

## ESG substance

Fulfilment of ESG requirements is part of the strategic and compliance management of the group. The ESG approach consists of three large blocks, the sub-topics of which are all presented and reflected as basic values in the Ethics Code of the group:

- E= environment & sustainability;
- S= social & human rights, working conditions;
- G= governance.

In parallel, ESG approaches are also addressed by the group's risk management policy, from the point of view of which ESG topics are predominantly subject to operational risks and are managed by approaches and instruments specific to the management of operational risks.

Accordingly, the subject of ESG is embedded throughout the group's values and activities, it is managed, measured and controlled in the same way as other business activities. The ESG policy below is presented as independent mainly from the need to present to the persons involved in management and control, employees and external interest groups a consolidated view of the foundations of the group's activities on ESG topics.

## Environment and sustainability

The guiding principle of the Group in the field of environment and sustainability is to act in accordance with the provisions of current legislation and international agreements, to minimize the adverse effects of its activities on the environment and to maximize the use of technologies and materials with scientifically proven beneficial environmental and economic impact.

Significant subsidiaries of the group operate with certified environmental management system ISO 14001 and the instructions given in the standard regarding the environment and sustainability are integrated into daily work instructions. In order to ensure and continuously improve the functioning of the environmental management system, quality management positions have been created in significant subsidiaries, staffed by specialists with the appropriate level of competence.

A whistle-blower hotline with guaranteed anonymity, which is open to all interested parties, has been created to detect deviations and violations, to report environmental misconduct.

Given that both the location and the main parameters of the building/installation are predetermined by the contracting authority (procurer) in the construction service segment, the group focuses mainly on the management of the following environmental and sustainability aspects in the construction service segment:

- Emission of greenhouse gases from the construction site's processes (in CO2 equivalent);
- Optimisation of water use and prevention of pollution during construction period;
- Waste management and circular economy of unused materials;
- Ensuring biodiversity and quality of life in the contact zone of the construction site;
- Construction of a building with an energy class corresponding to or better than the project and building permit state.

The environmental impact of the building/structure during its life cycle and its sustainability aspects are the responsibility of the client (contracting authority).

In the real estate development segment, the group determines the main parameters of the objects to be developed independently, and the management of the following environmental and sustainability aspects is respectively added in the real estate development segment:

- The construction of new dwellings must not take place at the expense of nature-protected habitats or agriculturally prospective lands;
- In addition to the requirements of the legislation, the life cycle environmental impact of the housing to be built must also meet the best practice, incl. enable the introduction of

- new energy-efficient technologies and access to infrastructure with minimal environmental impact;
- Other things being equal, priority is given to the use of materials and technologies that have the least possible negative impact on the environment and society.

The group operates in an open market, in a highly cyclical industry, so it is not possible to take for fulfilment environmental and sustainability goals expressed in absolute value. The Group's goals and performance measurement criteria (Appendix 1) are expressed as ratios in areas where objective measurement is possible.

## Social & human rights, working conditions

The guiding principle of the Group in the areas of the social impact, protection of human rights and safeguarding of working conditions is to act in accordance with the values, requirements and guidelines set out in legislation and the Code of Ethics, ensuring equal opportunities and equal treatment, as well as respect for human rights enshrined in international agreements, to provide dignified and fair remuneration for its employees and to provide balanced family life opportunities for their families.

The significant subsidiaries of the group operate certified according to the occupational safety management system ISO 45001; each occupational accident is treated as exceptional, with analysis of its causes and possibilities of prevention. To ensure the operation of the occupational safety management system and to continuously improve it, quality management positions have been created in significant subsidiaries, staffed by specialists with relevant competence and experience.

Paying decent and fair wages to employees, performance-based incentive pay, and additional opportunities for balanced development of health and family life alongside work life are the main tools used by the group to achieve and maintain an attractive position as an employer. Maintaining and improving the qualifications and skills of employees, maintaining their position on the labour market is ensured through trainings, for the financing of which an amount equal to one month's wage fund is allocated annually in the companies of the group. Employee feedback and opinions are collected through random satisfaction surveys.

In recruiting and promoting employees, the Group applies the principles of equal opportunities and equal treatment, maintains full neutrality with respect to all genders and minorities, and makes decisions on recruitment and promotion based solely on the professional skills of the candidates, their conformity with the Code of Ethics in force within the Group and their ability to work successfully in the existing collective. In the companies of the group, violations of law, violence and harassment are not tolerated, all employees are guaranteed the opportunity to report such cases on a white-blower hotline with guaranteed anonymity.

The freedom of association of employees is fully guaranteed in all companies in the group, the group does not interfere in any way with the formation of employee associations or works councils, the endorsement of representatives or positions, or in the development of collective bargaining positions.

In its countries of operation, the group contributes to the creation of better health sports opportunities for the whole society through the health trails initiative, as well as supports sports and athletes. A comprehensive and versatile living environment will be created around the housing units built by the group, sports facilities enabling healthy lifestyles will be installed either by ourselves or in cooperation with local interest groups.

In the field of social impact, protection of human rights and guarantee of working conditions, the goal-setting and measurement of performance (Appendix 1) is focused primarily on occupational safety as a sign of the absolute priority of life and health, but all the most important areas are targeted from the point of view of the workforce and society. In the perspective, it is desired to reach the measurement of the satisfaction of apartment buyers as the most important external stakeholder group.

## Governance

The guiding principle of the group's corporate governance is, in addition to the requirements set out in the legislation, to ensure compliance with best practice and the group's Code of Ethics. The best practice is formulated through Corporate Governance Recommendations (CGR) established by Nasdaq Tallinn.

The group ensures that persons working at the level of the Supervisory Board have unrestricted access to expert knowledge in all areas within the group and, in areas where there is no intra-group specialisation and expertise, to involve external experts at the group's expense to obtain the necessary knowledge for the Supervisory Board matters.

The Supervisory Board of the group is free to form working committees of the Supervisory Board, in addition to the audit committee provided for in the legislation, if deemed necessary and effective.

In addition to the census-based equality requirements prescribed by legislation, the management bodies of the group's companies are formed in accordance with the principle that the management should match in the best possible way to the gender profile of the employees of the main business segments of the respective company.

The Code of Business Ethics is mandatory for implementation and compliance in all companies and activities of the group. In addition to the statutory obligations to avoid conflict of interest, market abuse, and corruption, the group implements a public whistle-blower hotline with guaranteed anonymity operated by a highly reputable third party to monitor the compliance with those obligations in all countries of operation of significant subsidiaries. Trainings to staff are organized regularly to better identify and avoid activities that could be interpreted as a conflict of interest, market abuse or corruption.

The group's internal control system and protection of assets in the group are built on the principles of duality and reporting, these principles are integrated into the guidelines of daily activities. To protect information assets, cyber security principles have been implemented in the companies of the group and the positions of cyber security specialists have been created, who, in addition to attack prevention and incident management, also ensure the business continuity of information systems.

The group participates in political influence and lobbying activities only through public trade unions. This restriction does not include a ban or a restriction on group employees to engage in political movements or party activities.

In the field of corporate governance, the goal-setting and performance measurement criteria (Appendix 1) is focused on avoiding conflicts of interest, market abuse and corruption.

## ESG compliance and requirements in the value chain

The Group monitors the fulfilment of ESG principles and prepares the corresponding reports in accordance with the requirements of legislation, CGR and the Code of Ethics. ESG principles and the internal control system used to monitor them are integrated into the guidelines for daily operations.

According to the principle of double materiality, the group must also assess the impact of ESG on the group. In the opinion of the group's management, the aspects related to social and human rights and corporate governance (SG) have been in effect for at least the last 5 years and combining them into one set of requirements with environmental and sustainability aspects (E) has no additional effect. The impact of the new environmental and sustainability requirements on the buildings and facilities built by the group is determined by developments in materials science, which make it possible to replace the currently used materials with ones of lesser environmental impact. In other respects, ESG requirements increase the reporting and administrative burden.

Actual climate warming may have an impact in the future, through the additional requirements of building codes for the strength reserves of buildings and structures.

In addition to ensuring the compliance of its own operations, the group will introduce into the daily operations guidelines, by 2026 at the latest, the instructions for monitoring the compliance with ESG principles of the permanent subcontracting and supplying partners. Permanent business relations will not be established with persons and organizations that ignore ESG principles. If other conditions are equal, preference is given in business relations to partners whose compliance with ESG principles has been evaluated to be better by independent international evaluators or according to the methodology.

ESG principles are not assessed for contracting authorities/partners of construction services, which are public sector bodies or whose final beneficiary is the state central government, as well as for apartment buyers.