

Akelius Residential Property AB (publ)

sustainability report 2017



Droysenstraße 7, Berlin



Markelstraße 17, Berlin

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225 West 23rd Street, New York

intensified sustainability work with new goals

I am pleased to present Akelius' first annual sustainability report. It provides an update on our work and presents our sustainability goals.

The real estate sector has a significant impact on the environment. As a company with a long-term focus, we fully understand and appreciate the importance of sustainability.

During the year, we have employed a sustainability manager and set sustainability goals. One goal is to reduce the energy and water consumption in our properties by 10 percent until 2020. In 2017, we adopted a new code of conduct.

Communication with our employees, tenants and business partners is essential to ensure their understanding of our values and policies.

For example, we inform all our tenants about the sorting procedures for household waste.

We inform all our business partners of the rules in our code of conduct. Sustainability is an important part of our internal education that is mandatory for all employees.

We will continue to improve the tools for collecting data from our operations. This will improve our ability to conduct efficient sustainability measurements and take appropriate actions.

We will also be able to present our achievements based on accurate and actual information.

We believe that this will be well received by our investors, tenants and business partners.

Pål Ahlsén
CEO and Managing Director

materiality analysis in dialogue with stakeholders

Akelius buys, develops, upgrades and manages residential properties in metropolitan cities with strong growth.

Akelius involves environmental, social and economic responsibility throughout the operations.

Akelius upgrades and improves properties to create a better city, a better living, and more attractive and energy-efficient apartments.

Our sustainability efforts make continuous improvements for all our primary stakeholders including residents, suppliers, investors and employees.

This sustainability report is based on a materiality analysis encompassing both an internal assessment of risk factors and a dialogue with investors.

The materiality analysis is conducted by the Business and Property Department.

The Business and Property Department is responsible for the development of our properties.

They have deep knowledge about the specific risks and challenges in our operations.

The group legal counsel and the finance department assist in matters related to the code of conduct, investor relations and auditing rules.

According to the results of the analysis Akelius should focus on

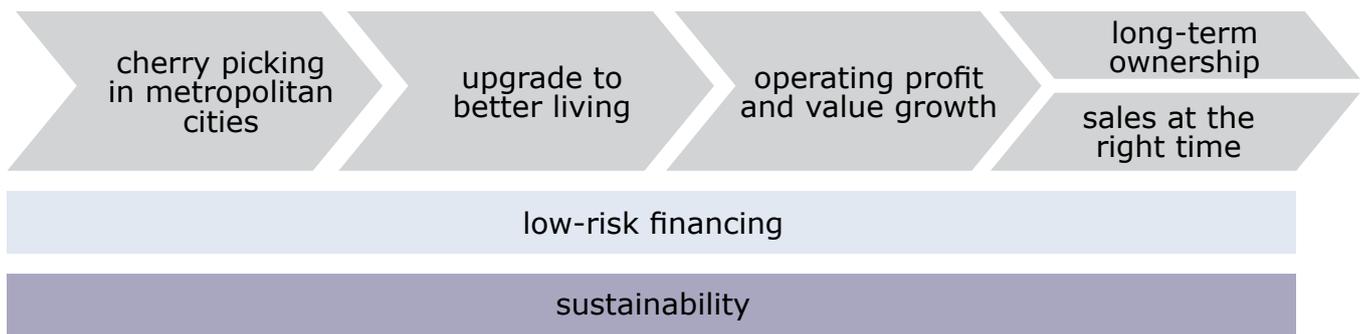
- environmental factors, water and energy consumption, waste disposal and use of materials
- staff
- social and economic responsibility
- human rights and anti-corruption
- suppliers

The report is structured in three major sections.

The first is a description of our business model.

The second contains information on the governance of our sustainability work.

The third is a description of the risks in our business, how we deal with these risks including our precise sustainability targets, and the central result indicators connected to these risks.



business model

86 percent in metropolitan areas

86 percent of Akelius properties are located in cities with more than one million inhabitants, such as Berlin, Hamburg, Munich, Cologne, Paris, London, Toronto, Montreal, New York, Boston, Washington D.C., Stockholm and Copenhagen.

cherry-picked residential properties

Akelius focus is on buying and owning prime residential properties with limited downside risk.

We prefer to make many smaller purchases of properties that are just right, by cherry-picking, rather than to make a smaller number of larger purchases of properties that are not quite right.

We select properties where current rent levels are below market rent, that benefit from demographic changes and have low downside risk, and instead offer potential.

We choose the best properties for long-term ownership of at least ten years.

We buy consciously and do not invest in properties with environmental issues that cannot be resolved.

Secure and growing returns over ten years is more important than short-term profits.

a better living

Akelius plan to hold properties for at least ten years.

This is a period during which we can improve the property and the service to the tenants. The upgrading of roofs, insulation, entrances, kitchens and laundry rooms lessens the properties' environmental impacts and ensures the properties for the future.

Improving lighting, facades, common areas and surroundings creates safer neighborhoods that subsequently become more attractive for tenants and investors. These measures are taken as soon as possible after acquiring the property. By improving the quality of the common areas and apartments, we can increase demand for our apartments and raise the rents.

long-term ownership

When upgrading apartments, Akelius focuses on those that are vacant. The idea is that no tenant should be forced to accept a higher quality and rent.

For this reason, it usually takes a long time to upgrade all apartments in a property. The growth of our rents depends on tenant turnover, market development and the quality of our upgrades.

Since our average rent is below the market rent, low economic activity will not have an immediate material effect on our rental income.

financing – safety first

We put safety first when selecting assets and liabilities.

Attractive residential properties in steadily growing metropolitan cities have good liquidity and good access to funding.

Akelius invests in housing with the ability to generate a steadily growing cash flow. In combination with long-term financing, we minimize variance in the cash flow and the equity-to-assets ratio.

Akelius financial policy aims at minimizing the impact of a financial crisis.

The company shall at all time be able to withstand

- a 25 percent drop in property values,
- an interest rate increase of five percent,
- the effects of exchange rate fluctuations.

The financial policy therefore stipulates:

- a loan-to-value ratio below 50 percent,
- a secured loan-to-value ratio below 25 percent,
- long-term interest rate hedging and capital tied up,
- liquidity of at least SEK 3 billion.



Common areas before and after upgrading
55 Croxley Road, London



Trash bins have been replaced by proper
sorting bins.

governance of the sustainability work

sustainability manager supported by departments

Responsibility for the sustainability work rests with the sustainability manager. The sustainability manager functions as the internal hub for both information gathering and policy implementation. Support is provided by the Procurement Department in relation to supplier and matters, by the Staff Department in relation to the staff, and by the Finance Department in relation to investor relations and sustainability reporting. The heads of these departments will have joint quarterly meetings on sustainability issues starting from 2018.

continuously reviewed targets

Based on the materiality analysis, the Board of Directors has adopted a sustainability policy and set clear targets regarding

- environmental factors, water and energy consumption, waste disposal and materials
- staff
- social and economic responsibility
- human rights and anti-corruption
- suppliers

These targets are clarified under section three below. We will continually review these targets and our success in reaching them.

new code of conduct

Based on the materiality analysis, the Board of Directors adopted a new code of conduct on October 11, 2017. This includes the essential principles according to which we, our employees and our third party contractors commit to doing business.

The code of conduct contains policy decisions on all parts identified in our materiality analysis and may be found on our website akelius.com.

Akelius has internal policies on ethics and anti-corruption, supplier conduct, whistle blowing, on-boarding of employees, social responsibility, personal data protection and IT security. These policies are specified in section three in this report.

regular internal and external audits

Compliance with our policies is continually monitored internally by Group functions. Audits are performed regularly, both by internal and external auditors.

Non-compliant behavior has in some cases led to disciplinary actions, both in relation to employees and third-party contractors. Disciplinary actions vary depending on the nature and severity of the reason for the action, but they range from a formal warning to termination of the employment or agreement.

communication

Akelius employees manages the daily implementation of the sustainability work. It is therefore important to ensure their knowledge of sustainability issues. The Property Department is responsible for educating all staff in matters of sustainability. This is achieved by adding a sustainability segment in the "Welcome to Akelius" course, see page 14. Akelius also strive to renew the sustainability education for all employees every second year.



Dernburgstraße 9, Berlin



6 place Félix Eboué, Paris

environmental matters

The real estate sector's environmental impact is significant.

Akelius therefore work towards a long-term and targeted goal to protect the environment.

In order to reduce environmental impact, we work systematically to reduce our use of water, energy, chemicals and harmful materials.

To achieve and ensure compliance, the Swedish organization works with an environmental management system, in accordance with the ISO 14001 guidelines.

The two main goals of an environmental management system is to ensure that all legislation are complied with and that the business operations improve continuously to

reduce their environmental impact.

Rising seas are a problem for many of the coastal city areas where we own properties, such as Boston, Copenhagen and New York. The target is to identify the properties that are at risk and areas to avoid for future acquisitions.

Akelius currently surveys properties from a rising sea level perspective.

ten percent reduction in energy and water consumption by 2020

Energy production from non-renewable sources entails greenhouse gas emissions. These emissions are the leading cause of global warming. Lower energy consumption leads to lower emission of greenhouse gas emissions.

Only three percent of the world's water reserves is fresh water. With most of it trapped in the polar ice caps and with a growing world population, it is a scarce commodity that needs to be conserved. By reducing our consumption, we protect the environment while cutting the operating costs.

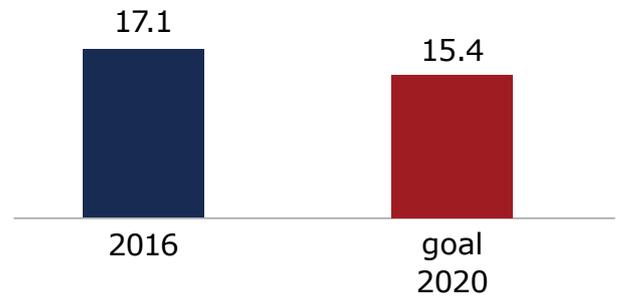
Akelius' main target is to cut our energy and water consumption by ten percent by 2020. To reach that target we intend to monitor and compare each property's energy and water consumption. This will provide a reliable basis for decision-making, allow us to implement energy-saving projects and educate our staff as to what needs to be done.

Akelius upgrading projects are an important contribution to improved energy efficiency and decreased water consumption. Modern appliances such as fridges, freezers, stoves, washers and dryers consume less energy and water than older ones. Replacing old appliances when renovating generates major savings. Renewing fans and thermostat valves also contributes to energy savings.

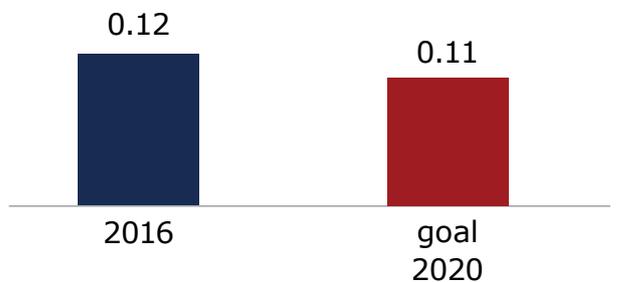
risk

- add to global warming
- assets destroyed by rising sea levels
- increased operating costs

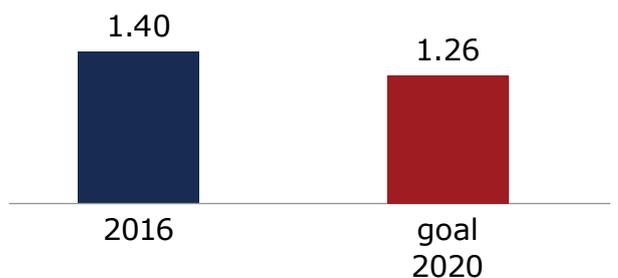
electricity kWh per sqm



heating MWh per sqm



water m³ per sqm



targets

- reduce energy consumption with ten percent by 2020, from a 2016 baseline
- reduce water consumption with ten percent by 2020, from a 2016 baseline
- identify property locations at risk due to rising sea levels

new waste disposal system in place

Waste disposal influences environment. When not properly taken care of, household waste contributes to landfills where it can have a severe longtime impact on ecosystems.

Incineration emits greenhouse gases that increase global warming.

Waste from the upgrading work, such as old kitchen appliances poses a special risk, since it can contain toxic gases and consist of non-degradable materials that could potentially harm ecosystems for a long time.

Structured waste disposal minimizes the amount of waste going to landfills or incineration.

A significant amount of the household waste generated by Akelius' tenants can be recycled as new materials.

If properly taken care of, organic waste may become biogas in a digestion plant.

That is why our tenants play a key part in our sustainability work.

Akelius limits environmental impact by making it easy for the tenants to sort their household waste properly.

During 2018 Akelius will develop a new standard for sorting bins and educate the tenants on the sorting system.

Ninety percent of our properties are already equipped with new sorting facilities.

Akelius' upgrading work generates large amounts of waste.

For every part of the development chain, we make sure that the waste is properly disposed of.

All hazardous waste, such as old refrigerators and the like, is sorted and transported to disposal facilities.

All permits for the removal of hazardous waste are collected and archived.



newly built sorting area,
18 Belmont Road, London

risks

- higher emissions of greenhouse gases
- emissions of toxic substances due to appliances going to landfills

targets

- all tenants are to be informed about the sorting procedure for household waste
- all properties are to have common sorting stations
- develop new standards for apartment sorting bins during 2018

use of sustainable materials

Wrong materials pose a health risk.

Toxic chemicals used in the production of upgrading materials or in cleaning can be harmful.

They may cause cancer and other diseases and harm ecosystems.

Eliminating them from our operations reduce health risks for tenants, suppliers and staff and helps protect ecosystems.

Akelius' operations require large amounts of materials.

Most of them are used in our upgrading projects.

Some are used in the maintenance of the properties, such as cleaning agents and other chemicals.

We avoid using materials that contain toxic substances.

Materials used for both upgrading and maintenance should have minimal impact on both people and ecosystems.

To ensure this, we strive to facilitate the process of selecting non-toxic materials for the employees doing the purchases.

The Procurement Department is responsible for sustainable purchases.

Read more about their role in our sustainability work on pages 18–19.

risks

- negative health consequences caused by harmful and toxic substances

targets

- create country specific lists on the approved cleaning materials
- blacklist materials and chemicals
- all cleaning agents to be selected from list of approved agents



details of interior material at Rubenstraße 58, Berlin and 50-52 St Quintin Avenue, London

staff

healthy and creative working environment

A working environment that is poor from a physical or mental standpoint jeopardizes the well-being of our employees.

This in turn can lead to a high employee turnover that puts further stress on the workforce and limits efficiency.

To limit these risks, Akelius takes care of our personnel through a quick integration in the company culture, ample opportunities for job rotations, education and other benefits such as health insurance.

quick integration

All new employees take the "Welcome to Akelius" course within six months of joining us.

Focus is on company culture, business strategy and basic real estate economics.

A broad understanding of the company and real estate business leads to better decisions, higher efficiency and better quality in their work.

motivation through internal recruitment

Akelius wants to maximize the expertise available within the Group by offering ample opportunities for advancement to new positions, regardless of the employee's starting position.

All vacant positions are first announced internally.

6.5 percent of the workforce proceeded to new positions within Akelius in 2017.

Internal recruitment is faster and more effective compared to external recruitment thanks to previous knowledge of our way of working.

This also applies to management positions.

All our department and regional managers were recruited from previous positions within Akelius.

All Akelius department and regional managers have undergone internal education.

When establishing operations in new cities, we are able to export high-quality personnel, which ensures growth and integration. From 2018, all managers are given the opportunity to rotate to other parts of the organization for a limited time.

specialist training and MBA

To maximize the potential of internal recruitment, we also offer internal education within areas relevant to our operations through Akelius Business School, previously called Akelius University.

This comprises a specialist training course with the option to follow up with an MBA course.

In 2018, Akelius Business School will receive a budget of EUR 4 million.

Internal education does not only help us retain talent.

It also helps us manage risks associated with safety and security issues, sustainability issues, corruption and whistle blowing.

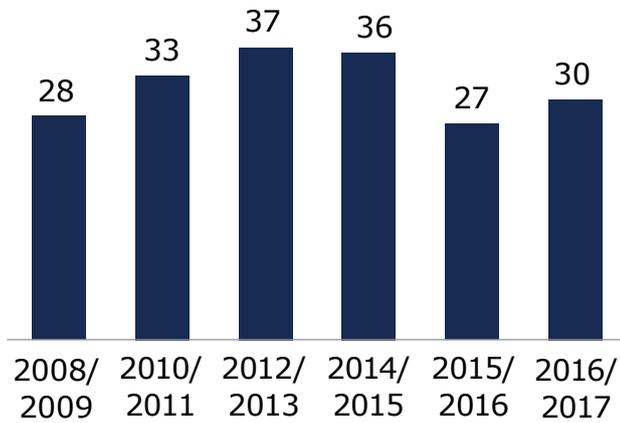
risk

- high employee turnover and sick leave
- decreased efficiency

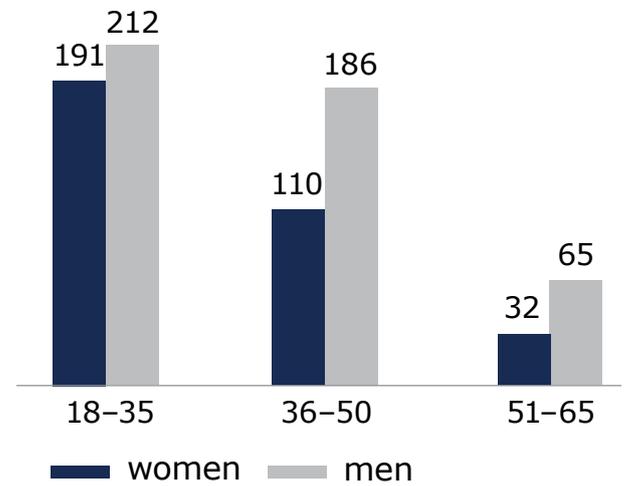
targets

- sick leave below two percent
- employee turnover below fifteen percent
- all employees to be offered health insurance
- to educate all staff on sustainability issues
- sustainability segment in the "Welcome to Akelius" course

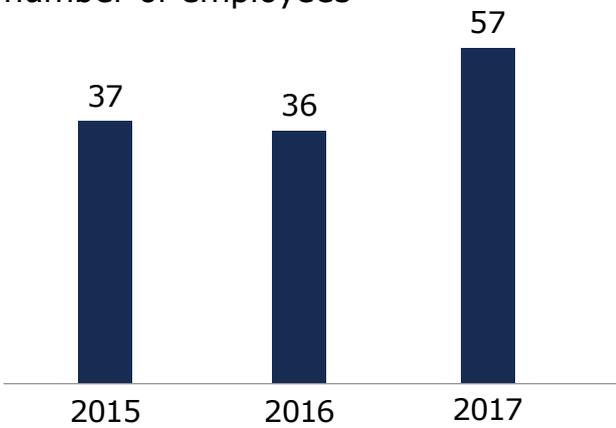
students at Akelius
Business School, MBA-course
number of students



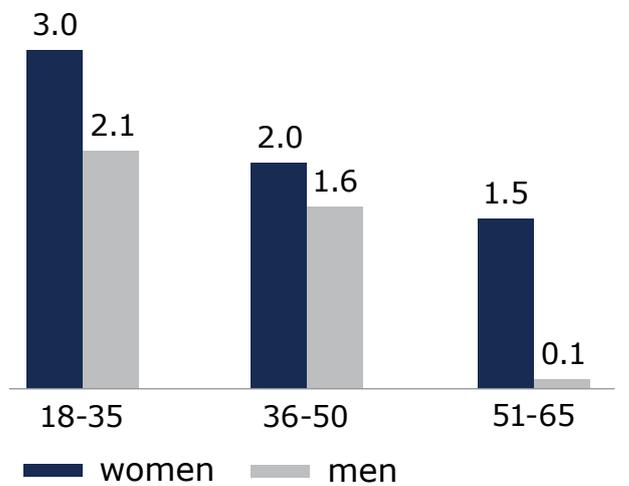
age distribution
average number of employees



employees with new positions
within Akelius
number of employees



sick leave per age group
percent



social and economic responsibility

safety first

Akelius employs 876 persons, and their jobs depend on our financial situation. The residential property business is capital intensive. By adopting an investment strategy that puts safety first and reinvests profits in our operations, we secure our assets and thereby our tenants' home and the jobs we create. The "safety first" strategy is explained in the business model described on page 14 in the annual report, available at akelius.com/financial-information/reports.

By investing in properties, we create jobs and safe and attractive neighborhoods. And so not only within Akelius, but also for suppliers and other partners, such as contractors and consultants.

improved neighborhoods

Our assets are the homes of our tenants. Everyone should feel safe in their home and neighborhood. Improving a neighborhood takes time. Akelius contributes by investing in the properties, starting as soon as they are purchased. Since Akelius plan for a long-term ownership we make long-term investments to ensure that our properties remain secure investments.

An upgrade is an investment in the future of the property. Akelius' properties should be attractive throughout their entire lifespan. Well-kept properties means safer and more attractive neighborhoods. That is why we prioritize good lighting and neat and attractive common areas. It also reduces risks for our business.

High-quality upgradings and well planned, continuous maintenance work reduce the need of big renovations in the future and improves control over costs. Such actions keep vacancies low, while securing income. This in turn means secure jobs.

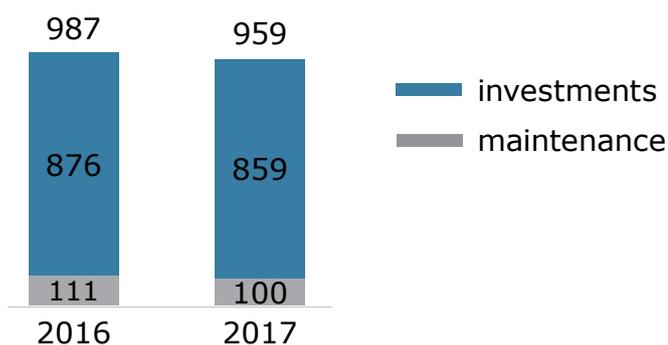
Akelius helps

Akelius is owned to 84.5 percent by a charitable foundation, the Akelius Foundation. This means that dividends are used for charitable purposes.

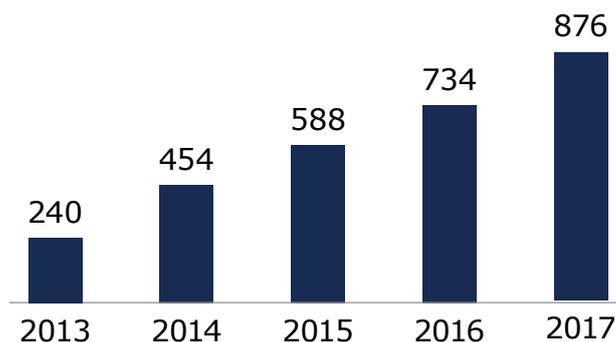
Charitable activities, including total investment and outcomes, are described on an annual basis and are available on foundation.akelius.de/.

investments and maintenance

SEK per sqm



number of employees





805 St Marks Avenue, New York



40-42 Fitzjohns Avenue, London

human rights and anti-corruption

fair competition and ethical standards

Today, there is a housing shortage in the markets where Akelius operates. The property business is also an capital-intensive industry where contracts with contractors and suppliers involve large sums. This makes Akelius role as residential property owner prominent. With this follows a responsibility to act ethically in every aspect.

Akelius values fair competition and does not accept any form of corruption, bribery or unfair anti-competitive measures. We ensure that human rights are respected within all companies in the Akelius Group and throughout the entire supply chain. We accept no instances of child labor, slave labor or forced labor.

clear information to employees

Most risks associated with these issues can be managed by maintaining a well-informed staff.

Akelius code of conduct is the foundation for this work. It states what is expected from each employee in their interaction with tenants, co-workers, suppliers and investors.

- we conduct our business with integrity and honesty
- we do not tolerate any form of bribery
- we do not tolerate any kind of threats, discrimination or harassment
- we respect the right to privacy
- our marketing and advertising is honest and consistent with what we can offer

All employees are informed of our whistleblowing procedures. They are encouraged to report any violations of our code of conduct to whistleblower@akelius.com. Whistleblower emails can only be read by chairman Leif Norburg, who keeps informants anonymous.

guidelines for suppliers

Akelius suppliers stand for a significant part of the sustainability development since they handle a lot of material production, transport and contractors.

These are areas associated with increased risks.

Non-compliant suppliers may damage the company brand.

We want our suppliers to manage the same risks we do.

Child labor, slave labor or otherwise forced labor is not tolerated, and no toxic or harmful materials can be used in any part of the supply chain.

Akelius has a significant environmental impact due to international transports of materials.

The Logistics Department limits the impact by coordinating transports.

Orders and transports are bundled as much as possible.

Orders for upgrades are held as long as possible so that a container can be filled to maximum capacity.

Shipments to North America are partly consolidated into one central warehouse. This is to utilize the transport capacity as much as possible.

The central warehouse location in Hanover is in the center of gravity for our logistics activities.

That way, transports for inbound and outbound deliveries are kept as short as possible.

We consolidate the materials orders for many apartment upgrades into large orders from our suppliers to limit the number of deliveries.

Supplier contracts are administrated by the Procurement Department, an organizational factor that creates increased control on our behalf.

Akelius actively engages its supply chain by requiring that suppliers comply with Akelius' code of conduct, which sets out the company's principles on anti-corruption, discrimination, human rights, communication, privacy, health, safety and the environment.

In 2018, the Procurement department is working on a system for identifying high risk suppliers, evaluating suppliers' commitment to sustainability principles and making on-site audits.

risk

- corruption due to capital intensive industry and housing shortage in metropolitan cities

targets

- all employees to be informed of our code of conduct
- all suppliers to be informed of the code of conduct
- start on-site audits and continuously make on-site audits of ten percent of our suppliers
- make sure 90 percent of all coffee and fruit served in our offices meet international eco-standards

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auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Akelius Residential Property AB,
corporate identity number 556156-0383

engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 and that it has been prepared in accordance with the Annual Accounts Act.

the scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report.

This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

opinion

A statutory sustainability report has been prepared.

Stockholm 15 March 2018
Öhrlings PricewaterhouseCoopers AB

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