

SUSTAINABILITY





SUSTAINABILITY AT KUNGSLEDEN

Our sustainability work is based on UN global goals and is an integrated part of our business. Having a strong ambition and taking a lot of responsibility for satisfying these goals is self-evident to us. This is also critical

for us achieving our vision of creating attractive and sustainable places that inspire people. We conducted several initiatives in the year to reduce our climate footprint, such as increasing the share of environmentally certified

properties. We also brought a new geoenery plant on stream, one of the largest in the Stockholm region. Additionally, we put a big focus on diversity issues, winning the EPRA Diversity & Inclusion Award 2019.

Lease contracts

319 of all lease contracts are green leases

Employees

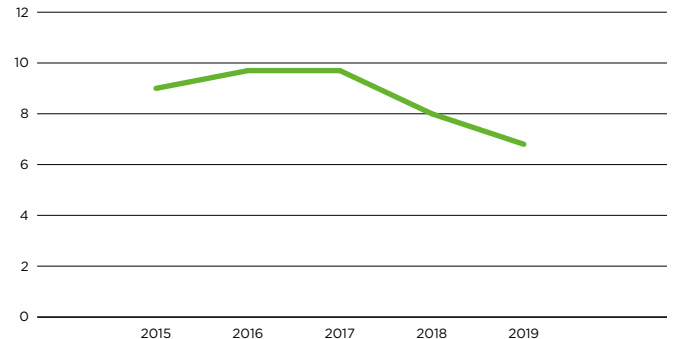
11% of employees have foreign backgrounds

Gender division (women/men)

53/47 gender division company wide

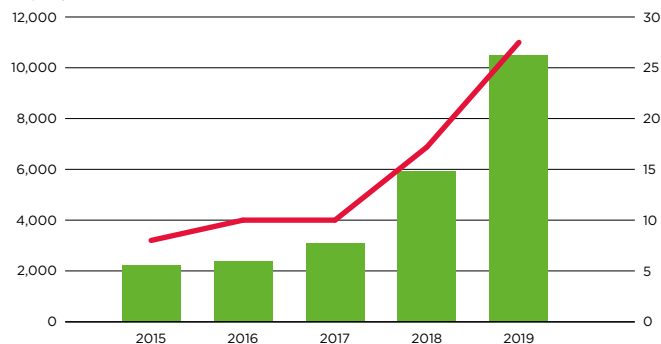
Emission intensity

Kg CO₂/sq.m.



Environmentally certified properties

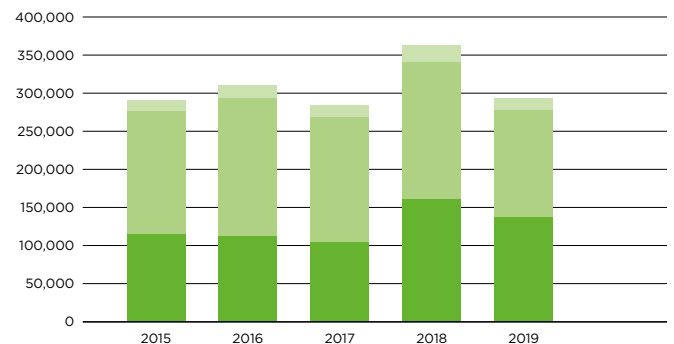
Property value, SEK m



■ Property value ■ Share of certified properties

Energy consumption

MWh



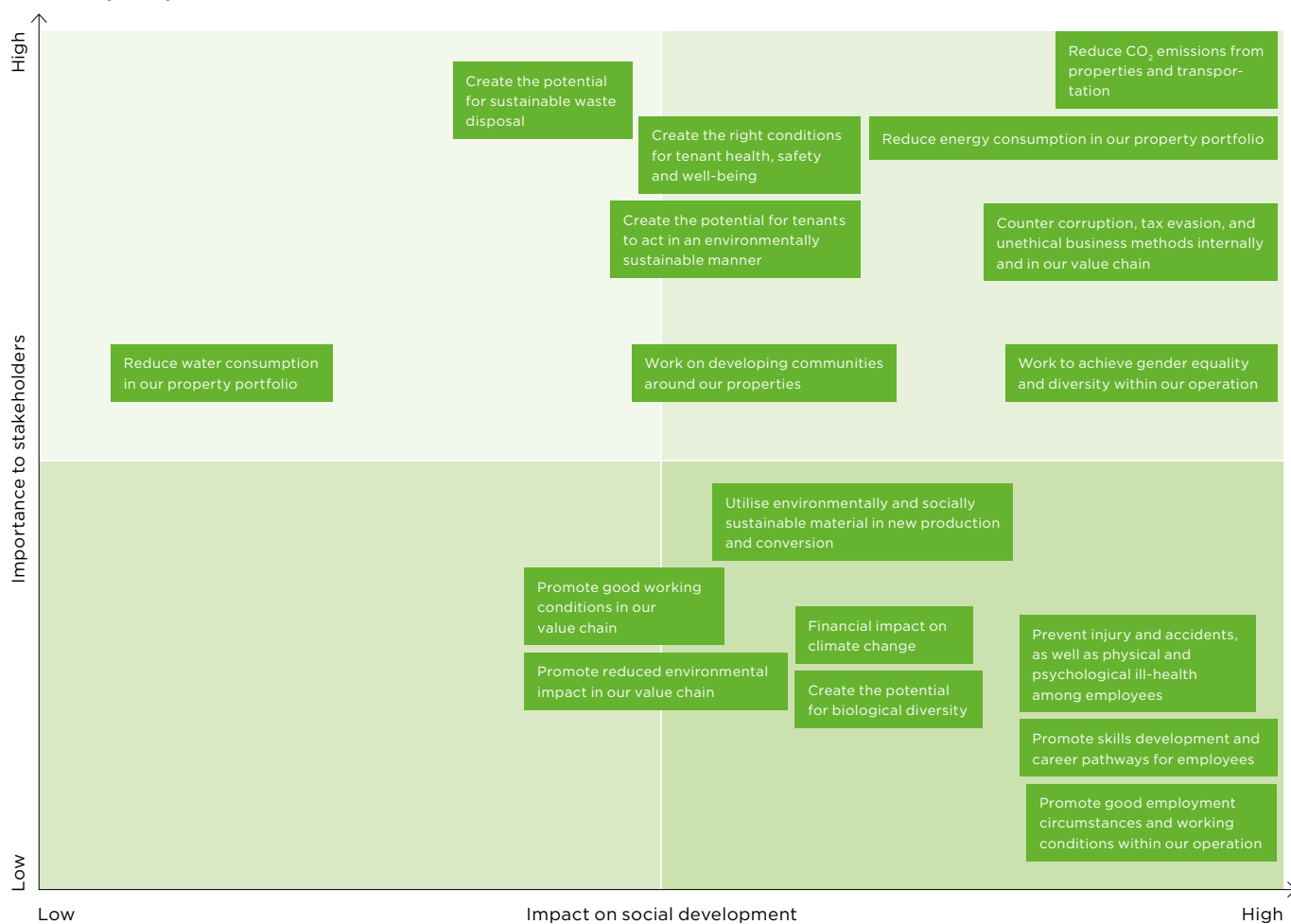
■ Electricity ■ Heating ■ Cooling

Our sustainability reporting is compliant with the Global Reporting Initiatives (GRI) framework, which provides transparency and enables comparative monitoring. In 2018, we conducted a survey of shareholders, investors, financial analysts and a broad base of tenants to find out their

wants and needs from the perspective of various sustainability aspects. Using their input, and following GRI guidelines, we conducted a materiality analysis that clarified our five focuses of sustainability work: the environment, diversity, social responsibility, health & safety, as well as

business ethics. This sustainability work was coordinated by our Sustainability Manager but we collaborate closely on sustainability issues organisation-wide. We worked on updating our sustainability strategy and policy in 2019, which we expect to complete in 2020.

Materiality analysis



Focusing on global goals

The UN's global goals guide our sustainability work. We expanded our work in 2019, now focusing on eight of these goals, because we want to take more responsibility.

Goal 3: Good health and well-being

Ensure healthy lives and promote well-being for everyone of all ages. Tenants want solutions such as being close to gyms, communications and recreational facilities in their communities. Other key aspects for improved health include the amount of daylight entering buildings, plants and green areas in the surroundings. When planning our clusters, we obviously need to satisfy these needs for forthcoming tenants as far as possible. We're phasing out hazardous materials in our buildings, primarily on conversion, to reduce health risks and damage to the environment. We work actively on promoting staff well-being, through channels including incentives to exercise.

Goal 5: Gender equality

Kungsleden makes a contribution to gender equality by serving as a role model for the Swedish business community and continuing to work proactively for women and men having equal opportunities in their work and careers. Kungsleden has basically even gender division at the company's management levels.

Goal 7: Affordable and clean energy

By adjusting existing technology and investing in energy-efficient plant, Kungsleden can reduce the energy consumption of its properties. Kungsleden sources renewable energy for its property portfolio to promote the realignment of its energy mix to more renewable sources, as well as contributing its own locally produced energy.

Goal 8: Decent work and economic growth

Promote lasting, including and sustainable economic growth, full and productive employment with decent working conditions for everyone. Kungsleden can set standards on working conditions in the production of materials, construction elements and other components used in conversions. We conducted a number of random tests of supplier working environments in 2019, work that will intensify going forward, to create good working conditions at every level wherever possible.



Goal 10: Reducing inequalities

By working actively on vibrant urban spaces where there are spontaneous meetings between people whatever their background, Kungsleden enables encounters that contribute to reducing inequalities.

Kungsleden also works actively on an open corporate culture that is inclusive and creates the potential for disadvantaged people to enter the labour market.

Goal 11: Sustainable cities and societies

As a major, long-term property owner, Kungsleden has the potential to influence public transport in the surroundings of its properties. Kungsleden also has the potential to influence planning, inclusion, resource-efficiency and adaptation to climate change in its clusters. We also create the right conditions for tenants to be able to utilise premises as sustainably as possible.

Goal 12: Responsible consumption and production

During property conversion and extension, Kungsleden is a major purchaser of goods and services. By constantly endeavouring to select the most environmental alternatives, we create potential for more sustainable consumption and production. This also enables us to avoid building the wrong solutions or materials into our properties.

Goal 13: Combat climate change

At Kungsleden, we work actively to reduce our climate impact, which includes the optimisation of energy systems in our properties. We install solar panels and geothermal heating plant to reduce our dependence on fossil energy sources. We also computed the CO₂ emissions of our procurement in 2019.

OUR ENVIRONMENTAL RESPONSIBILITY

We are continuously developing our environmental work, setting progressively higher standards - including dialogue with our customers, suppliers, sector peers and other social bodies such as public authorities, non-profit organisations and local politicians. But everything starts at our own individual level, with for example, us updating our travel policy, which stipulates that we should use rail travel as the first option.

We're reducing our climate footprint

We have been working on reducing the energy emissions from energy consumption and our transportation, and on energy efficiency measures in development projects and our ongoing property management for a long time.

Heating represents most of our energy consumption, and we installed geothermal heating plant in our property Trekanten 5 in Danderyd outside Stockholm in the year. This plant supplies the property with heating and cooling, and reduces estimated energy consumption by over 3,000 MWh, or 80 per cent of previous usage. The plant is one of the Stockholm region's largest geoenergy installations. In like-for-like portfolio terms, energy consumption reduced by 4 per cent in 2019. We expect to achieve our target of reducing energy consumption by 20 per cent between 2014 and 2020.

We have been a member of the government's Fossil-free Sweden initiative since 2015, and our objective is to reduce CO₂ emissions by 20 per cent between 2018 and 2023. We purchase certified power to further reduce the climate impact from our electrical energy consumption. We have been purchasing certified windpower since 1 January 2020.

We also developed the monitoring of the emissions we contribute to through our procurement of goods and services, under Scope 3. Our analysis indicates that most of the emissions from our operations are associated with procuring materials, and are 5-10 times higher than energy consumption and our own operations. In 2020, we will be continuing to examine how we can reduce our climate burden, primarily from conversion projects.

New sustainability programme for our projects

In 2019, we produced a new sustainability programme for development projects in the

company. This categorises sustainability standards pursuant to legislation, our own standards, as well as voluntary supplements. This can apply to standards on climate computation, LEED certification, healthy indoor environments, community social engagement and environmentally friendly construction materials. It continues through all phases of the project, and is subject to approval by Project Managers and Sustainability Managers prior to implementation. After testing and adjustment, the programme will be implemented as standard in 2020.

We're a member of Construction Material Assessment Body (BVB). Our purchasing policy stipulates that all materials used on projects with a value of over SEK 1 million must be assessed and accepted by BVB. The life cycle perspective is important to us, and we work on including issues in the project phase affecting waste sorting at source, waste disposal and recycling materials.

Environmental certification of properties

Environmental certification is a method of clarifying property environmental performance and enabling international comparisons, but is also a tool for working on improvement on a structured footing. We have selected LEED certification, one of the world's most recognised environmental classification systems. This certification involves 11 different segments including travel, energy consumption and indoor environments. Our goal is that in principle, our whole property portfolio will be environmentally certified by year-end 2025.

At Kungsleden, we want to make an active contribution to adapting the LEED system to Sweden and developing it by helping produce training packages, templates and checklists. We are achieving this by serving on the LEED Board, which is run by the SGBC (Sweden Green Building Council).

Sustainability assessment on acquisition

Historically, we have been a property owner that executes a lot of transactions. This means that we continuously develop our internal processes and checklists to clarify the risks that may be inherent in a transaction.

The sustainability risks associated with each prospective acquisition are mapped by reviewing public documentation, conducting interviews and site visits. The risk analysis

results in an assessment of the costs that actions will generate to address the identified risks in environmentally hazardous material, the indoor environment and climate change, for example.

New EU framework for green investments

The EU undertook intensive efforts in 2019 to produce a new taxonomy - a classification of green investments with the goal of increasing the tempo to achieve its energy and climate goals by 2030. Kungsleden has participated in the dialogue. This new EU taxonomy sets higher standards on reporting and accrediting third-party verification of green frameworks, see key facts below.

Green leases - part of our customer proposition

Green leases are a natural component of our customer proposition and enable us to maintain dialogue with tenants on sustainability work. These contracts contain an undertaking to promote climate-smart premises, including actions in energy efficiency, indoor environments, material selection and sorting waste at source, as well as options for cycle commuting and public transport. In 2019, we trained our managers specifically on sustainability dialogues, and signed 95 new green leases, which is slightly below target.

EU taxonomy - key facts

The focus of the EU taxonomy for buildings will mainly be on energy consumption per square metre. For new production, the standard will be NZEB (Near Zero Energy Buildings) or EPC B (Energy Performance Certificate B). The same standards will apply to existing buildings, with the option of reducing energy consumption by 30 per cent during refurbishment. This involves a simpler view, which in practice, favours the new production of properties over existing buildings. We will continue to monitor progress of the EU taxonomy.

OUR SOCIAL RESPONSIBILITY

To help create a more inclusive society, we work intensively on promoting diversity within the company, and in those cases where we can go further and have greater impact than acting alone, we designate established collaborative partners. As a property owner, we see several ways to take more responsibility for creating vibrant meeting places, as well as safe urban and working environments.

Diversity and inclusion

We are convinced that diversity and inclusion create the best business opportunities, in relationships with our customers and developing the company and employer brand. Our goal is for the company to reflect the diversity of wider society. In 2019, we put a special focus on sustainability and diversity issues, through leadership day events, and with an internal road show comprising a total of 11 workshops. 80 per cent of all staff participated in the dialogue on how we can improve inclusion and diversity in our company.

As recognition of our intensive diversity work, Kungsleden received the EPRA Diversity & Inclusion Award 2019. This new award is intended to showcase role models among Europe's listed real estate companies. The jury cited our strong strategy, with its clear short and long-term goals. This demonstrates that the company has real ambition in diversity and inclusion. We also attracted praise for successfully realising our vision - of creating attractive and sustainable places where people get inspired.

Gender equality: Kungsleden currently employs 53 per cent women and 47 per cent men. There are slightly more women than men at management level.

Age: The average age of Kungsleden employees is 43.

Within Group Management, the average age is 50, and on the Board of Directors, 60.

Languages and backgrounds: At year-end 2019, 11 per cent (9) of our employees had foreign backgrounds. The Swedish average is 22 per cent. We also mapped the languages our employees speak in the year,

which clarifies the skills the company lacks, and will provide important support in future recruitment processes.

Partnerships to go further

KY training - property management
In 2019, we also started partnerships related to KY (vocational) training packages in property management. We assisted four students, all selected with diversity in mind. This partnership will continue in 2020.

Search & selection services

We collaborate with recruitment agencies to ensure greater diversity in new appointments. Previously, we outsourced property management, but started the process of hiring management staff in-house in 2019, a process where diversity is an important parameter. In the year, 3 of the 13 people hired in our facility management organisation were women, significantly above the sector average.

Summer employment

We have focused on spreading the diversity issue to our contractors, to offer young, excluded people their first contact with the labour market and the property sector specifically. Jointly with youth charity Fryshuset and contractors, we created six summer employment placements, and the young people who took them up this year were selected based on the increased diversity they brought to the relevant workplace. This partnership will continue in 2020.

Jobbsprånget - a head-start

We've been partnering with Jobbsprånget, an Initiative by the Swedish Academy of Engineering Sciences and the Swedish Migration Board for many years. The intention is to offer recently immigrated graduates faster access to Sweden's labour market. Interns get references, contact with the Swedish labour market and are fast-tracked in learning the Swedish language. From this partnership, we've learned how to make our internal processes more inclusive. This partnership will also continue in 2020.

Health & safety

We want to ensure a positive and healthy working environment for our staff, tenants and the contractors that work in our properties.

As our development projects and conversions expand, safety issues become more complex and important. Within our property management operation, we have produced guidelines that our employees and subcontractors should observe. In the year, we conducted three health & safety audits at construction sites where Kungsleden is the developer. These audits involved reviews of working environment plans and safety patrols were prepared and made available, as well as inspections of the physical working environment. The audits revealed only one instance of non-compliance, which was not serious, and dealt with in accordance with internal procedures. Appropriate measures were taken. One priority issue in 2020 will be continuing to develop our safety organisation because we now also manage properties in-house. The purpose of systems like this is to prevent incidents and see the outcome of actions taken.

Kungsleden wants to contribute to vibrant and safe urban environments. Our working method utilising clusters offers us the potential to influence whole locations, and create areas that become spontaneous meeting places for people. Most of our clusters have direct access to subway lines, rail links or buses, and are often close to nature and parks. Because more people want to cycle to work, we also work on improving cycle commuting options, and most properties have showers and cycle storage. We ensure that we serve on business associations and property owner groups to maintain continuous dialogue with municipalities on urban development. One example is Kista, where we are active on the property owners' association, to make the area safer.

More social projects

In another collaboration with youth charity Fryshuset we helped organise rewarding activities for children of single mothers. We also have a partnership with Föreningen Storasyster ('the big sister'), which counters sexual violence in Sweden.

BUSINESS ETHICS AT KUNGSLEDEN

We set high standards of business ethics and have a professional corporate culture with terms & conditions at market levels that are transparent. We distance ourselves from all forms of corruption and have zero tolerance of impropriety. Our sustainability policy, guidelines for business networking and subsidiary employment and conflicts of interest are central to our work in business ethics. We transform these into action through training, monitoring and continuous internal communication.

Development work in 2019

Employees from all regions, management and directors participated in internal business ethics workshops in the spring. They got the opportunity to discuss various cases from the sector, but also reflect on how work on business ethics could be conducted in their teams, and what each individual could bring, as well as what we should focus on overall. A total of

80 per cent of staff participated, and generated a wealth of proposals on how work on business ethics can develop going forward, for the whole company and each team.

Code of Conduct for suppliers

Ensuring the absence of corruption and bribery, and promoting healthy competition to ensure good working conditions are important in procurement. To make sure the procurement of goods and services is on a responsible footing, we apply a Code of Conduct to suppliers that has been adopted within our Procurement Policy. This also covers human rights, health & safety and environmental issues. Prior to accepting a supplier, the Code of Conduct must be signed. We ensure that suppliers comply with the Code of Conduct by exercising the right to demand documentation and/or conduct audits. Non-compliance can result in our relationship with the supplier being discontinued. Audits of three suppliers and

projects were conducted in 2019. No serious instances of non-compliance were noted. The audits included both internal work and the application of existing procedures such as suppliers complying with our contracts, procedures and relevant legislation.

Whistleblower system to highlight corruption, core values and our working environment

We operate a whistleblower system enabling non-compliance company wide to be reported anonymously by company staff or external parties. The system is designed to deal with serious business ethics non-compliance, but also serious health & safety issues where reporters wish to remain anonymous. No cases of corruption were revealed in the year. We follow up on all suspicions of non-compliance with our core values. Reports regarding non-compliance with our core values were received in the year. These cases were processed in accordance with our procedures.





Our people | Sustainability work with side-effects

Tangible results of Kungsleden's sustainability work are apparent at four properties north of Stockholm. They include a number of deep bores, as well as beehives!

Kungsleden densifies its properties in selected locations to create an attractive proposition for tenants. These clusters are in attractive locations with development potential, good access and close to highways and intersections. A 100,000 sq.m. cluster is in Danderyd, north of Stockholm, where there are clear examples of Kungsleden's extensive sustainability work.

"Our tenants place high demands on us because they need to show their customers that they're green in every sense too. In recent years I've noted completely new interest in sustainability issues from our tenants. This interest helps us maintain a good dialogue," says Eva-Lotta Svensson, Kungsleden's Property Management

Unit Manager for Danderyd.

At Danderyd, sustainability work goes all the way from cellar to rooftop.

An all-new geothermal heating and cooling plant came on stream at the property Trekanten 5 in 2019. With its 52 bores 350 meter deep, the property is self-sufficient in heating and cooling. Solar panels for electricity generation are planned for the roof. New indoor climate control systems further reduce climate impact across all the cluster's properties.

The property Svärdet 7 can also boast a new garden, created by professionals from Ulriksdal Palace.

"It's been designed as an inspiring environment for as much of the year as possible. But we've planned to avoid everything blooming in July when most people are on holiday," continues Eva-Lotta.

The property's garden has some beehives. Apart from pollination benefits, they also create gifts that our tenants really appreciate," adds Eva-Lotta:

"We can give them genuine locally

produced honey. As a real estate company, we must always stay ahead of people's expectations, offering the premises that current and future tenants need to feel good and give of their best on their markets.







IN-DEPTH SUSTAINABILITY INFORMATION





GRI-index and EPRA

Kungsleden's sustainability reporting summarises sustainability work in 2019 and constitutes the Statutory Sustainability Report. It has been prepared in accordance with the GRI (Global Reporting Initiative) standard's Core level, with the Construction & Real Estate Sector Supplement (CRESSE) and the EPRA's (European Public Real Estate Association) sBPR (Best Practices Recommendations on Sustainability Reporting). This section states in-depth sustainability information, and supplements the information produced in previous Annual Reports. The section also includes Kungsleden's CoP for the Global Compact, which satisfies the Active level.

Kungsleden's material sustainability issues	Governance
Energy	Sustainability Policy & Strategy
Emissions	Sustainability Policy & Strategy
Environmental impact of products and services	Sustainability Policy & Strategy
Soil contamination and remediation	Sustainability Policy & Strategy
Labelling of products and services	Sustainability Policy & Strategy Business Plan
Anti-corruption	Procurement Policy Business Networking Guidelines Guidelines for Incidental Employment & Conflicts of Interest
Supplier assessment of working conditions	Code of Conduct for Suppliers
Diversity and gender equality	Equal Opportunity & Diversity Policy
Skills management of employees	Skills Management Policy
Employee health & safety	Occupational Health & Safety Policy Alcohol & Drug Policy
Customer health & safety	Sustainability Policy & Strategy
Economic performance	Business Plan
Whistle-blowing function	Guidelines for whistle-blowing errands and handling

ECONOMIC PERFORMANCE

201-1 Direct economic value generated and distributed

Directly created value was SEK 3,147 million, and retained economic value was SEK 1,384 million. All companies exert a direct impact on their economies through payments to business partners, taxes and salaries, pensions and social security contributions for employees. The following diagram illustrates how Kungsleden's revenues were divided between its different stakeholder groups in 2019.

OUR CONTRIBUTION TO SOCIETY 2019, TOTAL SEK 1,763 M

	2017	2018	2019
Operating expenses, excl. employees	740	762	750
Employees	165	133	132
Dividend to shareholders	437	480	524
Interest	434	367	356
Social investment	1	1	1
Tax (exc. deferred tax)	0	2	0
Total	1,777	1,745	1,763

EMPLOYEE HEALTH & SAFETY

403-2 Hazard identification, risk assessment, and incident investigation

	Unit	2017	2018	2019
Total number of working days lost due to inability to work (e.g. sickness absence, but also other types of absence apart from the 'normal' ones, i.e. not weekends, holidays, occupational leave, parental leave, etc.)	days	5,549	6,803	5,527
Above days, women	days	4,694	4,708	4,859
-of which long-term sickness absence	days	2,227	2,633	3,673
Above days, men	days	855	2,095	668
-of which long-term sickness absence	days	0	1,312	108
Total number of planned working days (total for all employees)	days	199,898	203,988	210,061
Above days, women	days	101,705	107,172	109,541
Above days, men	days	98,148	98,816	100,520

LAND DEGRADATION, CONTAMINATION AND REMEDIATION

G4-CRE5 Land remediated and in need of remediation

In 2019, Kungsleden continued its work according to the plan established after the mapping process executed in 2016, when all properties held were categorised according to be contamination situation in one of the following five categories. All new acquisitions have been systematically reviewed and classified by contamination situation.

Category 1: Contamination detected that requires remediation. Category 2: MIFO class 1 or 2 or other motivation for investigation required. Potential detection of contamination that requires remediation programme. Category 3: MIFO class 3 or 4 or contamination detected that does not require remediation. Category 4: Risk of contamination, but none detected and no sector classification. Category 5: No contamination detected and no reason for suspicion.

This assessment is based on documentation in public records and internal materials and investigation. Kungsleden has not been imposed with any instructions for remediation of soil contamination. No portfolio property is currently classified in category 1.

GRI complement

ORGANISATIONAL PROFILE

102-8 Information on employees and other workers

	Unit	2017	2018	2019
Total no. of employees	no.	110	107	120
-of which women	no.	56	56	63
No. of permanent employees	no.	54	55	63
-of which full time	no.	53	54	62
-of which part time	no.	1	2	1
No. of fixed-term employees	no.	2	1	0
-of which men	no.	54	51	57
No. of permanent employees	no.	54	51	57
-of which full time	no.	53	51	0
-of which part time	no.	1	0	0
No. of fixed-term employees	no.	0	0	0

102-40 Stakeholder groups

102-42 Identifying and selecting stakeholders

102-43 Approach to stakeholder engagement

The following table lists Kungsleden's most important stakeholders, how we maintain a dialogue with them, and the issues the various stakeholders view as most important. These stakeholders are important to Kungsleden because they have major influence on the company or are impacted by the company's operations. Through the Annual Report, we review how we address our stakeholders' standards and expectations.

Stakeholder group	Dialogue in the year
Shareholders, investors and financial analysts	<ul style="list-style-type: none"> • AGM • New share issue • Scheduled meetings • Regular contact • Capital markets day • Annual Report
Employees	<ul style="list-style-type: none"> • Yearly appraisal and salary review interviews • Regular dialogue with line managers • Employee satisfaction survey • Staff conference
Wider society	<ul style="list-style-type: none"> • Contacts with business community and decision-makers • Website updates
Suppliers	<ul style="list-style-type: none"> • Regular contact • Audits and performance reviews • Clarification of standards in tenders pursuant to Kungsleden's templates for suppliers
Tenants	<ul style="list-style-type: none"> • Regular contact • Meetings in the year • Website

Scope	Activity	Activity data	Conversion factor
Scope 1	Oil purchased by Kungsleden that is not reinvoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased oil and reinvoicing systems.	Heating oil: 0.268 ton CO ₂ /MWh. <small>Source: Statistics Sweden. Conversion of Statistics Sweden energy statistics to CO₂ emissions, 29 May 2009 w. 2</small>
Scope 2	Electricity purchased by Kungsleden that is not reinvoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased electricity and reinvoicing systems.	Certified renewable energy: 4 g CO ₂ /kWh. <small>Source: Göteborg Energy</small>
Scope 2	District heating purchased by Kungsleden that is not reinvoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased district heating and reinvoicing systems.	Statistics from each district heating provider.

DIVERSITY AND GENDER EQUALITY

102-8 Information on employees

405-1 Composition of company by gender and age group

	2017	2018	2019
Board of Directors			
No. of women	5	4	3
–of which aged under 30	0	0	0
–of which aged 30–50	0	0	0
–of which aged over 50	5	4	3
No. of men	2	2	3
–of which aged under 30	0	0	0
–of which aged 30–50	0	1	1
–of which aged over 50	2	1	2
Management			
No. of women	6	6	6
–of which aged under 30	0	0	0
–of which aged 30–50	4	4	5
–of which aged over 50	2	2	1
No. of men	3	3	3
–of which aged under 30	0	0	0
–of which aged 30–50	0	0	0
–of which aged over 50	3	3	3
Other			
No. of women	58	50	57
–of which aged under 30	4	8	7
–of which aged 30–50	42	33	36
–of which aged over 50	12	9	14
No. of men	52	48	54
–of which aged under 30	6	4	9
–of which aged 30–50	25	27	32
–of which aged over 50	21	17	13
Total	110	107	120

Summary of Kungsleden's satisfaction of the reporting standards of the Swedish Annual Accounts Act

Segment	Disclosure	Pages
Overall	Business model	12-13
Environment	Policy and environmental issues Risks and their management within environmental issues Goals and performance related to environmental issues	54, 56, 57, 74, 130-132
Human resources and social conditions	Policy och social issues Risks and their management within social issues Goals and performance related to social issues	48-51, 54, 56, 74, 130-132
Respect for human rights	Policy och social issues Risks and their management within social issues Goals and performance related to social issues	56, 58, 74, 130-132
Anti-corruption	Policy for work on anti-corruption Risks and their management within anti-corruption Goals and performance related to anti-corruption	55, 56, 74, 130-132

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Kungsleden AB (publ),
corporate identity number 556545-1217.

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2019 on pages 130-139 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 statement*. This means that our examination of the corporate governance statement is different and substantially 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 opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm 18 March 2020
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

Jonas Svensson
Authorized Public Accountant

GRI-index

Kungsleden's reporting is compliant with the GRI (Global Reporting Initiative) standard's Core level. A GRI index that indicates the sources of in-depth information is provided below. Kungsleden has adopted GRI as its system and guidelines to improve comparability with other entities within and outside its sector.

GRI Standard	Disclosure	Description	Comment	Page reference	Link to global goals
General Disclosures					
GRI 102: General Disclosures 2016	Organisationsprofil				
	102-1	Organisational profile	Kungsleden Fastighets AB, corporate identity number 556459-8612	GRI-index, page 134	
	102-2	Activities, brands, products, and services		Cover page, page 4	
	102-3	Location of headquarters	Stockholm, Sweden	GRI-index, page 134	
	102-4	Location of operations	Kungsleden conducts operations in Sweden only	GRI-index, page 134	
	102-5	Ownership and legal form		Page 4, 12-13	
	102-6	Markets served	Sweden	GRI-index, page 4	
	102-7	Scale of the organization		Page 5, 48-51	
	102-8	Information on employees	Information stated as of 31 Dec. 2019, i.e. not averages for the year. All employees are located in Sweden. HR data from Kungsleden's HR systems.	Page 56, 58-59, 74, 131	Goal 8
	102-9	Supply chain		Page 58-59	
	102-10	Significant changes to the organization and its supply chain	No material changes in the year	GRI-index, page 134	
	102-11	Precautionary Principle or approach	Kungsleden has signed the UN Global Compact, whose environmental undertakings include the precautionary principle.	GRI-index, page 134	
	102-12	External initiatives	Global Compact, Global Reporting Initiative, EPRA, BREEAM, LEED, BVB.	GRI-index, page 134	
	102-13	Membership of associations	Fossil-free Sweden, Sweden Green Buildings Council, BVB, Fastighetsägarnas hållbarhetsråd (the Swedish Property Owners' Sustainability Council), the USGBC, UN Global Compact, the LEED Council and GRESB are associations where Kungsleden has an active role.	GRI-index, page 134	
	Strategy and analysis				
	102-14	Statement from senior decision-maker		Page 8-9	
	Ethics and integrity				
	102-16	Values, principles, standards, and norms of behavior		Page 48, 58-59	Goal 16
	Governance				
	102-18	Governance structure		Page 12-14	
	Relations with stakeholders				
	102-40	List of stakeholder groups		Page 131	
	102-41	Collective bargaining agreements	All Kungsleden employees are covered by collective-bargaining agreements.	GRI-index, page 134	Goal 8
	102-42	Identifying and selecting stakeholders		Page 55, 131	
	102-43	Approach to stakeholder engagement		Page 55, 131	
	102-44	Key topics and concerns raised		Page 55	
	Reporting practice				
	102-45	Entities included in the consolidated financial statements	The Annual & Sustainability Report covers all operations unless otherwise stated.	GRI-index, page 134	
	102-46	Defining report content and topic boundaries	The principles governing stakeholder engagement, sustainability contexts, materiality and comprehensiveness have assisted the company in defining the content of this Report.	Page 55, GRI-index, 134	
	102-47	List of material topics		Page 55	
	102-48	Restatements of information	No restatements from previous Reports.	GRI-index, page 134	
	102-49	Changes in reporting	The reporting of GHG emissions has altered: Scope 3 has not been reported.	Page 132 and GRI-index, page 134	
	102-50	Reporting period	Kungsleden's Annual & Sustainability Report is for the period 1 January-31 December 2019.	GRI-index, page 134	
	102-51	Date of most recent report	The latest Sustainability Report was published at www.kungsleden.se on 19 March 2019.	GRI-index, page 134	
	102-52	Reporting cycle	Reporting is yearly.	GRI-index, page 134	

GRI Standard	Disclosure	Description	Comment	Page reference	Link to global goals
	102-53	Contact point for questions regarding the report	Ylva Sarby Westman, Deputy CEO e-mail: ylva.sarby.westman@kungsleden.se Tel: +46 (0)8 503 05200 Internet: www.kungsleden.se/en/	GRI-index, page 134	
	102-54	Contact point for questions regarding the report		Page 134-136	
	102-55	GRI index		GRI-index, page 134-136	
	102-56	External assurance	The Sustainability Report is not externally verified. The auditor's statement that a sustainability report has been prepared is on p. 133.	GRI-index, page 135	
Specific Disclosures					
Economic performance					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 130	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed		Page 130	Goal 11
Energy					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 17, 20, 36	
GRI 302: Energy 2016	302-1	Energy consumption within the organization		Page 54, 57	
	302-4	Reduction of energy consumption		Page 54, 57	Goal 7
	CRE1	Energy consumption per square metre		Page 54, 57	
Emissions					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 132	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions		Page 132	
	305-2	Energy indirect (Scope 2) GHG emissions		Page 132	
	CRE3	GHG emissions per square metre		Page 132	
Land contamination and remediation					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 130	
	CRE5	Contaminated and remediated land		Page 130	
Products and service labeling					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 57, 56	
	CRE8	Number and proportion of environmentally certified properties		Page 5, 57, 65	
Customer health & safety					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 35-36, 71	
GRI 416: Customer health & safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No instances of non-compliance reported. Fault reporting in properties managed continuously by a fault reporting system.	GRI-index, page 132	
Employee health & safety					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 48-51	
GRI 403: Employee health & safety 2016	403-2	Hazard identification, risk assessment, and incident investigation		Page 130	
	CRE6	Proportion of employees working according to a health & safety management system	Kungsleden complies with health & safety legislation, and has the stipulated safety representatives.	GRI-index, page 135	

GRI Standard	Disclosure	Description	Comment	Page reference	Link to global goals
Skills management of employees					
GRI 404: Training and education 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		GRI-index, page 136, 55-59	
	404-2	Programs for upgrading employee skills and transition assistance programs	Kungsleden has a skills management process including digital support tools available to all employees. Kungsleden has collective-bargaining agreements and pension advisors offering guidelines and advice as required. Individually tailored support is available on termination of employment.	GRI-index, page 136	
	404-3	Percentage of employees receiving regular performance and career development	95%	GRI-index, page 136	
Diversity and equal opportunity					
GRI 405: Diversity and equal opportunity 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 132	
	405-1	Composition of company by gender and age group	Information stated as of 31 Dec. 2019.	Page 132	Goal 5
	405-2	Number of cases of discrimination	No cases reported in the year.	GRI-index, page 132	
Supplier social assessment					
GRI 414: Supplier Social Assessment 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 56, 58, 74	
	414-2	Negative social impacts in the supply chain and actions taken	Three audits conducted in 2019.	Page 74 and GRI-index, page 136	
Anti-corruption					
GRI 205: Anti-corruption 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 72	
	205-1	Operations assessed for risks related to corruption	Three corruption risk analyses were conducted in 2019.	GRI index, page 136	
	205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption Policy training conducted for all employees, including Management and the Board of Directors.	Page 59 and GRI-index, page 136	
	205-3	Confirmed incidents of corruption and actions taken	No cases of corruption were revealed in the year.	Page 59, GRI-index, page 136	

EPRA

EPRA SUSTAINABILITY PERFORMANCE MEASURES

Effective 2016, Kungsliden is reporting in-depth sustainability performance measures for the company based on the EPRA's (European Public Real Estate Association) sBPR (Best Practices Recommendations on Sustainability Reporting).

EPRA PERFORMANCE MEASURES

Kungsliden is reporting sustainability performance measures for 17 of the EPRA sBPRs. It is reporting indicators for energy, greenhouse gas emissions, water, waste and share of environmentally certified buildings, prepared in accordance with the most recent guidelines from the EPRA; sBPR. Energy consumption is reported in MWh, emissions in tons, water consumption in m³, emission intensity in kg/m², energy intensity in kWh/m² and water intensity in litres/m².

EPRA OVERARCHING RECOMMENDATIONS

Organisational boundary

The boundary of reporting originates with the properties where Kungsliden has operational control pursuant to the principles of the Greenhouse Gas Protocol. Kungsliden has adopted this approach because it provides us with the best potential to report and quality-assure statistics that Kungsliden can directly impact. Other properties, whether customer is responsible for agreements for delivering energy, water and waste, are not included. When the customer is responsible for these agreements, Kungsliden is not in possession of metrics data, and accordingly, reporting outcomes is problematic.

Coverage

Continuous and active work is ongoing on the properties that Kungsliden owns and manages to gain access to relevant performance data. Kungsliden values available performance data because it creates the potential for effective and positive management of properties. Kungsliden currently has access to performance data for much of its portfolio. The share of properties included in indicators is reported for each performance measure. However, Kungsliden does not have access to performance data for all properties. Primarily, measurements of waste are missing due to waste contractors being unable to provide statistics for all properties. Kungsliden works continuously to gain access to all relevant performance data wherever possible. At year-end 2018, Kungsliden owned a total of 209 properties, compared to 222 properties at year-end 2018. Kungsliden acquired and divested properties in the period. For the complete property list, see pages 142-149.

Estimation of landlord-obtained utility consumption

All data reported has been measured and verified. There were no estimations.

Third party assurance

Kungsliden's indicators reported pursuant to EPRA have not been verified by a third party.

Boundaries – reporting on landlord and tenant consumption

Kungsliden reports on the energy purchased by the property owner, i.e. by Kungsliden. Kungsliden does not report tenants' energy consumption because it basically does not have access to these statistics. Kungsliden cannot directly influence tenant energy consumption, which to some extent, renders the statistics less relevant. See the EPRA table for the data reported.

Normalisation

Kungsliden utilises the Swedish Meteorological & Hydrological Institute's standards to normalise energy for heating.

Analysis – Segmental analysis (by property type, geography)

Kungsliden reports sustainability data pursuant to the building types of office and retail premises, industrial buildings and projects.

Disclosure on own offices

Kungsliden's own offices are included in the statistics, but not reported separately.

Narrative on performance

Changes from 2018 to 2019 for sustainability key figures and savings achieved are stated in this index for 2019. There were no restatements of emissions data.

Location of EPRA Sustainability Performance in companies' reports

The reporting of sustainability key figures pursuant to EPRA sBPR is formulated in this index, which is part of the Annual Report for 2019.

Reporting period

The reporting of sustainability key figures pursuant to EPRA sBPR is for the calendar year, i.e. 1 January to 31 December.

EPRA

EPRA	Unit	Description		Kungsleden		Retail and Stores			
				2019	2018	2019	2018	Variance	Chg., %
Elec-Abs	MWh	Electricity	Total purchased by property owner	136,845	160,670	4,293	8,692	-4,399	-51
Elec-LFL	MWh	Electricity		133,533	158,923	4,293	8,692	-4,399	-51
DH&C-Abs	MWh	District heating and cooling	Total purchased by property owner	155,653	202,098	5,670	11,232	-5,562	-50
DH&C-LFL	MWh	District heating and cooling		151,819	200,568	5,670	10,403	-4,733	-45
Fuels-Abs	MWh	Fuels	Total purchased by property owner	296	203				
Fuels-LFL	MWh	Fuels		296	203				
Abs	MWh	Energy	Total energy consumption	292,794	362,971	9,963	19,924	-9,961	-50
LFL	MWh	Energy	Total energy consumption	285,648	359,694	9,963	19,095	-9,132	-48
Abs	MWh	Energy	Total energy consumption (degree day adjusted)	308,312	372,470	10,573	20,476	-9,903	-48
LFL	MWh	Energy	Total energy consumption (degree day adjusted)	300,849	369,149	10,573	19,603	-9,030	-46
Energy-Int - Abs	kWh/kvm	Energy intensity	Total energy consumption (degree day adjusted)	164	198	101	142	-41	-29
Energy-Int - LFL	kWh/kvm	Energy intensity	Total energy consumption (degree day adjusted)	162	198	101	140	-39	-28
Energy-Int - Abs	kWh/kvm	Energy intensity	Energy intensity of properties	156	193	96	138	-43	-31
Energy-Int - LFL	kWh/kvm	Energy intensity	Energy intensity of properties	154	193	96	136	-41	-30
GHG Dir-Abs	Ton CO ₂ e	Direct	Scope 1	79	54				
GHG-Dir-LFL		Direct	Scope 1	79	54				
GHG-Indir-Abs	Ton CO ₂ e	Indirect	Scope 2	12,834	15,226	432	501	-69	-14
GHG-Indir-LFL		Indirect	Scope 2	12,536	15,316	432	484	-52	-11
		GHG-Indir-Abs	Emissions, electricity	547	642	17	35	-18	-51
		GHG-Indir-LFL	Emissions, electricity	534	635	17	35	-18	-51
		GHG-Indir-Abs	Emissions, heating & cooling	12,287	14,584	415	466	-51	-11
		GHG-Indir-LFL	Emissions, heating & cooling	12,002	14,681	415	449	-34	-8
GHG-Int - Abs	Kg CO ₂ e/kvm	Intensity Kg/kvm	Emission intensity from property energy consumption	6.8	8.1	4.1	3.5	0.6	18
GHG-Int - LFL	Kg CO ₂ e/kvm	Intensity Kg/kvm	Emission intensity from property energy consumption	6.8	8.2	4.1	3.5	0.6	19
Water-Abs	m ³	Municipal water		564,033	622,692	14,721	34,249	-19,528	-57
Water-LFL	m ³	Municipal water		561,594	621,359	14,657	32,915	-18,258	-55
Water-Int - Abs	m ³ /kvm	Intensity		0.3	0.3	0.1	0.2	-0.1	-58
Water-Int - LFL	m ³ /kvm	Intensity		0.3	0.3	0.1	0.2	-0.1	-40

EPRA	Description	Miljöbyggnad (Swedish environmental building)		EU GreenBuilding		LEED		Total environmentally certified properties		
		2019	2018	2019	2018	2019	2018	2019	2018	Chg., %
Cert-tot	No. of properties	2	2	6	6	14	8	22	14	57
	Area (sq.m)	24,746	24,746	86,966	86,966	289,523	145,481	401,235	184,231	118
	Prop. per sq.m (%)	1	1	4	4	15	7	20	9	122

EPRA	Description	2019		
		Men	Women	Total
Diversity pay	Gender pay ratio (%)	98	102	-
Emp- Turnover	Employee turnover (%)	-	-	24

	Industrial and Warehouse				Office				Other				Kungsleden Total			
	2019	2018	Variance	Chg., %	2019	2018	Variance	Chg., %	2019	2018	Variance	Chg., %	2019	2018	Variance	Chg., %
	58,637	70,523	-11,886	-17	71,966	78,738	-6,772	-9	1,949	2,717	-768	-28	136,845	160,670	-23,825	-15
	58,637	70,523	-11,886	-17	68,785	76,991	-8,206	-11	1,818	2,717	-899	-33	133,533	158,923	-25,390	-16
	47,976	65,270	-17,294	-26	98,026	120,640	-22,614	-19	3,981	4,956	-975	-20	155,653	202,098	-46,445	-23
	47,976	65,270	-17,294	-26	94,192	119,939	-25,747	-21	3,981	4,956	-975	-20	151,819	200,568	-48,749	-24
	296	203	93	46									296	203	93	46
	296	203	93	46									296	203	93	46
	106,909	135,996	-29,087	-21	169,992	199,378	-29,386	-15	5,930	7,673	-1,743	-23	292,794	362,971	-70,177	-19
	106,909	135,996	-29,087	-21	162,977	196,930	-33,953	-17	5,799	7,673	-1,874	-24	285,648	359,694	-74,046	-21
	112,148	139,423	-27,275	-20	179,223	204,636	-25,413	-12	6,368	7,936	-1,568	-20	308,312	372,471	-64,159	-17
	112,148	139,423	-27,275	-20	171,891	202,188	-30,297	-15	6,237	7,936	-1,699	-21	300,849	369,149	-68,300	-19
	190	269	-79	-29	156	175	-19	-11	188	165	23	14	164	198	-34	-17
	190	269	-79	-29	153	175	-22	-13	189	165	25	15	162	198	-36	-18
	181	263	-81	-31	148	171	-23	-13	175	159	15	10	156	193	-37	-19
	181	262	-81	-31	145	170	-26	-15	175	159	17	11	154	193	-39	-20
	79	54	25	46									79	54	25	46
	79	54	25	46									79	54	25	46
	5,297	6,902	-1,605	-23	7,048	7,801	-753	-10	58	24	34	141	12,835	15,228	-2,393	-16
	5,297	6,902	-1,605	-23	6,750	7,793	-1,043	-13	57	138	-81	-58	12,536	15,317	-2,781	-18
	235	282	-47	-17	288	315	-27	-9	8	11	-3	-29	548	643	-95	-15
	235	282	-47	-17	275	308	-33	-11	7	11	-4	-34	534	636	-102	-16
	5,062	6,620	-1,558	-24	6,760	7,486	-726	-10	50	13	37	285	12,287	14,585	-2,298	-16
	5,062	6,620	-1,558	-24	6,475	7,485	-1,010	-13	50	127	-77	-61	12,002	14,681	-2,679	-18
	9.0	13.3	-4.3	-32	6.1	6.7	-0.6	-9	2	0.5	1.2	241	6.8	8.1	-1.3	-16
	9.0	13.3	-4.3	-32	6.1	6.7	-0.6	-9	2	2.9	-1.2	-41	6.8	8.2	-1.5	-18
	158,830	128,164	30,666	24	376,468	444,265	-67,797	-15	14,014	16,015	-2,001	-12	564,033	622,693	-58,660	-9
	158,688	128,164	30,524	24	374,235	444,265	-70,030	-16	14,014	16,015	-2,001	-12	561,594	621,359	-59,765	-10
	0.3	0.2	0.0	9	0.3	0.4	-0.1	-14	0.4	0.3	0.1	24	0.3	0.3	0	-9
	0.3	0.2	0.0	9	0.3	0.4	-0.1	-14	0.4	0.3	0.1	28	0.3	0.3	0	-9