April 30th, 2024

# Sustainability-Linked Finance Framework Progress Report for calendar year 2023

## Executive summary and comment by the Chief Sustainability Officer

### An Introduction to the NHC Group

Norlandia Health & Care Group AS ("NHC" or the "Group") is a family-owned, multinational company headquartered in Oslo, Norway. The owners, Kristian and Roger Adolfsen, started the operations in the early 1990s and have since inception focused on a long-term, socially responsible perspective. The Group currently consists of five divisions in fields such as health care, preschools, integration services, services for individuals and families and social infrastructure within the property division. The Group has operations in Norway, Sweden, Finland, the Netherlands, Germany, and Poland. Our business is diverse, but a common factor among our users is that they are in a phase of their lives when they require care, and our understanding of their needs stretch across divisions and countries. **We aim to be a welfare innovator and a powerhouse safeguarding and developing welfare.**

The Group includes the following companies.

**Norlandia Preschool**

Preschool operations
Out of school services

**Individual & family**

Childcare services
Respite care for individual with disabilities
Personal assistance

**Hero Group**

Refugee accom-modation
Interpretation services

**Care**

Nursing homes
Home nursing services
Private home services
Patient hotels

**Property**

Development, sales and acquisition of properties

## The NHC Group and Sustainability

**Society doesn't stand still, and neither do the welfare needs of the people and communities we serve.** People's and communities' welfare needs change over time, and so do we at NHC. We want to make a positive difference by finding new ways and approaches in our work.

Our business has many different aspects, and each of them faces different challenges and opportunities for sustainability. The individual companies within the Group are in charge of finding out what sustainability issues are most important for their operations based on the UN Sustainable Development Goals. The companies are also in charge of setting relevant strategies and targets around these priorities, making sure that they meet and exceed expectations and contribute to sustainable development. This creates more engagement and motivation across the Group.

The sustainability task force that was set up in 2022 have had continuous focus on developing and maturing the organisations on the important areas that forms part of NHC's ongoing strategy process, as well as the development of NHC's sustainability strategy and the sustainable values throughout the organization. The task force members are from different countries, divisions, and functions.

The five material focus areas common across the group are unchanged, 1) reduction of value chain pollution, waste and emission 2) employee engagement, diversity and inclusion 3) workforce protection in our value chain 4) sustainable solutions and service lifecycle design 5) economic value creation.

This year NHC updated our ambition of being a welfare innovator and confirmed our vision which is to be a role model for society, satisfying users and making employees proud. That vision is impossible to achieve without a lasting and strong commitment to sustainability. We want and expect our stakeholders to judge us on how well we live up to our stated expectations for ESG performance. Especially current and potential employees and customers have different views now than what they had before. This will continue to change. We will not be a realistic option as an employer or a service provider if we do not meet these groups' higher expectations. We need to show that we understand their concerns and can deliver meaningful ESG contributions.

While this report reports on a few sets of Key Performance Indicators ("KPIs"), our goal is to prioritize resources by assessing which current practices and possible changes can have the most material impact. Our analytical framework especially considers the areas where we may be able to use a systematic approach.

It is a good reminder that the 2015 Paris agreement on climate change is actually international law; it is a binding commitment (ratified by 189 out of 195 countries) like many other UN conventions our societies have committed to. Therefore, the fight against global warming is a widely agreed goal. We plan to, and are required to do our part, and we have to speed up our efforts. NHC Group is a trustworthy actor in matters related to sustainability.

**In May 2021, NHC placed a senior secured sustainability-linked bond of NOK 1,700 million. This report provides an update on the Key Performance Indicators ("KPIs") and Sustainability Performance Targets ("SPTs") under the Sustainability-Linked Finance Framework from April 2021 (the "Framework"). This report should be read in conjunction with the sustainability report to be published during 2024 for a complete update on the sustainability strategy and performance of NHC.**

## KPI 1: Perform greenhouse gas accounting

To ensure we implement the right measures and initiatives to mitigate our future environmental impact, we need to further invest in understanding our current footprint. We have therefore conducted a greenhouse gas accounting on group level. Targets for the greenhouse gas emissions will be determined as a part of annual Business Plan processes.

***KPI calculation***: Greenhouse gas accounting on group level.

## SPT 1: Perform greenhouse gas accounting

NHC has performed an accounting of the greenhouse gas emissions generated by the Group's operations. Numbers are reported as of 31 December 2023.

**2023 results**

| | | Quantity | | | tCO2 equivalent | | |
|---|---|---|---|---|---|---|---|
| | Unit | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| **Scope 1 - Fuel Consumption** | | | | | | | |
| Petrol | Litre | 191 328 | 206 242 | 295 842 | 421 | 448 | 694 |
| Diesel | Litre | 117 688 | 154 407 | 156 899 | 252 | 383 | 417 |
| Natural Gas | m3 | 365 377 | 326 840 | 276 742 | 649 | 664 | 568 |
| Biomass | t | 93 | 97 | 110 | 7 | 5 | 6 |
| Burning oil | Litre | | 17 264 | 80 942 | | 44 | 206 |
| **Total scope 1** | | | | | **1 329** | **1 544** | **1 891** |
| **Scope 2 - Electricity and heating** | | | | | | | |
| Purchased electricity - location based | kWh | 50 979 558 | 50 301 777 | 67 446 400 | 1 988 | 1 167 | 1 409 |
| Purchased electricity - market based | kWh | 50 979 558 | 50 301 777 | 67 446 400 | 15 548 | 17 108 | 24 007 |
| District heating | kWh | 9 851 393 | 16 890 072 | 19 937 750 | 1 173 | 1 518 | 1 411 |
| **Total scope 2 location based** | | | | | **3 161** | **2 685** | **2 819** |
| **Total scope 2 market based** | | | | | **16 721** | **18 626** | **25 418** |
| **Scope 3 -Indirect** | | | | | | | |
| Business air travel | kg/CO2e | 72 780 | 241 094 | 305 700 | 73 | 241 | 306 |
| Capital goods | kg/CO2e | | | 609 500 | | | 610 |
| **Total scope 3** | | | | | **73** | **241** | **915** |
| **Total emissions location based (Scope 1+2+3)** | | | | | **4 563** | **4 470** | **5 625** |
| **Total emissions market based (Scope 1+2+3)** | | | | | **18 123** | **20 411** | **28 224** |

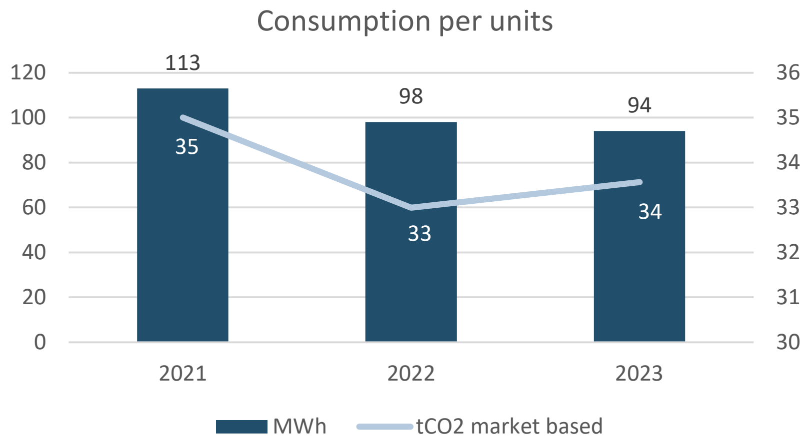
A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). A market-based method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). Source: GHG Protocol

In the table above there's presented yearly energy consumption and the equivalent tCO2 emissions. Our location-based emissions have increased by 25,8 % from the year 2022. This increase can be attributed to several factors, with 47% stemming from the expansion of our reporting scope and an additional 7% attributed to the acquisition of Frösunda. It's noteworthy that within the Frösunda units, a commendable 45% utilize electricity sourced from certified green sources. This shift has notably influenced the market-based tCO2 equivalent, contributing to an increase of 150 tCO2.

Despite the overall rise in absolute consumption, there's a promising trend indicating a 4% decrease in the amount of purchased energy per unit (2022 nr. of units reporting 511, 2023 nr. of units reporting 715).

The surge in district heating consumption can be attributed to both operational growth and external factors such as the unusually cold winter experienced in the Nordics.

Expanding our perspective to encompass to Scope 3 emissions, we have acknowledged the inclusion of business travel alongside the procurement of computers, phones, and other electronics throughout the year.




## *Looking at SPT trajectories 2023 and onwards*

Following successfully completing the greenhouse gas accounting as targeted for 2023, the Group continues to work on developing targets in order to work with activities that over time will reduce the consumptions and energy use, and at the same time focus on scope 3, including identifying other areas that the Group can positively influence the environment. We already see positive development in looking to reduce transportation; meaning shorter supply line, avoid unnecessary steps in our value chain and choose suppliers with an environmental profile. We also look at company-wide usage of secondhand hardware, furniture, building ecofriendly buildings, ecofriendly maintenance to mention some.

## KPI 2: Increasing the share of electric vehicles in our car fleet

Transportation is estimated to contribute approximately 16% of the world's greenhouse gas emissions, where road transport is the major contributor. Across the NHC Group, we depend on transportation. Many of our employees travel between locations as part of their daily work to assist our clients and users. Focusing on low-emission transport is an important part of reducing the carbon emissions from our operations and we aim to shift our car fleet over to electric vehicles over time.

***KPI calculation***: Share of electric vehicles in NHC's car fleet, including both leased and owned cars.

## SPT 2: Increasing the share of electric vehicles in our car fleet

The share of electric vehicles in NHC's car fleet should increase over time, and we have set the following SPT Trajectory:

| Historic values | | | SPT Trajectory | | | | |
|---|---|---|---|---|---|---|---|
| **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
| 1 % | 2 % | 8 % | 13 % | 17 % | 25 % | 32 % | 36 % |

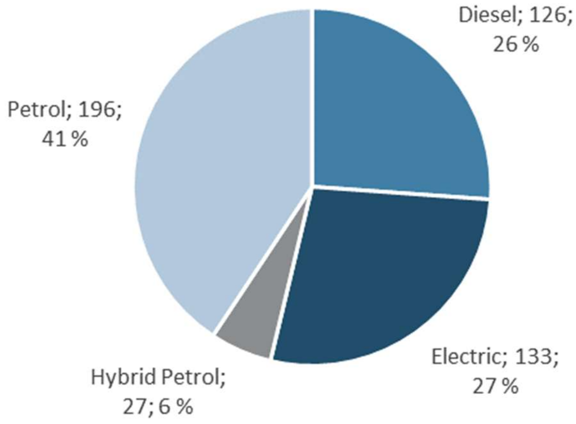
***Actions to reach the SPT Trajectory:*** NHC's car fleet currently consists of a mix of electric, hybrid and fossil fuel cars. NHC will strive for all new car purchases across the Group to be electric, also including new lease contracts.

**2023 results**

In 2023, 27% of our fleet, comprising 482 vehicles, transitioned to electric propulsion, exceeding our targeted goal of 25%. The inclusion of cars from the Frösunda acquisition increased our fleet size, which stood at 294 vehicles the previous year.

Alongside the increase in electric vehicles, we also saw a rise in the adoption of hybrid cars, with electric vehicles accounting for 25% and hybrids 3% of our fleet last year.

This progress reflects our proactive approach to environmental responsibility, positioning us ahead of our targets and on a positive trajectory towards future goals.



Cars owned and leased by NHC Group by type.

Additionally, a significant portion of our fleet—64%—is leased, enabling us to maintain flexibility and integrate the latest advancements in sustainability practices. This strategic management approach underscores our commitment to driving impactful change in our operations while fostering a culture of innovation and sustainability.

## KPI 3: Sustainability education in our preschools

In Norlandia Preschools, our greatest impact on society is via the education and experiences we provide for the children in our preschools. In the second half of 2021, we launched our Go Green program across our preschools.

The Go Green program has the following goals:

- Create an interest for the environment and being outdoors in nature
- Contribute to environmentally sustainable development
- Create awareness around the opportunities that nature presents
- Share knowledge on recycling and reduce food waste
- Take ownership of our own future

Hero Group has during 2023 adopted and developed the GoGreen program to fit their business segment. This shows that the program itself is highly scalable and can have a huge impact on behavioral and culture changes when it comes to education on sustainable lifestyles and choices.

## SPT 3: Sustainability education in our preschools

To gain the Go Green label, a preschool need to complete the program on an annual basis, and the label needs to be renewed every year through an internal evaluation process. We have set the following SPT Trajectory, indicating the share of our majority-owned preschools that should have completed the program on an annual basis.

| | | SPT Trajectory | | |
|---|---|---|---|---|
| 2021 | 2022 | 2023 | 2024 | 2025 |
| 15% | 30% | 40% | 47% | 65% |

***Actions to reach the SPT Trajectory:*** The Go Green program has been launched internally across preschools.

**2023 results**

In 2023, NHC achieved the (SPT) goal with result of 40%. This is a positive development and demonstrates progress in line with the expected trajectory. It’s encouraging to see that our efforts bore fruit in 2023, and NHC is on track to meet future goals. NHC will continue to work diligently to ensure the maintenance of this positive trend and achieve the goal of 65% by 2025.

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DNV verified our KPIs as per the Framework and attested the 2023 achievement. DNV’s verification report is attached to this report.

There has been no material update to NHC’s sustainability strategy, vision or plan related to and impacting the KPIs and SPTs.

For NHC Group

Dag Rune Gabrielsen

Chief Sustainability Officer

WHEN TRUST MATTERS

# INDEPENDENT ASSURANCE STATEMENT

## NHC GROUP
## SUSTAINABILITY LINKED BOND 2024

| Statement no: | Valid from: | Valid to: |
|---|---|---|
| 2024-10487350 | March 20th 2024 | 2025 KPI revision |

### Introduction

**DNV Business Assurance Norway (‘DNV’)** has been commissioned by the management of NHC Group A/S (“NHC”) to carry out an independent review of their sustainability performance targets (SPTs). These SPTs are specified in the sustainability-linked bond (SLB) terms set out in the NHC Sustainability Linked Bond Framework (‘”Framework”) dated March 2021. The KPIs are quantified by 3 SPTs.

- KPI 1: Greenhouse gas accounting
- KPI 2: Share of electric vehicles in the car fleet
- KPI 3: Share of preshools with sustainability education (“Go Green Program”)

NHC has sole responsibility for the preparation of data and external reports provided to DNV. DNV, in performing our assurance work, is responsible to the management of NHC. Our assurance statement, however, represents our independent opinion and is intended to inform all stakeholders including NHC.

### Scope of Assurance

- The scope of work agreed with NHC includes the following:
- Discussions with NHC management
- Q&A-session with NHC management for the KPIs including Questions log
- Review of NHC’s description and approach to calculate the KPIs
- Review of NHC’s Go Green reports and environmental certificates for 2023, with KPI performance calculation
- Spot checks on underlying 2023 documentation for determining the performance for the KPI, including reporting sheets

## Level of Assurance

DNV has performed a limited assurance engagement in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised)*, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17029-1:2019 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less detailed than those undertaken during a reasonable assurance engagement, so the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being an error is reduced, but not reduced completely.

## Assurance Methodology

DNV uses a risk-based approach throughout the assurance engagement, concentrating on the areas that we believe are most material for both NHC and its stakeholders. The following approach was applied during the assurance of NHC's SPTs:

- Review of documentation, data records and sources relating to the Sustainability-Linked Bond KPIs and SPTs performance assertions
- Performed sample-based audits of the processes for generating, gathering, and managing the data

## Data Verified

DNV reviewed independent reports related to the performance of verification and assessment activities for the SPTs including:

- General:
    - Go Green reports 2023 for preschools in Norway, Sweden, Finland and Polen
    - Environmental certificates 2023 Norlandia and Frösunda
    - NHC Property bærekraftspresentasjon 2023
    - NHC Annual report 2022
    - NHC Sustainability Linked Bond Framework March 2021
    - Overview of consolidated data 'NHC SLB progress KPI data'

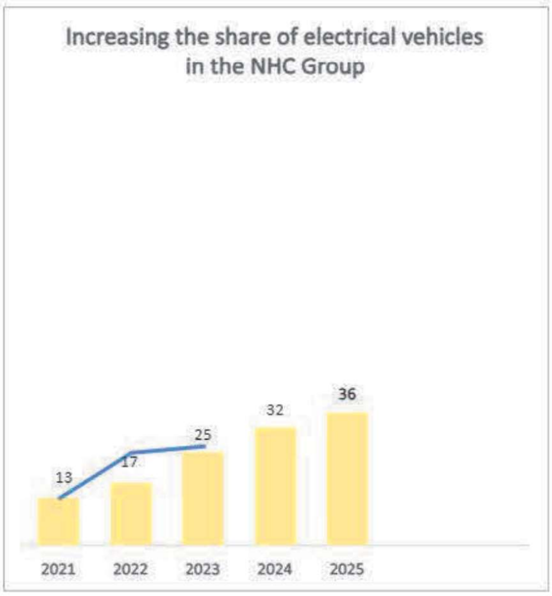
## DNV's findings of NHC's SLB KPI performance are as follows:

**KPI 1:** Greenhouse gas accounting on group level

| Reporting Year ('RY') | RY 4 (ending December 2023) |
|---|---|
| **Sustainability Performance Targets** | - The Greenhouse gas accounting report to be included in NHC's annual report<br>- Verified with limited assurance by an external verifier |
| **Reported Performance** | - Target achieved |

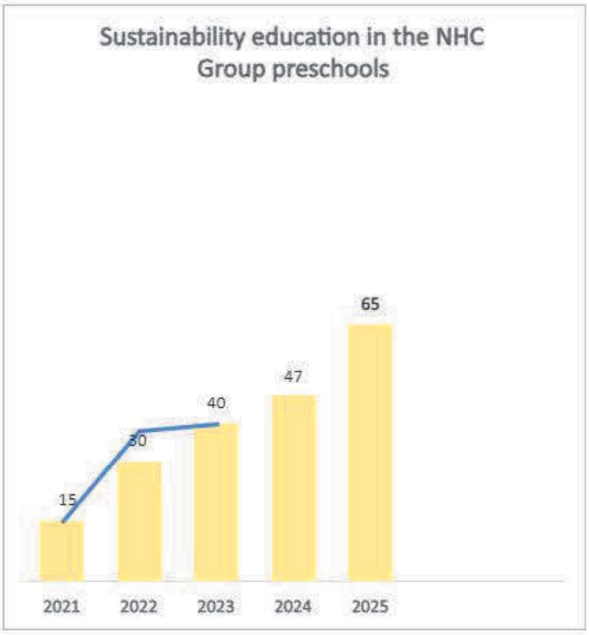
**KPI 2:** Increasing the share of electrical vehicles in NHC Group car fleet, including leased and owned cars

| Reporting Year ('RY') | RY 4 (ending December 2023) |
|---|---|
| **Sustainability Performance Targets** | - 2023 target trajectory (NHC SLB Framework) – 25% share of electrical vehicles in the NHC Group car fleet |
| **Reported Performance** | - According to NHC Group, the share of electrical vehicles for 2023 is 27%, 2% above target.<br>- Target achieved |



**KPI 3:** Sustainability education in the NHC Group preschools ("Go Green Program")

| Reporting Year ('RY') | RY 4 (ending December 2023) |
|---|---|
| **Sustainability Performance Targets** | - 2023 target trajectory (NHC SLB Framework) – 40 % share of preschools that completes the program<br>- A preschool needs to complete the program on an annual basis, and the Go Green label needs to be renewed every year through an internal evaluation process |
| **Reported Performance** | - Target achieved (40%) |



**Assurance Opinion**

Based on the procedures we have performed with limited assurance of Norlandia's KPIs, nothing has come to DNV's attention that causes us to believe that Norlandia's actual KPIs performance for 2023 is not fairly stated and has not been prepared in accordance with the Criteria. This conclusion relates only to the KPI performance and is to be read in the context of this Assurance Report, in particular the inherent limitations explained under Data Verified.

**DNV Business Assurance Norway**
Oslo, Norway
March 20th 2024

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**Ingebjørg Nueva Finnebråten**
Lead Reviewer

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**Tone Rice**
Quality Assessor

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## Appendix

This appendix summarises the observations identified during our work and provides further detail of our comments to allow NHC to plan improvements for their next report.

| Area | Observations | Comment |
|---|---|---|
| **KPI 3** | It was noticed missing ID information in the KPI 3 spreadsheet on row 85 – 153, 251, 399 – 424. | Norlandia does not use ID number placement to track the preshools. They use column B Beskrivelse. Updated evidence reviewed and no further actions required. |