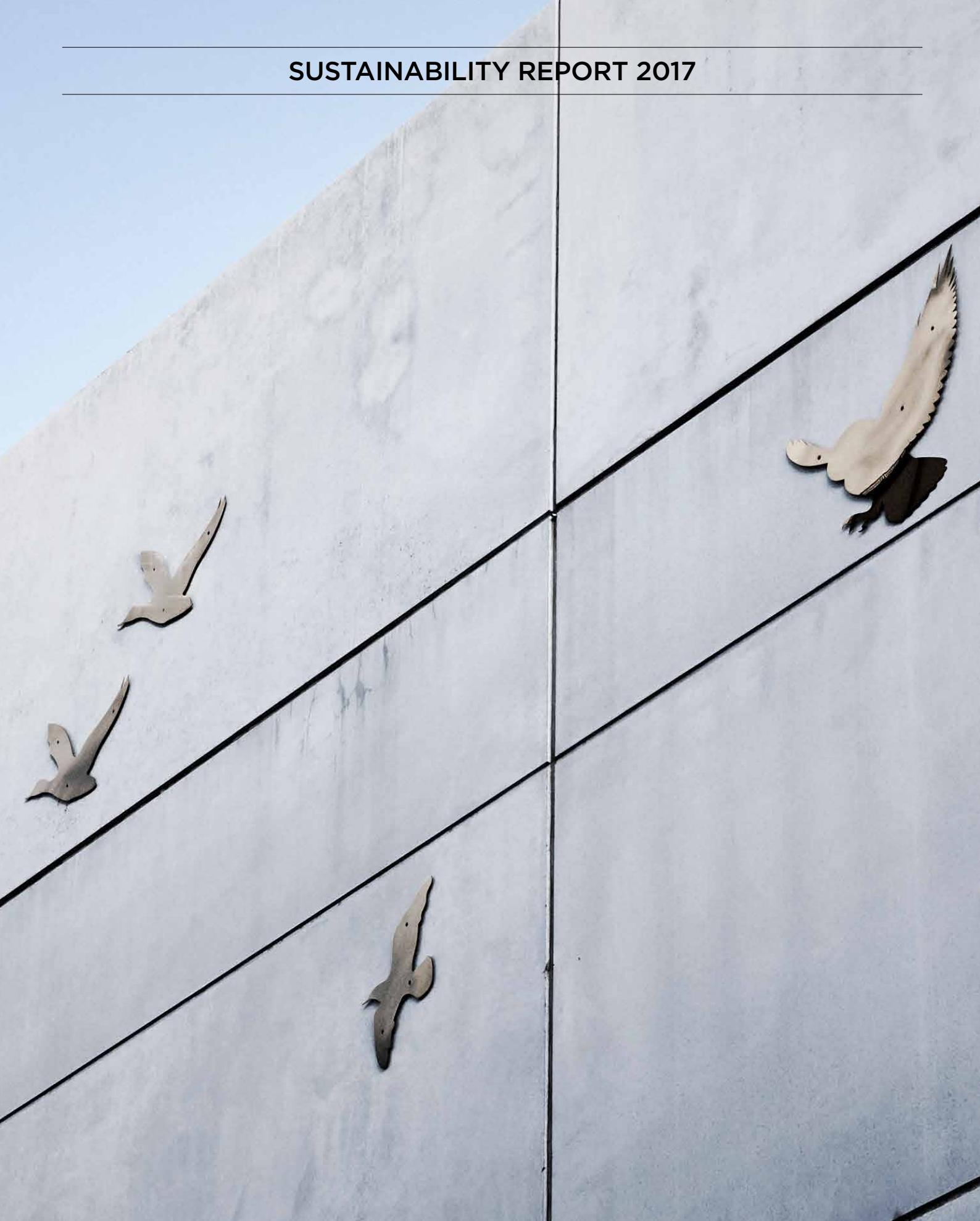


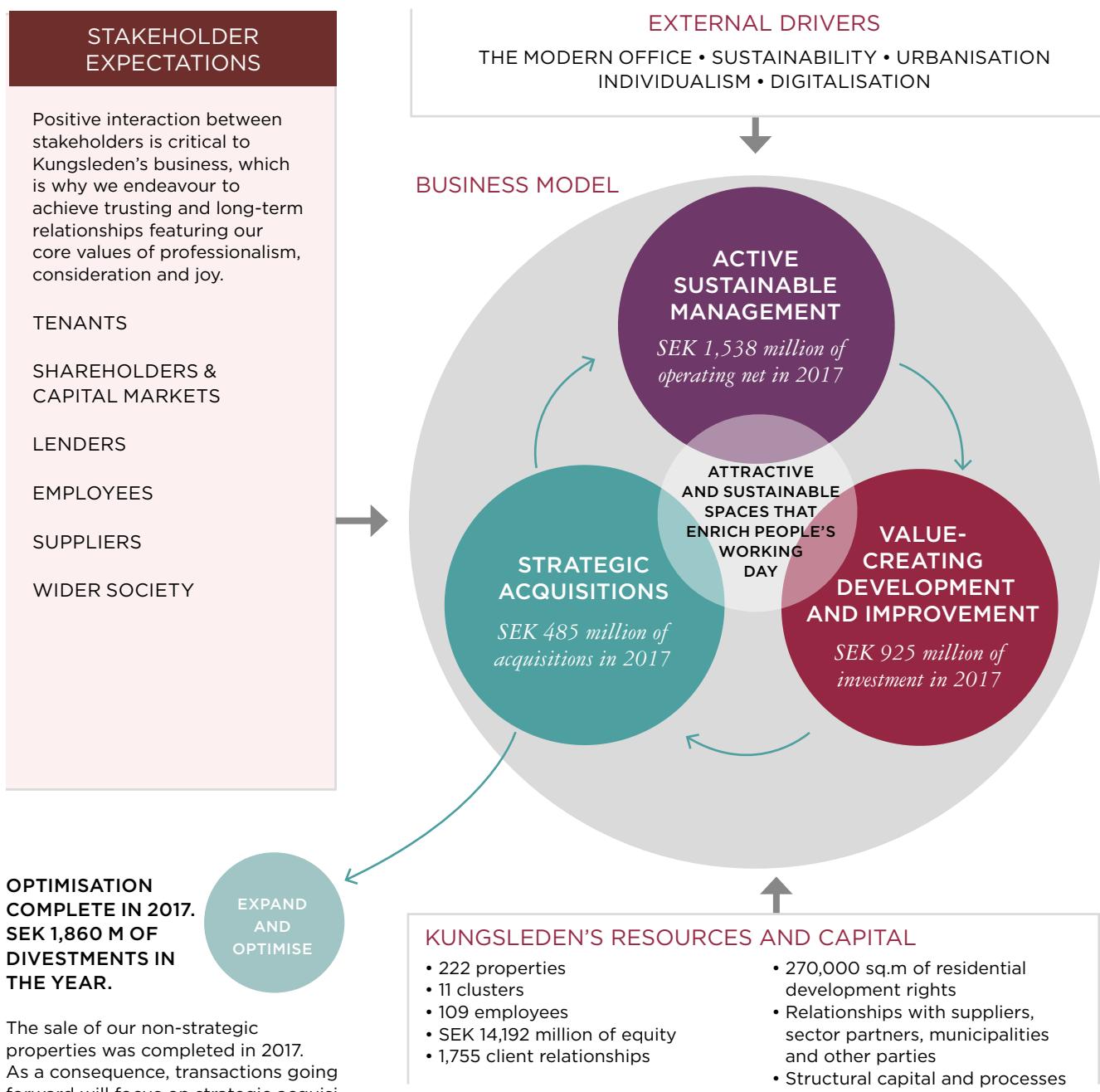
KUNGSLEDEN

SUSTAINABILITY REPORT 2017



A VALUE-CREATING BUSINESS MODEL

Kungsleden's business model is designed to create sustainable value for shareholders, tenants and other stakeholders through three interacting core actions – active sustainable management, strategic acquisitions and value-creating development and improvement.



VALUE CREATED FOR OUR STAKEHOLDERS:

FOR TENANTS

- 2,159,000 sq.m of leasable area
- Attractive and functional premises in the right location at the right price
- Offices of the future
- Management close to clients

FOR SHAREHOLDERS & THE CAPITAL MARKETS

- SEK 437 million of dividends
- EPRA NNNAV per share: SEK 70.63
- Share price performance in 2017: 5.3% gains

FOR LENDERS

- Ba1 rating from Moody's
- LTV ratio of 47,9%
- Stable repayment

FOR EMPLOYEES

- SEK 98 million of salaries and benefits
- Professional development
- Job satisfaction

FOR WIDER SOCIETY

- Vibrant clusters and sustainable locations, where people are happy
- 100+ jobs and SEK 45 million of social security contributions
- Environmentally accredited properties
- Energy optimisation
- Equal opportunities employer

FOR SUPPLIERS

- SEK 1,500 million of procurement

RESULTS ACHIEVED



At year-end 2017, Kungsleden had lease agreements in place with a total of 1,755 clients across a broad range of sectors.

In 2017, we beat our target of reducing energy consumption by 3 per cent annually in 2014-2020.

Decrease in like-for-like portfolio in 2017:

-5.9%



Our head office at Lustgården 12 in Stockholm secures LEED Platinum certification

OUR CONTRIBUTION TO WIDER SOCIETY ALLOCATION OF KUNGSLEDEN'S RESOURCES IN 2017, SEK M



- Operating expenses excl. personnel, 740
- Employees, 165
- Dividend to shareholders, 437
- Interest payments to lenders, 434
- CSR investments, 1

61

Green Leases signed in 2017.

Kungsleden is an equal opportunities workplace, where 53% of personnel are women and 47% are men.



53/47

+ 7.4%

EPRA NNNAV increased by 7.4% to SEK 70.63 per share.

Ba1

credit rating with a positive outlook from Moody's

47.9%

LTV ratio

Kungsleden works with a particular focus on five segments that have been identified in its materiality analysis. The following table indicates those segments classified as focuses by Kungsleden and its stakeholders, and the policies followed to assure work going forward.

Focus	Policy
Environment	<ul style="list-style-type: none"> • Sustainability Policy & Strategy
Corporate social responsibility	<ul style="list-style-type: none"> • Sustainability Policy & Strategy
Diversity	<ul style="list-style-type: none"> • Sustainability Policy & Strategy • Gender Equality & Diversity Policy
Business ethics	<ul style="list-style-type: none"> • Sustainability Policy & Strategy • Procurement Policy • Guidelines for Internal & External Business Networking • Guidelines for Incidental Employment & Conflicts of Interest • Code of Conduct for Suppliers
Health & safety	<ul style="list-style-type: none"> • Alcohol & Drug Policy • Occupational Health & Safety Policy • Health & Wellness Policy • Sustainability Policy & Strategy • Code of Conduct for Suppliers

CLOSE INTERACTION WITH STAKEHOLDERS

Kungsleden's core stakeholders are its tenants, employees, shareholders, suppliers, partners and municipalities. Its relationships with them have a great impact on the company's progress, and accordingly, Kungsleden puts great emphasis on understanding their needs.

Kungsleden's ambition is to evolve in harmony with its surroundings and be responsive to all its stakeholders. We maintain continuous dialogue with stakeholders, and map what is important to them by conducting stakeholder analysis.

We review two of our most important stakeholders in more detail on pages 17–18—tenants and employees. Positive interaction with both of these groups is crucial to us realising our vision.

COMMUNICATING WITH STAKEHOLDERS – FORUMS FOR DIALOGUE AND KEY ISSUES

TENANTS



FORUMS FOR DIALOGUE

- Continuous dialogue maintained by personal visits, phone calls and emails
- Events
- Customer services
- Customer satisfaction surveys
- Customer surveys for improvements
- Communication campaigns
- Green Lease collaborations

KEY ISSUES

- Expedient, healthy and safe premises
- Stable tenants
- Availability
- Business ethics
- Vibrant and attractive environments
- Cost efficiency
- Energy consumption
- Waste management
- Environment and land decontamination
- Customer services

EMPLOYEES



FORUMS FOR DIALOGUE

- Regular employee meetings
- Goal-setting and appraisal interviews
- Pay review interviews
- Employee satisfaction survey
- Staff conferences

KEY ISSUES

- Opportunities for training and skills management
- Salary & benefits
- Work/life balance
- Diversity
- Structure & tools
- Health & safety
- Customer service
- Business ethics

SHAREHOLDERS AND THE CAPITAL MARKETS



FORUMS FOR DIALOGUE

- Annual Reports
- AGMs
- Quarterly reports
- Roadshows and one-to-one meetings
- Capital markets days
- Continuous dialogue

KEY ISSUES

- Long-term, stable and sustainable business model, targets and strategy
- Attractive funding mix
- Profitable growth
- Value-creating earnings
- Sustainability and corporate governance
- Corporate communication

LENDERS

FORUMS FOR DIALOGUE

- Quarterly reports
- Presentations
- Scheduled meetings
- Property viewings
- Seminars
- Capital markets days

KEY ISSUES

- Long-term stable and sustainable business model
- Stable financing
- Good business ethics
- Environmental risks and remediation

SUPPLIERS

FORUMS FOR DIALOGUE

- Regular contact and interaction
- Tendering requirements pursuant to Kungsleden's procedures

KEY ISSUES

- Long-term, stable partner
- Customer service
- Quality
- Energy consumption
- Business ethics
- Occupational health & safety risks

WIDER SOCIETY



FORUMS FOR DIALOGUE

- Contacts with municipalities, regulators and other opinion-formers
- Various types of collaborative meeting with the business community
- Collaborative agreements with non-profit organisations

KEY ISSUES

- Contribute to sustainable development
- Create sustainable, vibrant and attractive environments that enrich people's working lives
- Access and safety
- Cultural and architectural values
- Diversity and jobs

OUR CUSTOMERS AND TENANTS – KEY STAKEHOLDERS WITH HIGH STANDARDS

At year-end 2017, Kungsleden had lease agreements with 1,755 tenants in our 222 properties. The key to our long-term success is understanding their needs and exceeding their expectations. The contemporary business world is fast moving and tenants are demanding in terms of flexibility, function and quality of service. This is why we put a big emphasis on dialogue, responsiveness and knowledge of our tenants' circumstances.

WE WELCOME, CONTRIBUTE AND SUPPORT

Kungsleden's client proposition is to provide attractive and functional premises in the right locations and at the right price, and to do something extra. We have added three customer pledges that guide us in our relationships with tenants:

- We will be welcoming. Current and prospective tenants should always feel well they receive a positive encounter and are respected in every contact with Kungsleden. Our premises should also create an inviting first impression.
- We should contribute to our tenant's business. Through responsiveness, sector knowledge, property expertise and new approaches, we should deliver solutions that benefit our tenants' businesses.
- We should make things easier. With high quality of service and state-of-the-art services, we simplify our tenants' everyday situations.

LEADING-EDGE OFFICE EVOLUTION

As a long-term, customer-oriented property owner, it is natural for us to follow trends on the office market, and to develop our properties and relationships to remain at the leading edge. Nowadays, tenant wants and needs largely define the layout of commercial premises, which means property owners like Kungsleden need to be sensitive to trends and fleet footed. Tenant needs are also changing with increasing frequency. One of the main trends in office premises is the emergence of smaller, flexible offices that are also attractive, contemporary meeting places, called co-working concepts. This process is being driven by digitalisation and changing values in working lives. New technology is reducing the need for permanent workspaces and physical meetings, thanks to progressively improving digital meeting platforms and permanent connection. These concepts are providing clients with an opportunity to occupy smaller spaces, and to be part of a creative context with other types of business.

Kungsleden's first response to this trend is its office and meeting space B26 in Västerås. This concept, which has already attracted great interest, features creativity, efficiency and job satisfaction, and will house office spaces, co-working with shared lounges, a roof terrace, restaurant and café, as well as conference facilities. Businesses and freelancers can book permanent or flexible workspaces.

PROCESS TO IMPROVE CUSTOMER RELATIONS

Every year, Kungsleden conducts a customer satisfaction survey, whose results serve as the basis for prioritised actions for the coming year. The results for 2017 was a customer satisfaction index of 72, an increase with 2 points compared to the year before. The result is one point below industry average and the target for 2018 is to be in line with the rest of the industry. We are working continuously on improving customer relations, through channels including extended dialogue and fast feedback. Other high priorities include enhancing our fault reporting procedures, making an active contribution to the development of locations and creating meeting places in our clusters.

Being close to tenants is another priority, so we have a local office presence in nine locations.

SUSTAINABILITY – A SHARED INTEREST

Our tenants are exhibiting a growing interest in sustainability aspects which is fully consistent with our own ambitions. An increasing number of companies sign up to Green Leases, for example. The travel survey we conducted in 2017 in the Kista City and Stockholm City East clusters indicated that tenants want good cycle and public transport access. Tenant engagement in Östersund has contributed to us implementing the largest solar power plant in the Swedish County of Jämtland.

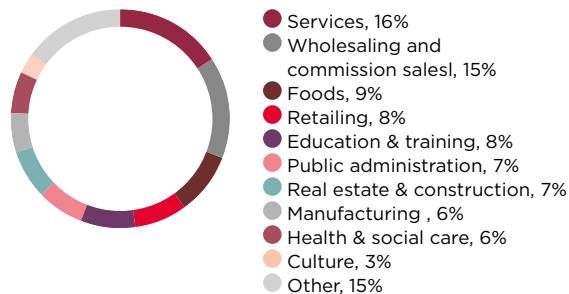
"It's important to be present, available and responsive. I want to understand my tenants and identify solutions that are good for all parties."

EVA-LOTTA SVENSSON, ASSET MANAGER

TEN LARGEST TENANTS, 31 DECEMBER 2017

Tenants	Rental value, SEK M
ABB	268
Bring Frigoscania	55
Biz Apartments	38
Swedish Armed Forces	37
ICA	36
The Municipality of Västerås	33
Sveriges Television	24
Westinghouse Electric	24
The Swedish Board of Customs & Excise	22
Artexis Nordic	21
Total, 10 largest tenants	558
Other	1,676
Total, Kungsleden	2,234

TENANTS BY SECTOR, 2017



Kungsleden's tenants range from large international corporations to public operations, authorities and young tech companies in a variety of industries. The largest industries are services (16 per cent) and retail & commodity trading (15 per cent), but a large number of other industries are also represented and the spread is high.

EMPLOYEES – EFFECTIVE AND MOTIVATED

Kungsleden's vision for employees for 2020 is to be the most attractive workplace with an efficient organisation and motivated employees that achieve good results. This is important for enabling us to attract, hire and retain the competent professionals we need for our business. Our corporate culture is based on professionalism, consideration and joy.

At year-end 2017, 110 people worked for Kungsleden on everything from property operations through leasing and transactions to development projects. Many decisions are taken at the edges of our organisation, which means our people have ample opportunity to influence their work. Kungsleden as a company, and the market we operate on, are in rapid and extensive change, which is demanding for flexibility. Work at Kungsleden is in continuous development, and there's always a lot to learn. Employee development is a priority, and subject to annual discussion at appraisal interviews between staff and first-line managers.

HR MANAGER LEADING OUR WORK

We appointed a Human Resources Manager in the year to intensify efforts on HR issues. We also took the decision to produce a new HR strategy. Activities associated with the strategy start implementation in 2018, although important steps were already taken in 2017. The implementation of our core values continued and permeate the whole operation and all processes. We assure our managers' capability of providing leadership consistent with our core values through a leadership conference and an all-new leadership forum. Our managers should help engender an atmosphere open to questioning and that drives motivation, simultaneous with making the expectations of our employees clear.

DIVERSITY CREATES OPPORTUNITIES

To address and understand our tenants, Kungsleden needs a workforce that reflects wider society. In terms of gender balance, we have basically achieved our target. Our overall staffing is 53 per cent women and 47 per cent men. There are somewhat more women than men in our management team, while within property management, there are somewhat more men than women. Our age diversity has improved in recent years, with 23 per cent of staff in the 30–39 age group and 38 per cent aged between 40 and 49. However, other diversity aspects do need addressing. We operate a graduate trainee programme that is bringing in younger employees and increasing the share

of graduates. The Royal Swedish Society of Engineering Science's Jobbsprånget program is offering recent immigrants a chance to enter the labour market. Our search and selection process was also overhauled to ensure continued efforts to promote equal opportunities and diversity.

A WORKING ENVIRONMENT THAT PROMOTES PROGRESS

Our working environment should be secure, healthy and offer good potential for continuous development. The company nurtures its employees, encourages healthy lifestyles, and where necessary, we provide private health insurance for all staff, which includes personal guidance, conversational therapy, aftercare and rehabilitation. Our annual employee satisfaction survey identifies areas of improvement, which provides input to the management of health and safety work.

INCREASING JOB SATISFACTION

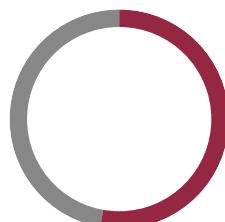
As in previous years, the year's employee satisfaction survey had a high response rate and our Employee Satisfaction Index (ESI) was 4.2, the same as the previous year, while our job satisfaction index increased somewhat, to 73 percent. The segments of goals, the working environment and new at work achieved the highest results. We still face some challenges in health, stress and organisational efficiency, which are partly attributable to the journey of transformation the company is taking. The results have been published and discussed at departmental level, management level and collectively company wide, to plan actions for 2018.

The management team held a one-day conference focusing on the results, and development work on internal processes is also being conducted. Like the rest of the sector, Kungsleden experienced high staff turnover in the year, which means initiatives to retain and attract the right staff will remain an important part of our HR strategy going forward.

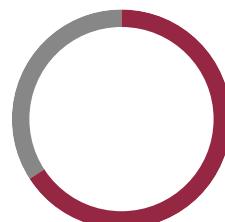
“Kungsleden offers room for ambition and there's great collaboration between teams”

EMMA SJÖBERG, MARKNADSANSVARIG & PROJEKTLEDARE

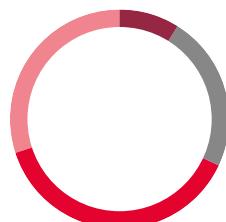
GENDER BALANCE
KUNGSLEDEN, %



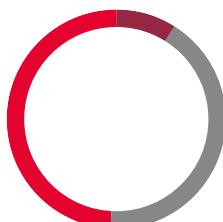
GENDER BALANCE
MANAGEMENT, %

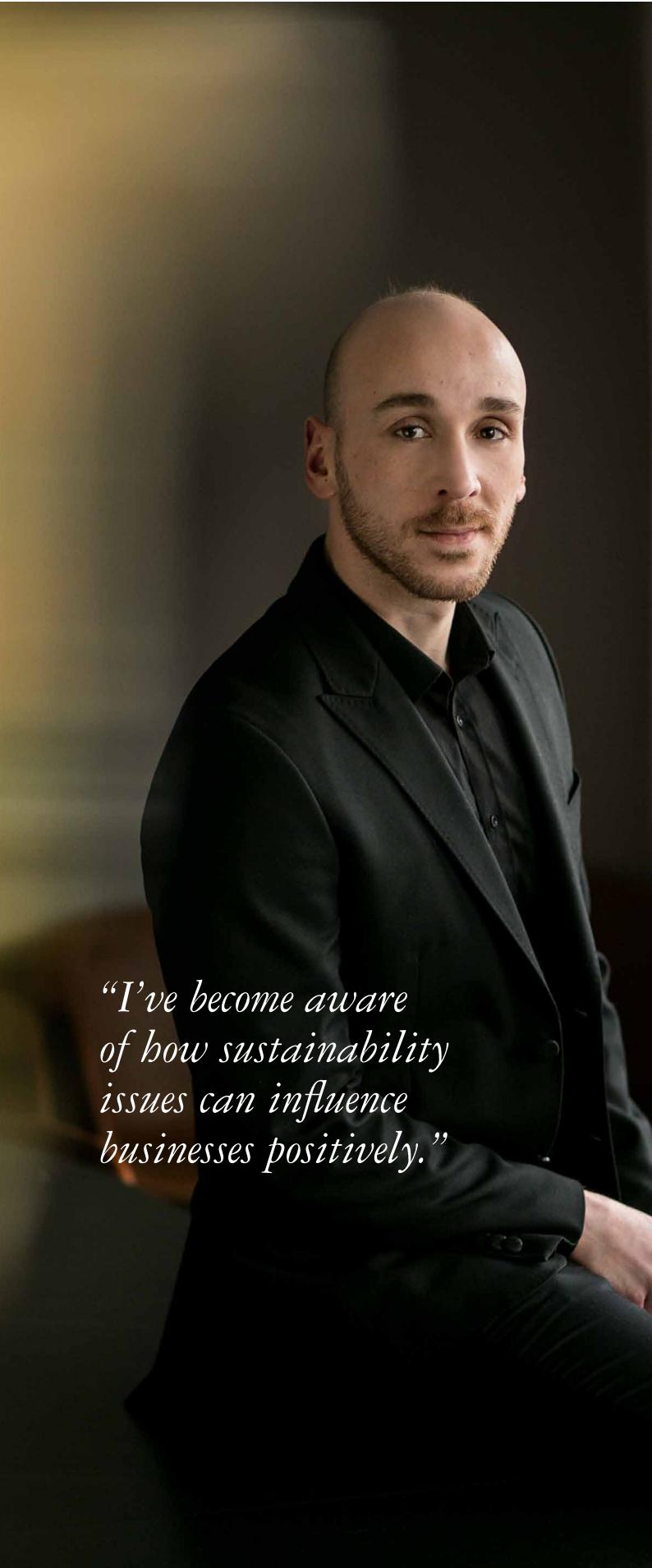


AGE PROFILE, %



LENGTH OF SERVICE, %





AN INTERNSHIP TO INCREASE DIVERSITY

Manhal Naddour, who moved to Sweden from Syria in 2015, did an internship with Kungsleden in 2017, which was part of Kungsleden's collaboration in the *Jobbsprång* programme conducted by IVA, the Royal Swedish Academy of Engineering Science, intended to accelerate the integration of newly arrived graduates into Swedish working life.

"The internship was valuable for me in many respects. I gained a better understanding of how Swedish workplaces function, improved my Swedish and developed professionally. I've also acquired a professional network and new friends," says Manhal Naddour.

Sustainability Manager Maria Sandell served as Manhal's trainer, and offered new insights.

"Learning about sustainability work is so interesting. Unfortunately, not many companies utilise it in Syria. I've become aware of the significance of sustainability issues, how they affect businesses positively, and ultimately, result in a better society."

Manhal has some suggestions for other interns and employers participating in the programme:

"What I'd like to say to interns is to make sure that they're on time, and focus on creating good relationships. The *Jobbsprång* internship is a good opportunity because it is a well-structured programme, and you get good support. The advice I'd offer to employers is to be open and clear about your expectations and maintain good dialogue right through the internship. The biggest challenge for me was understanding Swedish working culture and traditions, so I think information regarding the practical aspects of them would be really valuable."

"I've become aware of how sustainability issues can influence businesses positively."

LONG-TERM RELATIONSHIPS THAT ENABLE SUSTAINABLE BUSINESS

Sustainability permeates the whole of Kungsleden and is a natural part of our business model.

Sustainability is self-evident and a success factor. We create long-term tenant relationships, attract and retain employees, strengthen and protect our brand, and increase profitability through ambitious and well-considered sustainability work.

ENVIRONMENT – OUR TENANTS ARE GETTING MORE DEMANDING

Kungsleden's properties and clusters should develop and be administered sustainably over time. We want to reduce our climate footprint and operating expenses, simultaneous with being an attractive tenant that satisfies customer wants and needs.

Our tenants are becoming more demanding, contributing to us adopting an ambitious sustainability strategy that encompasses:

- Working actively to reduce the consumption of finite resources and negative environmental impact.
- Taking responsibility for people and our surroundings by being a strong force of change that collaborates with tenants, municipalities and other local stakeholders.
- By investing in new technology, continuous analysis and adjustment of existing plant, and focusing on solar power plants, reduce energy consumption by 20 per cent between 2014 and 2020.
- Sustainability issues are integrated right through our business – for example, all our development projects have a dedicated sustainability programme specifying the project's objectives and requirements.
- Introduce Green Leases with shared undertakings to reduce climate impact in partnership with our tenants. The target for 2017 was 50 Green Leases, and we signed 61.
- Environmentally certify our properties, mainly using the internationally accepted standard LEED. Our target is for 50 per cent of our property values to be certified by 2020.

SAFETY – FOCUSING ON HIGH-RISK WORKING ENVIRONMENTS

We take a proactive approach to safety in and around our properties so we can provide secure and healthy working environments for tenants, staff as well as contractors on building sites.

As we manage a growing number of development projects, we are also gaining responsibility for high-risk working environments – building sites. This is why we are sharpening the focus on occupational health & safety issues, to minimise incidents and accidents. Obviously, we will comply with applicable legislation and safety procedures at all building sites. We conduct inspections and assessments of potential areas of improvement during workplace visits.

DIVERSITY – A WORLD OF OPPORTUNITIES

By maintaining an inclusive corporate culture founded on the equal value of all people, that distances itself from all forms of discrimination or offensive special treatment, we create the potential for everyone to contribute with their full potential.

Kungsleden wants to reflect the diversity of society, and accordingly create opportunities in its encounters with customers and employees and developing its business.

We have made a lot of progress in gender balance and have basically achieved our target. Our age profile has also improved in recent years, as many younger staff have joined us. Our main efforts are now focused on increasing ethnic diversity. We overhauled our search & selection process in 2017, focusing on diversity.

BUSINESS ETHICS – HIGH STANDARDS AT EVERY STEP

Kungsleden maintains high business ethical standards and a professional corporate culture on market and transparent terms, which benefits our profitability and brand. We involve employees, customers and suppliers in our ambition to maintain very high ethical standards. Our employees work in accordance with agreed guidelines, and we have a dedicated Code of Conduct for Suppliers that is appended to contracts in major procurement processes.

We consider our suppliers as an extension of our own business – sustainable and cost-efficient supply chains are a prerequisite for us collectively contributing to sustainable development. In our relationships with suppliers, and in procurement, it is especially important to ensure the absence of corruption and bribery, to promote healthy competition and ensure good working conditions. We monitor compliance regularly through audits.

Our core values of professionalism, consideration and joy are important for realising this. We take professional attitude in our skills segments and show each other respect. We distance ourselves from all forms of corruption and neither receive nor offer, promise nor provide undue advantage.



Kungsleden's offices on Warfvinges väg Stockholm gained LEED Platinum Interior Design certification in 2017.

THE LARGEST SOLAR POWER PLANT IN JÄMTLAND

Kungsleden is installing 734 solar panels, dimensioned to generate over 160,000 kWh per year, at its property Karlslund 5:2 in Östersund. This plant will be the largest of its type in Jämtland, and significantly larger than Kungsleden's previous solar installations.

"Solar cells are really getting more interesting now that the pricing of plants is falling," explains Maria Sandell, Kungsleden's Sustainability Manager. "Another important reason we can execute this initiative is the great commitment and interest from tenants in the property and our technical manager Magnus Duveskog."

The property's large, flat, and unshaded roof suits solar panels perfectly, and the power generated corresponds to the heating of over ten average-sized family houses. A number of other solar cell projects are ongoing or planned for 2018 in Skania, Gothenburg and Stockholm.



KEY FACTS ÖSTERSUND SOLAR POWER PLANT

Panel type: monocrystalline

No.: 734

Estimated annual generation: 163,773 kWh

Roof area: 1,200 sq.m



SUSTAINABILITY – ACTIVITIES AND OUTCOMES

Kungsleden upscaled its activities in sustainability during 2017, consistent with its strategy of sustainability aspects permeating its whole business.

ENVIRONMENT

ENERGY AND EMISSIONS

Kungsleden's ambition is to progressively reduce the energy consumption and emissions of its operations.

Its long-term goal is to reduce energy consumption by 20 per cent between 2014 and 2020, i.e. by 3 per cent annually. In like-for-like portfolio terms, with climate-corrected values, energy consumption decreased by 5.9 per cent in 2017.

The energy savings measures executed in 2017 reduced energy costs by some SEK 8.8 million. Additionally, adjustments of existing plant contributed to energy savings in the year, which generated a total saving of approximately SEK 13 million.

In order to reduce its emissions, Kungsleden utilises certified-source hydropower energy. Oil heating boilers are only present in a few properties, which are scheduled for conversion or demolition.

Kungsleden is constructing a solar power plant at a property in Östersund. A combined small-scale solar cell plant and sunscreens were installed at the property Tynnered 1:13 in Gothenburg.

ENVIRONMENTAL CERTIFICATION AND GREEN LEASES

Work on environmentally certifying portfolio properties continued, and by year-end 2017, 10 per cent of total property values were environmentally certified. A new certification strategy was adopted in the year, with the goal of half of the portfolio (in book value terms) holding environmental certification according to the internationally recognised standard LEED by year-end 2020. All properties should be certified before year-end 2025. The choice of LEED for environmental accreditation offers good potential for international comparisons and green bonds.

ENERGY-SAVING MEASURES

SEK 8.8

M OF ENERGY COST SAVINGS IN 2017

LIKE-FOR-LIKE PORTFOLIO

-5.9%

ENERGY CONSUMPTION REDUCTION IN 2017

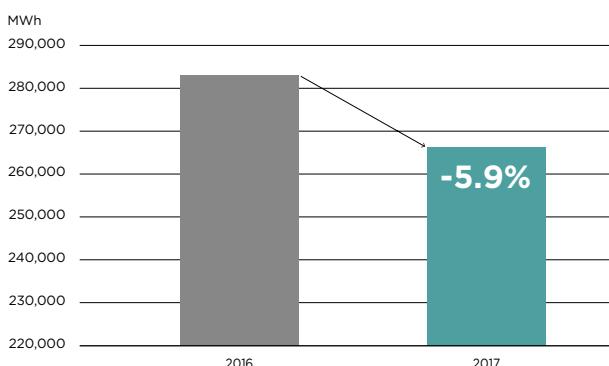
Kungsleden's head office at the property Lustgården 12 secured LEED Platinum certification in the year. Supporting documentation for certification of the properties Reykjavik 2 and Borgafjord 5 in Kista was filed before year-end. A decision on certification of these properties is expected in the first quarter of 2018. The property Gårdå 19:10 also secured Swedish Environmental Building certification in the year, and Borgarfjord 5, Torsnäs 1 and Färöarna 3 also secured GreenBuilding certification.

Good collaboration with tenants is critical for achieving environmental goals. Accordingly, Kungsleden has implemented the objective of introducing Green Leases that include undertakings to reduce environmental impact for both property owner and tenant. The aim was to sign at least 50 new Green Leases in 2017. The tenant response was positive, and 61 new Green Leases were signed. All Kungsleden's management resources also received training on Green Leases in the year.

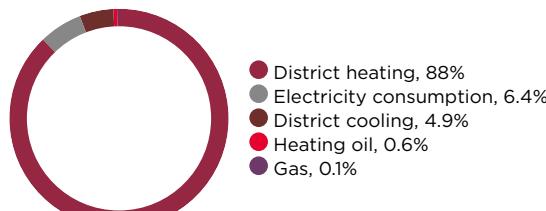
SUSTAINABILITY IN DEVELOPMENT PROJECTS

Kungsleden implemented procedures to capture sustainability issues in cluster development and development projects in the year. Workshops were held in eight clusters to plan for the development of each location. As a result, all clusters identified priority sustainability focuses and activities for the coming years.

ENERGY CONSUMPTION



GREENHOUSE GAS EMISSIONS, 2017



In total, emissions reduced from 9.7 kg/sq.m to 6.9 kg/sq.m in 2017.

As examples, Kista City is pursuing an environmental and diversity profile, while Stockholm City East and Danderyd Office are adopting a health profile. The clusters have practical action plans covering measures such as installing cycle storage and cycle workshops, increasing the number of charging points for electric vehicles and cycles, and completing environmental certification processes.

Sustainability has also been integrated into the development project process. A sustainability programme has been prepared for all development projects, specifying the goals and requirements for each project. The Sustainability Manager also participates regularly in projects to ensure that they satisfy the standards of the adopted sustainability programme.

Commuting patterns were surveyed at the Stockholm City East and Kista City clusters in the year. The aims were to find out people's commuting habits, and identify possible improvements to increase satisfaction at the location. The research indicated that there was a significant difference in commuting methods between different properties in the same location, and that closeness to public transport links does not always mean high public transport usage. Respondents stated their wish for more charging stations for electric vehicles and cycles, as well as more cycle stands and storage points, and implementation has already commenced.

SAFETY

MORE BUILDING SITES REQUIRE MORE SAFETY

Safety issues are becoming more complex and important as Kungsleden gains responsibility for more building sites related to its development projects. 16 audits and site visits were conducted in 2017. The intention was to follow up on procedures, policies and compliance. The visits primarily dealt with safety, business ethics and labour law issues. The audits had outcomes including new procedures for ensuring that Kungsleden's Code of Conduct is attached to all agreements with contractors, and initiatives to improve safety at building sites. Audits will continue in 2018.

Campaigns to remind people about safety work are also conducted each quarter, on issues such as snowfall from roofs, trip hazards and safety in roofing work.

BUSINESS ETHICS

Kungsleden has an Ethical Council that deals with issues and incidents on business ethics matters, and the risk of undesirable activities. Internal training programmes on internal and external business networking, conflicts of interest and incidental employment that started in 2016 continued in 2017.

Employee incidental employment was mapped at employee interviews for reasons including reducing the risk of conflicts of interest.

No cases of corruption were discovered in the year, although a number of instances of conduct in conflict with the company's values at individual level were discovered. These were dealt with in accordance with the stipulations of the Code of Conduct. Our employees have undertaken to comply with guidelines and policies, and have access to a whistleblower function for reporting suspected breaches (see page 108 for a list of applicable policy documents). Reporting is possible via email or regular mail. Six informative meetings on the Code of Conduct were held in the year, two with tenants and four with employees.

Kungsleden regards its suppliers as an extension of its own operations. Before being accepted as a supplier, each supplier has to sign our Code of Conduct for Suppliers.

In tandem with us producing the Code in 2016, it was presented for over 150 suppliers and Kungsleden's core values and guidelines for internal and external business networking, health & safety plans, electronic registers of staff on building sites, and order and safety regulations at Kungsleden's sites were also discussed at these meetings.

Supplier meetings focusing on our Code of Conduct and business ethics will be arranged in 2018, similar to those in 2016.

SOCIAL RESPONSIBILITY

Kungsleden takes responsibility for its surroundings and people by working actively on the management of its properties and collaborating with tenants, municipalities and other local stakeholders. This results in attractive locations.

Our objective is to make an active contribution to a safer and more inclusive society. For this reason, Kungsleden has been a main sponsor of the Fryshuset project since 2010. Kungsleden's was contributed to Swedish youth entrepreneurship initiative Sveriges ungdomsentreprenör, which inspires, supports and motivates young people to realise their dreams.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

We see clear connections between our work and the UN's Global Sustainable Development Goals, which is why we have mapped our operations linked to these goals.

The mapping process was conducted through several creative work meetings in partnership with an external consultant, coordinated by Kungsleden's Sustainability Manager Maria Sandell. Those goals judged most relevant to Kungsleden are Gender Equality, Affordable and Clean Energy, Reduced Inequality and Sustainable Cities and Societies.

KUNGSLEDEN AND GLOBAL SUSTAINABLE DEVELOPMENT GOALS

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.

GOAL 10: REDUCED INEQUALITY

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 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 can source 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.

RESPONSIBLE RISK MANAGEMENT

Kungsleden is, like all operations, exposed to risks of different character. Some risks can be minimized through thorough and thoughtful analysis and related activities. Other risks – such as macroeconomic development and rent developments on the real estate market as a whole – we can't affect, but, however, be well prepared for and, through the right strategy, reduce our sensitivity to. Kungsleden has a structured risk management process with contributions from all parts of the business. The Board has the overall responsibility for risk management and has delegated the operational responsibility to the CEO.

Below, Kungsleden presents the most important risks in sustainability and how these are handled.

Risk category and definition	Management
ENVIRONMENT The risk of soil contamination, which generates remediation costs, mainly in tandem with development, when property usage changes. Extreme weather events and climate change can also cause a risk of property damage.	Kungsleden has categorised all its properties according to the risk of soil contamination and takes proactive measures. At the time of acquisition, it maps the risk of soil contamination, environmentally hazardous building materials and climate risks. Climate change is managed by continuously improving maintenance.
BUSINESS ETHICS AND SOCIAL CONDITIONS The risk of impropriety against Kungsleden by staff or suppliers that can damage the company's finances, brand and employee well-being.	Kungsleden's internal activities are governed by policies and guidelines. Externally, work is governed by a Code of Conduct for Suppliers. Kungsleden also utilises external and internal communication on business ethics actively. Kungsleden has an internal Ethical Council that deals with potential incidents.
SOCIAL CONDITIONS AND HUMAN RIGHTS Kungsleden has a large supplier base, and many participants are active on its major projects. If there are difficulties in overseeing supply chains, there is a risk of activities that conflict with Kungsleden's values.	Kungsleden utilises a clear Code of Conduct for Suppliers, and suppliers are kept informed of the importance of them conducting themselves in accordance with its core values: professionalism, consideration and joy.

ISSUING BY THE BOARD OF DIRECTORS

No specific guidelines have been applied when setting up this sustainability report. However, it is based on the same principles as the sustainability report according to GRI (Global Reporting Initiative) that Kungsleden simultaneously publishes in the Annual and Sustainability Report for 2017.

The statutory sustainability report according to the Annual Accounts Act has been approved for issuing by the Board on March 23, 2018.

Stockholm, March 23, 2018

The Board of Directors of Kungsleden

AUDITORS' REMARK

AUDITORS' REMARK REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the Annual General Meeting of Kungsleden AB (publ), corporate identity number 556545-1217

UPPDRAG OCH ANSVARSFÖRDELNING

The Board is responsible for the sustainability report for 2017 and for its preparation in accordance with the Annual Accounts Act.

GRANSKNINGENS INRIKTNING OCH OMFATTNING

Our review has been conducted in accordance with FAR's recommendation RevR 12 Auditor's remark on the statutory sustainability report.

This means that our review of the sustainability report has a different orientation and a significantly smaller extent compared with the focus and scope of an audit under International Standards on Auditing and good auditing practice in Sweden.

We consider this review to provide us with sufficient grounds for our statement.

STATEMENT

A sustainability report has been prepared.

Stockholm, March 26, 2018

Ernst & Young AB



Ingemar Rindstig
Authorized Public Accountant



Jonas Svensson
Authorized Public Accountant