key players in driving change as they have the resources, expertise and innovations to address the climate challenges facing society today.

Corporate Social Responsibility budgets fund many good environmental causes, but seen in relation to the needs of our society, the impact is usually negligible. The great opportunity lies in the ability to engage the entire Group's power of innovation in environmental issues and encourage businesses to seek new opportunities within those areas.

As the Companies work to reduce their energy consumption, carbon footprint and impact on the environment they directly impact their net operating income in a positive way.

Newsec has assisted a major telecommunications company in Finland with their ambition to meet high level sustainability criteria at their campus in Helsinki.

And the co-operation paid off, in one year:

- **Electricity consumption decreased by 26%**
- **Heating energy consumption decreased by 10%**
- **Cooling energy consumption decreased by 6%**
- **Water consumption decreased by 27%**

The campus was awarded with the LEED Gold certification (LEED for Existing buildings) as the first campus project in Finland.

*) These targets, known as the "20-20-20" targets, set three key objectives for 2020:

- **A 20% reduction in EU greenhouse gas emissions from 1990 levels**
- **Raising the share of EU energy consumption produced from renewable resources to 20%**
- **A 20% improvement in the EU's energy efficiency**

-38%

Since the acquisition of the Niam Fund IV properties, Niam's efforts to lower the utility consumption have resulted in a decrease of carbon emissions by 38%, or 18,300 tonnes, which is the equivalent of 11,000 cars.

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ATTRACTING PEOPLE THROUGH A VALUE-DRIVEN ORGANIZATION

The world does not need companies solely focused on behaving properly. The world needs companies that while focusing on being profitable also contribute to strategic and sustainable solutions to address social issues.

Good citizenship is about being locally interested and well anchored in the community. It incorporates taking a stand and supporting growth in the financial, social and environmental areas in the cities we operate in.

Passion for colleagues and clients is the foundation of our core-values and our people are encouraged to focus on *Excellence, Innovation* and *Integrity*. With these values as our primary guiding principle we ensure that each employee makes sound decisions in their daily work. We are keeping our core values close to heart but realize that people cannot always agree. Thus, the Companies have decided not to work with anyone who does not share or support our values – whether they are colleagues or clients. Individuals and organizations that do not accept these values are encouraged to part ways as it is truly better for both parties.

Satisfied employees are the foundation for sustainable and successful business. We believe in developing our people in line with the business needs, practicing value-based leadership and acknowledging and rewarding the right performance. Through our focused and long-term strategy we can see that it has proven to be successful since we consistently maintain high levels of employee satisfaction. It is also satisfying to see that we are receiving high marks when students and people working within the industry are asked where they would like to work.

Twice a year we conduct employee satisfaction surveys enabling us to quickly observe and address any dissatisfaction or concerns. All employees have a development plan that from a bottoms-up perspective delivers customer value.

A good leader gets more motivated employees

The Companies' investment in leadership programs has proven to be successful in many ways.

In the annual employee satisfaction survey one can, as an example, see the positive effects of employees having in depth discussions with their managers. These discussions, consisting not solely of performance reviews, have led to employees seeing a clearer link between their daily work and the Companies' business goals.

Today the vast majority of our employees state that they can see how they are contributing to a bigger picture, something only every other person experienced ten years ago.

Good citizenship is about being locally interested and well anchored in the community.

If the Companies want to grow and thrive, employees must be satisfied; it's a quite simple equation. Therefore we are immensely proud to have maintained high levels of employee satisfaction during the past years.

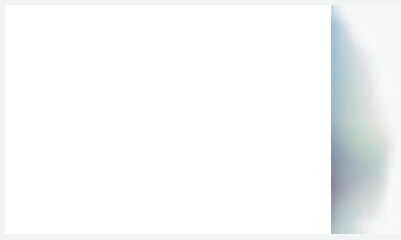
Employee satisfaction

2011	2012	2013	2014
4,1	4,2	4,3	4,3

Employee satisfaction ratio based on a 1-5 scale where 1 means almost never true and 5 is almost always true.

NEWSEC STUDENT AWARD

In our ambition to secure future innovation within our industry we have a close cooperation with universities, such as the KTH Royal Institute of Technology. Newsec is responsible for several courses at the Built Environment Program and serve as a content provider. We are particularly proud of the Newsec Student Award. The award is given to students that write a compelling thesis that demonstrates an innovative approach.



GREAT PLACE TO WORK®

We take our employees and their needs and ambitions seriously

In our leadership programme, specifically developed for the Stronghold Group, we bring our leadership philosophy to life through the development of the participants' leadership skills. The goal is to give the leaders the tools they need to become true role models.

Completion of annual performance reviews and documentation of individual development plans is followed up at the top level by the board.

It is also worth noticing that Newsec has been nominated 'A Great Place to Work' five years in a row, and is now a member of the Great Place to Work "Hall of fame".

WE CAN, AND WILL, MOVE THE NEEDLE

Collectively, the Stronghold Group is a major player in the real estate market – if you are big you have to take responsibility. The Companies understand this duty and act accordingly.

EQUALITY AND DIVERSITY

Different cultures and backgrounds, men and women, students and senior citizens – a city embraces us all. It is encouraging to see that women's position in society further evolves in urban communities.

The Companies have taken a stand towards a culture that mirrors the overall society with the constraint that people are qualified for the task and share our core values.

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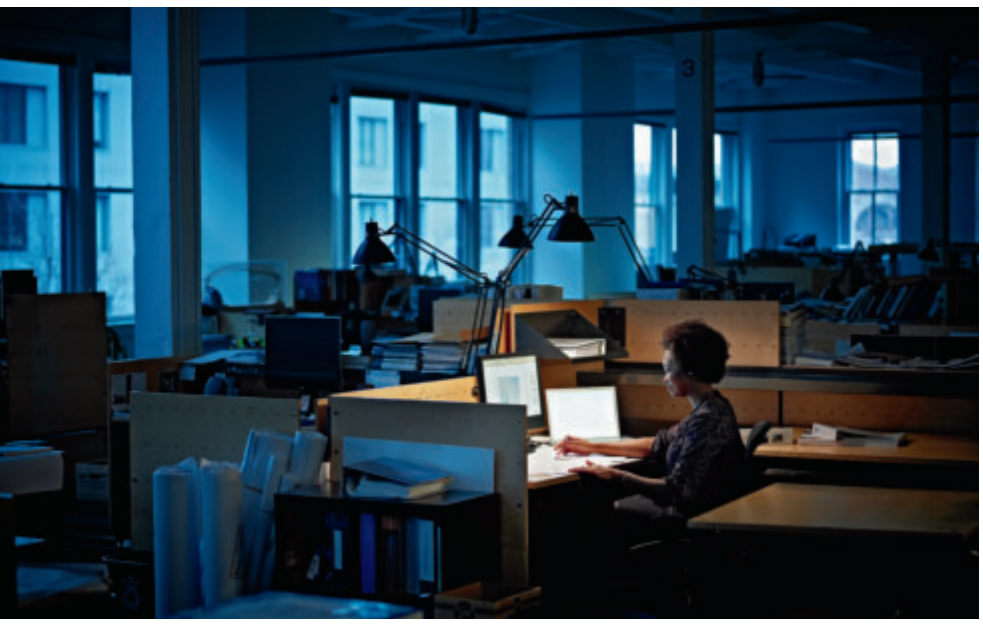


PASSION *for* COLLEAGUES *and* CLIENTS

We find it hard to see a better way to contribute to the ease of doing business.

CASE #1: DATSCHA SEEKING TRANSPARENCY AND SIMPLICITY

In the aftermath of the bank crisis in the 1990's many Swedish real estate companies went bankrupt. The banks, which had lent money to companies with properties as securities, were suddenly property owners when the pledges were redeemed. The need for a consistent view of the value of those properties became enormous and the world was yearning for transparency. The idea of Datscha was born out of this need in 1996.

The Datscha business model is to source real estate data from a variety of the best sources in the market and then aggregate, match and consolidate this information in a modern and easy-to-use system. Information providers include administrative authorities as well as private companies.

After logging in to the system, all you need to do is to define your search criteria (e.g. municipality, frequency, property type and size) and a list of property details, such as ownership structure, qualified purchases, maps, valuation and cash flows related to the actual property will appear. Overall, in a matter of minutes, you have a solid foundation for your decision making.

Today Datscha is an established and important tool among banks, real estate consultants, agents, and real estate owners. An influential client once said that without Datscha we would not have seen so many foreign players in Sweden.

By providing accurate information quickly to those who need it, Datscha speeds up business processes and helps clients get on the right track faster. We find it hard to see a better way to contribute to the ease of doing business.

Overall, in a matter of minutes, you have a solid foundation for your decision making.

CASE #2: WATERFRONT BUILDING

In 2001 Stockholm was to host an EU summit where the U.S. president was to attend. This event highlighted the fact that Stockholm city did not have the capacity to facilitate such a summit and sparked the idea of developing a world class congress hall. However, a congress hall is rarely a profitable project for any developer but a modern office building with a location in the Central Business District has a great potential to be profitable. The Waterfront Building project had three functions: the *Waterfront Building* (office), *Radisson Blue Stockholm Waterfront* (hotel) and *Stockholm Waterfront* (congress). The objective was to provide a financially sustainable project during the development, long term operations and ownership.

Risk mitigation

In 2006, Niam and its investment partners took full planning and zoning risk related to the Stockholm Waterfront project and was responsible for maximizing the opportunity associated with the project's building rights. Niam mitigated some of the risk associated with the project by pre-selling the office, hotel and congress center properties during 2007. Most of the funding for the project was obtained already at the design stage as Niam and its investment partners were able to secure a long lease for the hotel and congress center with a reputable hotel operator. Niam's ability to take on and mitigate construction and financing risk, as well as work closely together with the city politicians and stakeholders, were the keys to enabling the Waterfront Building project to become a reality. Today, the Waterfront Building complex is one of the best examples of a central Stockholm development which has benefitted all parties.

One of the most energy efficient buildings in Sweden

The Waterfront Building is considered to be Stockholm's most high-profile international office building. With a LEED-Gold certification, the Waterfront Building is also one of the most energy efficient buildings in Sweden with innovative solutions for heating and cooling.

The various buildings have completely different energy profiles; the hotel requires most energy in the evenings and mornings while the offices need most energy during the day. The challenge was to move energy from surplus to deficit. In rooms where many people are present and IT equipment is used, heat is generated, that will be used elsewhere in the building complex. Any additional cooling that is required is accomplished by using water pumps extracting cooling from the nearby Lake Mälaren. For optimal energy usage these pumps also operate in the evening when less or no cooling is needed. This energy is used to freeze tanks of water to ice, increasing the cooling effect at day time. In addition, during the heating season, the large glazed facade overlooking the town hall is used to recover heat in other parts of the complex and for tap water.

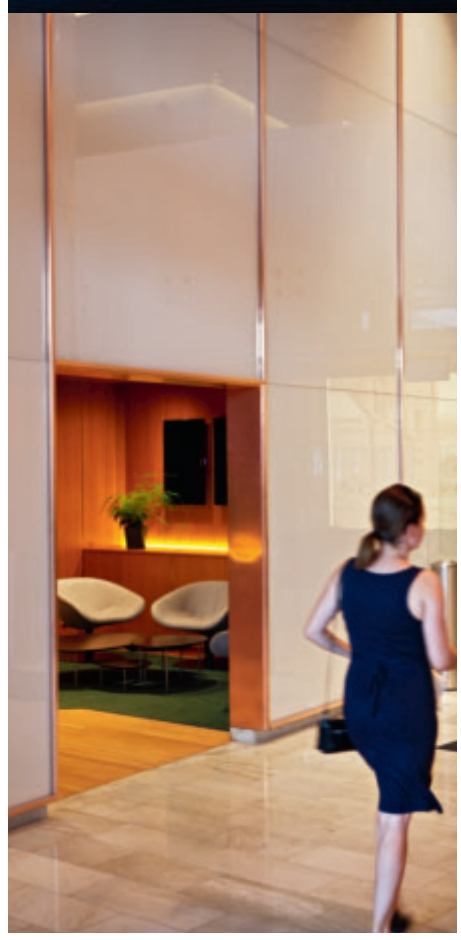
Sophisticated asset management

Newsec manages the Waterfront Building including the Joint Facility, which is the heart of the building when looking at the technical installations. Our technical management includes the assignment of keeping an energy consumption of around 80 kW per square meter, which is 25 percent less energy than other comparable modern buildings. And while the glazed facade is beautiful to look at, it is a challenge when it comes to keeping a comfortable temperature for the 1 600 people who work there. The heating effect is extensive if the sun suddenly comes out. Despite maintaining a comfortable indoor climate the owner also requires Newsec to keep tenants happy and satisfied, the vacancy rate low, and to keep energy consumption down. This requires both calibration and ingenuity. Owners with long-term ambitions to act as good citizens are, of course, a prerequisite.

Green management - our customer promise

Newsec has taken a stand towards reducing the climate effects and contributing to sustainable development in all our client assignments. Our overall ambition also includes efficient use of energy through optimization, maintaining an organic and non-toxic policy, increasing waste efficiency and encouraging more recycling.

Newsec was among the first property managers in Sweden to receive environmental certification in accordance with ISO 14001 for its environmental management system. Our goal is that you should believe green management and Newsec to be synonymous.



Owners with long-term ambitions to act as good citizens are, of course, a prerequisite.

It is common knowledge that congress delegates who come to Stockholm often become so fond of the city that quite a few of them return in the following years.

Henrik von Arnold, Stockholm Convention Bureau

POPCORN
SNACKS
POPCORN
SNACKS

Design and production: Oscar Ledgren Studio. Photography: Mats Widén, Ellinor Hall and Getty Images. Print: Ineko, Stockholm 2014.

Stronghold Invest

Stronghold Invest (Stronghold) is an active holding company that invests in real estate related knowledge-based companies in Northern Europe. Stronghold provides competence, market contacts and capital. Moreover, Stronghold supports strategic issues and overall performance management.

As an active owner, Stronghold is continuously evaluating new investments and concepts in real estate related companies that can offer entrepreneurs an exceptionally good environment to realize their business ideas.

Stronghold primarily operates through three brands: Newsec, Datscha and Niam.

Newsec

Newsec – The Full Service Property House in Northern Europe – is the leading full-service provider within the commercial property market in Northern Europe.

With over 700 professionals in 20 offices Newsec covers all parts of the commercial property market. Newsec currently provides services to most of the leading property owners, investors and corporations in the region.

Datscha

Datscha is a leading web-based provider of property market information. Datscha has more than 2000 users in seven different countries, most of which operate within the property or financial markets.

Niam

Niam is the leading real estate private equity firm in Northern Europe and offers global institutions the opportunity to invest in the region. Since inception in 1998, Niam has invested over €7 billion through its own funds or on behalf of its financial partners.

STRONGHOLD

NEWSEC | DATSCHA | NIAM

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