

SUSTAINABILITY REPORT

Samhällsbyggnadsbolaget i Norden AB (SBB) creates sustainable environments where people want to live, work and stay for a long time. SBB's work locally, contributes to social, environmental and economically sustainable development of society as a whole. This is SBB's sustainability report and covers all of the Group's companies.

SBB's business model is to own and manage rental apartments in Sweden and social infrastructure properties in the Nordic countries in the long term and in cooperation with municipalities around the Nordic region. The long-term dividend target shall amount to 40% of the dividend-based result. The loan-to-value ratio shall not exceed 55%.

SUSTAINABILITY

SBB's work with sustainability is based on a number of focus areas to give clear priority and better impact of our efforts.

- Economic sustainable development, ethics (including preventive work against corruption) and business ethics.
- Standard-improving measures and community involvement: social responsibility and investment in standard-enhancing measures to creating security and comfort.
- Reduced environmental impact: electricity, water and heat use, waste management, environmentally hazardous substances, energy efficiency, climate impact with CO2 emissions. Environmental improvements in property renovations.
- Attractive employer: developing and stimulating working environment for employees

Sustainability strategy and goals

SBB's sustainability strategy and goals are based on the vision, the business idea and the company's values of long-term ownership, development and reliability. Sustainability permeates all areas within the company. Concrete goals within the different focus areas have been formulated and described under each section.

Stakeholders

SBB has many roles where SBB wants to be a trustworthy party, among other things, as a landlord, employer, community player and regional developer. In order to be successful in the long term and attain its goals, SBB needs to understand what these stakeholders expect from the company. Therefore, SBB attaches great importance to listening to the expectations and needs of SBB's stakeholders. In addition to the daily contact with tenants, SBB aims to implement a simplified customer survey during 2019. The information from this survey will give SBB valuable knowledge about which development areas should be prioritized.

Governance and responsibility

SBB's Board of Directors has overall responsibility for managing sustainability issues. It annually establishes policies in the area of sustainability (sustainability policy and code of conduct) and targets for sustainability.

RISK MANAGEMENT

Sustainability risk - Sustainable development and sustainable business require a long-term, profit-driven business model and strategy. Risk that incorrect decisions can lead to reduced earnings and negative customer relationships can damage confidence and the brand. The risk is managed through SBB's distinct business model, where sustainability goals are an important part. For an indepth description of the business model, see page 5.

Environmental risk - Environmental impact through property management and renovation. The environmental risk is managed by applying the company's environmental policy, improving energy efficiency, environmental investigations in connection with acquisitions, radon measurements, remediation and sampling (eg asbestos and PCB, see also page 53).

Ethics and business risk - Clear guidelines and policies are established to ensure ethical behavior. (Anti-corruption).

Social conditions and staff - Risk of ill health and accidents among staff, surrounding society can be affected by noise and other disturbances in locations where the company is active. The risks are managed through active staffing and dialogue with the surrounding community.

Human rights - Risks can be found in the supply chain and in other companies with which SBB has business relations. In order to manage these risks, SBB works with the standard business templates produced jointly by the building and real estate industry when ordering goods and services. There may also be a risk of discrimination among their own staff. In order to minimize this risk, the company has policies against sexual harassment and abusive discrimination.

Sustainable business

SBB acquires properties in areas with long-term development potential. Major investments are made to equip and develop the properties in the form of renovating apartments, premises, common areas and facades. Outdoor environments such as play parks and green areas are also being restored and new outdoor lighting is added in dark and unsafe areas. The surrounding environment and the dwelling become more pleasant for the individual and the area as a whole becomes safer. In some locations where SBB has its property portfolio, the security issue is a priority. Therefore, an important part of the business model is to make investments in improving social conditions of the areas and thus contributing to a positive and socially sustainable development. This is done, among other things, by creating meaningful activities for young people living in the areas and through collaborative projects with local organizations that work in various ways to improve the social environment.

HUMAN RIGHTS AND ANTI-CORRUPTION

Respect for human rights

Risks can be found in the supply chain and in other companies with which SBB has business relations. In order to manage these risks, SBB works with the standard business templates produced jointly by the building and real estate industry when ordering goods and services. SBB has also introduced guidelines on how staff within the company can make complains internally.

Ethics and anti-corruption

SBB's Code of Conduct and a number of policy documents with clearly defined guidelines shall guide the employees' responsible and ethical behavior. The Code of Conduct is based on the UN Global Compact, which contains ten principles, including human rights and anti-corruption. The company has an established business ethics policy. It acts as a guide and includes, among other things, good business practice in the industry, what is considered a bribe, proper and improper benefits, and a policy regarding study trips, exhibition visits or similar invitations by external contacts. To ensure that managers and employees act in accordance with ethical guidelines and to catch any deviations, a whistleblower service was introduced in December 2017. The service is managed externally. By the end of the year 2018, the whistleblowing service had not been used.

Illegal second hand rentals and routine for mediation

SBB has a policy of always offering vacant apartments via our digital rental platform, where existing tenants have priority over vacant apartments within the property portfolio. Trading in illegal second hand contracts is common in Sweden, especially in the Stockholm area with long queues. SBB has procedures to counteract this. When renting, the applicant is credit checked via Bank ID.

Focus for 2019

There are several planned activities for employees in order to live up to a responsible and ethical behavior in 2019.

- The number of incidents related to corruption and unethical behavior is documented and assessed
- Training courses will be carried out in the area of work environment for our employees

The outcome of these activities will be reported in the upcoming Sustainability Report.

BROAD CIVIC PARTICIPATION

Fundamental to the business is to continuously develop the properties and the living environment, which leads to well-being and security as well as a positive location identity.

- Regular customer satisfaction surveys for continuous improvement of our management
- Summer jobs offers to young people living in our residential areas
- Contribution to Mentor Sweden's work

Focus for 2019

There are several planned activities and many of these have already been implemented.

- Continuing to contribute to Mentor Sweden's work
- Carry out well-being days for tenants together with other property companies and municipalities
- Offer children and young people of residents in our residential areas summer jobs. The goal is for us to offer at least 100 summer jobs per annum

REDUCING ENVIRONMENTAL IMPACT

The company owns and manages properties taking into consideration sustainable development. SBB will offer a sound and pleasant external and internal environment where we constantly follow up and improve our environmental efforts to reduce the environmental impact. The biggest environmental impact occurs through the use of electricity, water and heat in the company's property portfolio, which mainly leads to emissions of carbon dioxide, nitrogen oxide and sulfur, where carbon dioxide is a greenhouse gas that contributes to global warming. Waste from our tenants also constitutes a major environmental impact since only a part is reused

while the largest part is sent to incineration. Material selection used for renovation is also an important part of our environmental impact and contributes to high resource consumption.

Through active choices of renewable energy types and ongoing energy efficiency improvements, reduced greenhouse gas emissions within the property portfolio is ensured. Projects are underway where we are installing geothermal heat and replacing an oil-fired boiler in Sundsvall, we are also looking at a pilot project with solar cells on a property in Skara and installing waste water heat exchangers to use energy in waste water. Furthermore, we ensure that hazardous chemicals are not built in by choosing environmentally-labeled products as far as possible and that a large part of the products are labelled. When choosing procuring contractors, the environment is included as part of the evaluation criteria. In most of our properties, we offer our tenants recycling and the opportunity to dispose of large household items.

Prioritizing rail traffic in property development

SBB's property development business is focused on minimizing the impact on the environment. Therefore, it is important to follow up that square meter light GFA for development projects have public transport access. As of December 30, 2018, the company has 490,800 square meters of light GFA in our property development portfolio.

Electricity and heat use

Property accounts for almost 40 percent of the total demand for energy in Sweden. Reducing energy use in the properties is therefore a highly prioritised environmental issue. SBB's portfolio of rental apartments mainly consists of buildings that were constructed between the 1950s and 1980s. Many of the buildings were erected before the large oil crisis in 1973, which means that they are often poorly insulated and heat loss is high. SBB's overall energy objective is to reduce the properties' environmental impact by continuously increasing the energy efficiency of the business. The goal is that over a five-year period we will reduce energy for heating in our green property portfolio by 30 percent (2018 - 2023). The green property portfolio consists mainly of residential properties built between the 1950s and 1970s. The goal is achieved by recovering as much energy as possible in the ventilation air, utilizing environmentally adapted and renewable energy and in other ways making energy consumption more efficient. We have signed an agreement with Svensk Naturenergi, Swedish Natural Energy, for all future electricity trading and our contracts are gradually being transferred to Swedish Natural Energy. Swedish Natural Energy offers renewable energy, and we have signed an agreement for wind power. Below are examples of measures implemented during 2018 to increase energy efficiency of our property portfolio:

- Installation of exhaust air heat pumps in two properties in Skara and Tidaholm where the ventilation and heating system is simultaneously adjusted.
- Procurement of a project in Motala where we install recovery of exhaust air and also supplement with waste water heat exchangers.
- Procurement of a project in Sundsvall that includes geothermal heat where we support with solar collectors and waste water heat exchangers to make the property independent of the existing oil boiler.
- In connection with the renovation of our apartments, we remove bathtubs and install low-volume water fittings.

Waste disposal

Waste gives rise to a large environmental impact from our properties and is therefore prioritised. SBB is investing in keeping the areas clean and tidy. In some of the properties there are so-called environmental houses or environmental spaces for recycling, soil containers for household waste and handling of large household items. The environmental houses and the environment rooms are sometimes located so that large garbage trucks do not have to access the residential areas. We also have a goal that there should be enough

environmental houses to make recycling easier for our tenants. So far, no follow-up of quantities of waste from each business region has been made.

Materials and hazardous substances

Several of our properties were built between the 1950s and the 1980s, which means that the properties have built-in materials that today are classified as environmentally hazardous, such as asbestos and PCB. As far as PCB is concerned, our entire stock has been inventoried.

Asbestos is a material that becomes harmful when handling and demolishing the material, which means that we, for example, during apartment renovations always carry out a sampling and risk assessment before demolition. Demolition and remediation of asbestos is always done based on applicable legal requirements and with certified decontamination contractors.

When renovating apartments, the choices of materials to be used is made based on the given budget, where we as far as possible choose eco-labeled products. In the apartment renovations, for instance, plastic mats, which often can contain dangerous chemicals, are replaced with floors in natural materials (parquet and clinker). During the procurement process, the choice of materials is based on construction product assessments.

Radon in elevated levels occurs in several of our properties. SBB therefore works actively to measure and follow-up to secure levels below the guideline value of 200 Bq.

Environmental Risks

Our properties contain environmental pollutants, where mainly asbestos and PCBs are common. There is also a risk that radon occurs in the properties since part of the stock consists of blue concrete. Previous businesses that have existed in our properties could have contributed to pollution in soil and water, which may become the property owner's responsibility unless the current business remains.

Even today, there are several chemicals in products that in the future may prove to be hazardous to people or the environment. Other environmental-related risks are increased risk of flooding due to an increased share of extreme weather with global warming. There is also a risk of increased taxes and costs on energy.

In order to manage these risks, SBB actively works with radon measurements and measures against radon in our stock. PCB remediation is carried out in all of our properties, with the exception of some dispensers that will be remedied in connection with future facade renovations. In connection with our renovations, continuous sampling is carried out on asbestos and any decontamination is carried out by approved contractors before our construction contractors enter and do renovation work. In connection with the acquisition of new properties, a risk assessment is always carried out with respect to environmental issues. Among other things, with regard to the presence of hazardous substances and possible soil contamination. To meet the risk of future increases in energy costs, we are continuously working on energy saving measures in our portfolio.

Focus for 2019

SBB will set up new intermediate targets for 2019 to reduce CO₂ emissions between 2018 - 2023 by 400 tonnes per year. During 2019, SBB will begin investing in renewable electricity by installing solar energy in a number of properties. We will continue to install heat pumps in our properties, as well as improve the buildings' climate envelope. In several of our locations we have received grants from the National Board of Housing, Building and Planning to improve the outdoor environments. The goal for improved outdoor environments is to stimulate activity and social interaction. We will continue to work on reducing the proportion of waste that is not recycled by our tenants through a number of planned measures, for example through increased information to the tenants and through collaborations with local associations. Furthermore, we will work to improve the environmental requirements set in connection with purchasing.

ATTRACTIVE EMPLOYER

In recent years, SBB has grown through a number of acquisitions. The number of employees increased by 70 persons in 2018. With a growing organization, the need for coordination and higher demands are placed on communication and leadership. It is important to attract and retain competent employees.

Organisation

SBB has an organisation that is structured to cope with managing, developing and renovating the company's properties. The company's comprehensive management organisation is deemed to be strategically important in order to guarantee a good living and working environment. Employees living locally is also important. Therefore, the company employs young people who work in the residential areas where they live. A personal commitment that leads to continuous development of the living environment and at the same time providing good social benefits.

Management and control

The company's personnel policy has been adopted by management and describes how the company wants to take advantage of the employees' skills and knowledge in order to achieve the company's vision and goals and to offer the employees personal development. The policy clarifies that everyone should be given the same opportunities to build their skills. The Board of Directors have adopted ethical guidelines for the company's conduct and these summarize our approach as a business partner, employer and social actor. The Code of Conduct is based on our fundamental values, high ethics, a holistic view and a humanistic basic view. The company's systematic work to develop the working environment and to minimize any risks in the working environment has a strong focus in 2019.

Culture and competence

The corporate culture at SBB is today characterized by commitment, openness and development. In 2019 we will work out a value statement that describe our way of being, what is important to us, what we want to stand for, how we are and, not least, how we should relate to our customers, employees, partners and the outside world.

Each employee should be given the opportunity to develop in the best possible way in their work and in their personality for the success of the organization and the individual based on their ability. This is also the starting point when we look at the concepts of equality, diversity and equal treatment, which for us means that all people have the same value and should be treated with respect and dignity irrespective of gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age.

All employees are obliged to participate in an, in all respects, equal and tolerant workplace, but a special responsibility rests on our managers and supervisors.

SBB attracts and retains competent employees through:

- At-market conditions for employment
- Competence development
- Good working environment
- Warrant programs and other incentive programs to motivate and reward employees
- Personal development and raising of skills
- Employees are covered by health insurance and occupational pension

Working environment

The systematic work done in relation to the work environment is described in the work environment policy and the guidelines for systematic work environment. The process of constantly developing and improving the working environment is ongoing. In 2019, we will focus on implementing and educating our employees in work

environment issues.

Availability during holidays and weekend

It is important that our customers have the opportunity to get in touch with us and our representatives at all times. It is also important that our employees have a good balance between work and leisure. We therefore have agreements with companies that handle emergencies at weekends and longer holidays. This combined with careful holiday / vacancy planning for the staff means that we can satisfactorily satisfy the tenants need to be able to get in touch with us as well as our employees right to holiday and time off.

Performance reviews

In 2019, in connection with the incentive program, we will review the processes regarding employee interviews.

Follow-up regarding accidents at workplaces

All incidents and injuries that occur in the organisation are reported to the Swedish Social Insurance Agency and the Swedish Work Environment Authority and to AFA Insurance. The company has been spared from difficult accidents. During 2019, we will strengthen and clarify procedures for notification of occupational injuries and incidents. From 2019 we will implement a systematic work environment program. This includes a follow-up of accidents at the workplace.

Diversity and equality

Tenants' diversity is an asset and reflecting it in the organization is a matter of course for SBB. We encourage diversity and reject all forms of discrimination. Our policy and our guidelines against abusive discrimination are readily available in our Work Environment Manual. When recruiting, we strive for diversity in all respects. The company's ambition is to have an even gender distribution. At year-end, SBB had 132 employees, of whom 30 percent (39) were women. The proportion of female managers amounts to 22 percent (4). The proportion of women part of the executive management, which consists of 7 people, amounted to 29 percent (2). In the company's Board of Directors, 29 percent (2) were women.

Focus for 2019

- We will develop the working environment by educating our employees in all parts of the work environment
- We will map our employees' skills
- We strive to have a low sick leave.