Summary of Vasakronan’s sustainability data 2015, in accordance with Global Reporting Initiative (GRI)

Vasakronan’s sustainability report has been prepared in accordance with the guidelines from the international organization, Global Reporting Initiative (GRI) version G4. It is possible to apply the guidelines at either core, or comprehensive level. Vasakronan’s report for 2015 has been compiled, in all materials respects, with the ambition of satisfying core level requirements. Vasakronan strives to run its organization in a sustainable way, which is why reporting of sustainability efforts has, to the extent possible, been integrated into the Vasakronan Annual Report. (Only available in Swedish.)

The information provided here serves as a supplement, containing information on how we manage, set targets and follow up on our sustainability efforts. Additional information is available in the GRI Index and on our website, in the section called “Vårt ansvar”. (Only available in Swedish.)

Global Compact

Global Compact is a UN initiative aimed at aligning the strategies and operations of companies with universal principles on human rights, labor, environment and anti-corruption and taking actions that advance societal goals. The Ten Principles of the UN Global Compact are:

1. Supporting and respecting the protection of internationally proclaimed human rights.
2. Ensuring that we are not complicit in human rights abuses.
3. Upholding the freedom of association and the effective recognition of the right to collective bargaining.
4. Eliminating all forms of forced and compulsory labor.
5. Abolishing child labor.
7. Supporting a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
10. Working against corruption in all its forms, including extortion and bribery.
**STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS**

Documenting and analyzing our stakeholders’ expectations is necessary in order for Vasakronan to succeed in achieving its targets. It is also fundamental to our efforts aimed at helping make society more sustainable. For this reason, we need to engage in an ongoing dialogue with our most important stakeholders. Based on the nature of our operations, we have identified the following stakeholders:

- Our owners
- Our employees
- Our customers
- Our suppliers
- Our lenders
- Community stakeholders

Through dialogue with our stakeholders, we have identified the sustainability issues that are most important to our business. In addition to our dialogue with stakeholders, Vasakronan also monitors overall trends in the area of sustainability. We also monitor other property companies and sectors in order to identify issues that could be essential to our ability to run our business in a sustainable way.
Since 2014, we have been reporting our financial, environmental and societal impact in accordance with the GRI Guidelines, version G4. In version G4, the emphasis is on materiality. In 2014, we engaged in an extensive dialogue with our stakeholders, with a focus on how we report the company’s sustainability issues. The aim was to ensure that we report the most relevant sustainability issues based on our actual impact on the environment, people and society. We also strive to report in a way that meets our stakeholders’ expectations and is based on our business model.

A wide variety of sustainability issues were covered in our discussions so that we could identify the issues that were most important to us and our stakeholders. Based on that selection, in-depth interviews were held with more than 20 representatives of our various stakeholder groups. The results of these interviews were analyzed and later discussed in a workshop that strategically important employees of Vasakronan participated in.
During the workshop, a list was drawn up specifying the most important and prioritized sustainability issues that should be included in our sustainability report. The results of the materiality analysis are fully supported by the company’s top management team. In preparation for the 2015 report, we evaluated the materiality analysis to assess whether it needed to be updated.

The most important and prioritized sustainability issues that Vasakronan reports on are:

- Financial results
- Materials
- Energy
- Emissions
- Waste
- Supplier assessments concerning the environment, labor practices and human rights
- A system for dealing with complaints on any issues having to do with the environment, labor practices and human rights
- Phase-out of substances that are hazardous to the environment or health
- Diversity and equal opportunity
- Anti-corruption
- Marking of products and services

It is important to point out that Vasakronan works in a structured, long-term way with many other sustainability issues besides the ones identified in the materiality analysis as prioritized and important for reporting purposes.

**BUSINESS TARGETS**

Planning, governance and monitoring of the business is in line with the organizational structure, with an explicit delegation of responsibilities and authorities. Strategic business planning is done each year, with a focus on areas that could be developed and improved. Based on the business plans, targets are established in each of the following areas: financial, environmental and societal. The direction of such targets may change over time and monitoring is continual throughout the year. For a description of the targets and achievements in 2015, along with the targets for 2016, please see pages 9-11 of the Annual Report for 2015 (only available in Swedish).

### Environment – 2016 targets

- Lower energy use by 3 percent compared to 2015 results.
- Increase percentage of buildings with environmental certification.
- 50 percent of buildings have energy performance below 100 kWh/sq.m.
- Start up 20 new PV systems.
- Higher amount of recycled materials in project development.
- Less waste generated from project development.
- Higher share of renewable fuel used in transports.
- Higher GRESB ranking.
SUMMARY OF VASAKRONAN’S SUSTAINABILITY DATA 2015

SUPPLY CHAIN

In order to successfully run the business, it is necessary to rely on different types of suppliers. Vasakronan collaborates with around 3,000 different suppliers. These suppliers typically rely on their own suppliers as well. For this reason, it is difficult to assess the total number of sub-suppliers, as the number can vary considerably among each of Vasakronan’s suppliers.

The main types of suppliers engaged by Vasakronan are:

- Contractors (primarily building contractors)
- Consultants (such as technical consultants and architects)
- Energy suppliers (for electricity, district heating and district cooling)
- Service suppliers

Because Vasakronan only has operations in Sweden, its suppliers are also primarily located in Sweden. For more information on Vasakronan’s procurement activities and code of conduct for suppliers, please see pages 18-20 in the Annual Report for 2015.

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**Economic – 2016 targets**

- Total yield of at least 6.5 percent per year and on average for 10 years rolling.
- Total yield that is at least 0.5 percentage points higher than the industry average.
- Increase in net operating income, for comparable property holdings, of 2.5 percent compared to 2015.
- Occupancy rate of at least 93 percent at year-end 2016.
- Percentage of long-term vacant premises down by 20 percent.
- For new leases, the cost of fit out is less than the amount of annual rent.
- We only enter into leases that are at the new market-going rates.
- Price adjustments, resulting from renegotiated leases, exceed the outcome for 2015.

**Social – 2016 targets**

- Increase in the percentage of customer teams with a rating of at least 80 in the area called “Contact” of our customer survey.
- Increase in the percentage of employees that rate themselves as “highly motivated employees” in our employee survey.
- Increase in the percentage of women working in our organization.
- Increase in the percentage of employees with a foreign background working at our organization.

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FINANCIAL RESPONSIBILITY

Vasakronan is jointly owned by the First, Second, Third and Fourth Swedish National Pension Funds. Accordingly, the company contributes to long-term financing of the Swedish pension system. Our mandate from the company’s owners is to generate a high, risk-balanced return, where sustainability efforts are an integral part of operations.

The materiality analysis identified the following aspects as essential in the area of financial responsibility:

FINANCIAL RESULTS

Succeeding with our mission requires that we take financial responsibility for our business and have stable, sound finances. This is also critical to our ability to maintain a long-term perspective and meet the financial expectations of other stakeholders.

The overall financial goal is to deliver a return that, in relation to the associated risks, is higher than the return the owners could obtain from other, comparable investment alternatives. The overall financial return target is to achieve a total yield of at least 6.5 percent per year. It should also be at least 0.5 percentage points higher than the average for our sector, in accordance with MSCI Swedish Property Index (not including Vasakronan). Evaluation is measured based on the average outcome over rolling ten-year periods, along with follow-up and analysis on the outcome for each individual year. For more information (in Swedish), please see pages 8-11 and 32-33 in the Annual Report for 2015.

Vasakronan AB (publ) is an unlisted company. Operations are partly financed through the capital market, via bonds that are registered on Nasdaq OMX Nordic Exchange Stockholm. Accordingly, we comply with those rules for disclosure, as well as other applicable laws and regulations that apply to public limited companies in Sweden. Vasakronan must provide information that is relevant, reliable, correct and current to all stakeholders. Information relevant to the company’s valuation must be made public without delay.

Vasakronan’s management team has overall responsibility for ensuring corporate governance that is in line with the company’s financial targets. Results are followed up quarterly in conjunction with preparation of the interim reports. This is done via follow-up on the internal governance parameters that have been established for the company.

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EC1

**Distributed Economic Value**

![Pie chart showing distribution of economic value among stakeholders: Owners 38%, Public sector 27%, Suppliers 23%, Lenders 9%, Employees 3%]
Value is created via the management and development of properties, along with explicit transaction activities. Economic value created by Vasakronan is primarily in the form of rental revenue, investments and unrealized changes in the value of properties. Detailed information (in Swedish) on Vasakronan’s financial position is available on pages 67-99 in the Annual Report for 2015. The distribution of economic value generated in 2015 is shown in the chart, above.

Vasakronan’s operations are affected by taxation in the form of income tax, property tax and VAT. These, in turn, are affected by political decisions, current legislation and changes in legislation. In the chart above, “Public sector” consists of property tax, site leasehold fees and income tax. In 2015, property tax totaled SEK 474 million, of which SEK 429 million was invoiced to tenants. The amount of income tax recorded amounted to approximately SEK 2,859 million, of which SEK 2,814 million is deferred tax, primarily attributable to investment properties. The remaining SEK 45 million is current, payable income tax. Vasakronan is not currently involved in any tax litigation. For more information (in Swedish) on reported tax, please see Note17 on page 88 of the Annual Report for 2015.

During the year, voluntary contributions to, and investments in, society were made in the form of gifts and donations to various organizations. The largest single contribution made in 2015 went to Löparakademin, which is a non-profit organization that helps children and youth in underprivileged areas.

ENVIRONMENTAL RESPONSIBILITY

Properties have an impact on the environment throughout their life cycle, i.e. from project planning, construction and management to renovation and demolition. Environmental efforts are based on the Precautionary Principle and they are carried out within the scope of the company’s environmental management system, which has been set up in accordance with the ISO 14001 standard. The company’s processes have been designed so that environmental aspects are dealt with during all stages of a building’s life cycle. The environmental management system has been integrated into the company’s overall quality system and coordinated with the business planning process. Both internal and external audits are performed to ensure compliance with the environmental management system.

The materiality analysis identified the following aspects as essential in the area of environmental responsibility:

MATERIALS AND PHASE-OUT OF HAZARDOUS SUBSTANCES

Large quantities of materials are used during new construction, renovation, modification and maintenance of properties. There is a large environmental impact from the materials used in our project activities stemming from their manufacturing and transports. Accordingly, it is important that we lower the amount of material used, while recycling and reusing building material to a greater extent. Besides lowering the amount of material used, we need to ensure that the material we do use contains no hazardous substances that spread to the indoor environments or ecosystems surrounding our buildings. To avoid that, we examine the chemical content and focus on selecting building materials that have been documented and approved by Byggvarubedömmingen, BVB. BVB is a business association that provides a system for assessing building products based on environmental and health aspects. By only choosing non-toxic substances, it strives to also increase the amount of environmentally sustainable buildings.

Most of the materials that we use are in connection with new construction, major renovations and fit outs. Each regional manager is responsible for the projects in his or her region, which includes the amount of materials consumed and ensuring that the BVB system is used for all construction projects.

Vasakronan has an environmental program, for new constructions, major renovations and fit outs alike, which all contractors must follow. It states that each supplier is expected to use resources conservatively and choose eco-friendly materials and building products (ones that can be reused/recycled). To the extent possible, they should also prioritize flexibility in order to lower the need for future renovations. The environmental program requires that suppliers use BVB for selecting and documenting building products. This requirement exists in the majority of our lease agreements. The reason for this is that tenants sometimes carry out renovations themselves. When conducting internal audits and audits of suppliers, we check that BVB is being used for all projects.

The amount of material used in operations has not, in the past been regarded as a key sustainability issue, which
is why the organization lacks a system for monitoring this. It was therefore necessary to estimate material usage in 2015 based on total project costs for new construction, renovation and fit outs. It was concluded that approximate material usage corresponds to an expense of SEK 760 million. Over time, the aim is to develop a system for compiling information on the total amount of material and report on that in weight or volume.

**ENERGY**

Buildings use a substantial amount of energy. Nearly 40 percent of the energy consumed by society is associated with buildings. Efforts to lower our energy consumption and only use renewable energy sources are therefore important environmental issues. Furthermore, low energy consumption is a prerequisite for obtaining environmental certification for buildings.

Our facilities management has primary responsibility for energy consumption in existing buildings, along with preferred choice of energy source. Energy-related efforts are governed by the company’s energy strategy and environmental policy. Vasakronan’s business plan also contains annual targets on how much we should reduce the energy consumption.

In addition, we closely collaborate with tenants to identify other ways of lowering energy consumption. Green Leases are just one important example of this. The regions, headed by regional managers, are responsible for entering into Green Leases with tenants.

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**Green leases**

Percentage of newly signed leases in 2015 that were Green Leases. Based on area.

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Project activities are delegated across regions and this is where the energy consumption of new and renovated buildings is determined. Our goal is for the energy consumption of our newly constructed buildings to be 50 percent below BBR’s (the Swedish National Board of Housing, Building and Planning) requirements. For renovation, the goal is to reduce energy consumption by 50 percent compared to what it was prior to renovation.

Energy consumption is monitored monthly at the building, regional and company levels via an energy monitoring system in which all measured values are recorded and processed. For new construction and renovation projects, a comparison is made between the forecast and actual values upon completion of the project.

In 2015, efforts continued to improve energy performance and at year-end it was 112 kWh/sq.m, which corresponds to an improvement of 10 percent compared to the same period last year.
Information on fuel consumption for the company’s own vehicles is not reported in the overall energy consumption since it is not considered to be significant in relation to total energy consumption. However, fuel consumption has been taken into account in climate calculations.

Our efforts to reduce our climate impact include increasing the percentage of renewable energy. In 2015, just over 600 MWh of electricity was produced from PV systems installed at our buildings.

For more information (in Swedish) on Vasakronan’s energy performance and its PV systems, please see page 18 in the Annual Report for 2015.

**EMISSIONS**

During operations and management stage, buildings use a great deal of energy, which can give rise to greenhouse gas emissions. Furthermore, operations are responsible for emissions from its own vehicles, business travel and commuting. As a property company, we are also indirectly responsible for a large share of emissions stemming from material usage, waste and our tenants’ deliveries to and from our buildings.

Each year, Vasakronan estimates its greenhouse gas emissions in accordance with the Greenhouse Gas (GHG) Protocol. These calculations are provided by the consulting company, 2050 AB.
Thanks to continuous efforts to lower the energy consumption and by purchasing a higher percentage of green electricity and carbon-neutral district heating and cooling, we have managed to lower our carbon emissions by approximately 95 percent since 2006. For remaining emissions, investments in climate compensation have made operations climate neutral.

Compensation is done by purchasing shares in Clean Development Mechanism (CDM) projects. Vasakronan’s long-term ambition is to be climate neutral without the need for any compensation.
**EN15, 16 and 17**

**Report on total greenhouse gas emissions 2006 and 2012-2015**

Vasakronan has calculated its climate emissions since 2006 and therefore, this is also the base year used for calculations. For comparison purposes, emissions for 2006 have been adjusted so that they also include emissions of AP Fastigheter.

Since the base year, emissions have fallen by around 99% (comparable emissions). This large decline resulted from lower energy use and transition to renewable or climate neutral energy sources.

<table>
<thead>
<tr>
<th>Scope 1</th>
<th>Base year 2006</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>3 335</td>
<td>32</td>
<td>19</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>Own fleet</td>
<td>67</td>
<td>25</td>
<td>13</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>Privately owned vehicles used for work and company cars</td>
<td>236</td>
<td>40</td>
<td>23</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Refrigerants</td>
<td>-</td>
<td>874</td>
<td>944</td>
<td>555</td>
<td>371</td>
</tr>
<tr>
<td><strong>Total Scope 1</strong></td>
<td><strong>3 638</strong></td>
<td><strong>971</strong></td>
<td><strong>998</strong></td>
<td><strong>608</strong></td>
<td><strong>384</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scope 2</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>District heating</td>
<td>25 740</td>
<td>313</td>
<td>183</td>
<td>267</td>
</tr>
<tr>
<td>District cooling</td>
<td>606</td>
<td>311</td>
<td>232</td>
<td>229</td>
</tr>
<tr>
<td>Electricity 2)</td>
<td>30 766</td>
<td>863</td>
<td>2 404</td>
<td>626</td>
</tr>
<tr>
<td><strong>Total Scope 2</strong></td>
<td><strong>26 377</strong></td>
<td><strong>1 390</strong></td>
<td><strong>1 278</strong></td>
<td><strong>2 900</strong></td>
</tr>
</tbody>
</table>

**Climate compensated Scope 3 emissions**

| Air      | 303  | 121  | 120  | 92   | 201  |
| Train    | -    | 0    | 0    | 0    | 0    |
| Taxi     | -    | 8    | 8    | 6    | 0    |
| Hotel accommodation | - | 3    | 3    | 4    | 4    |
| Commuting| -    | 240  | 221  | 232  | 181  |
| Production and distribution of vehicle fuels (in scope 1) | - | 15  | 9   | 12   | 3    |
| Production and distribution of energy fuels (in scope 1 and 2) 3) | - | 1 748 | 1 261 | 1 282 | 1 131 |
| **Total Climate compensated Scope 3 emissions** | **303** | **2 135** | **1 622** | **1 629** | **1 521** |

**Other Scope 3-emissions 4)**

| Waste from tenants | - | - | 880 | 2 523 |
| Waste from construction projects 5) | - | - | 670 | 598 |
| Transports for construction projects 6) | - | - | 1 279 | 734 |
| Materials for construction projects 7) | - | - | 40 321 | 25 702 |
| Electricity use of tenants 8) | - | - | - | 85 461 |
| **Total (Scope 1, 2 och 3)** | **30 318** | **4 496** | **3 898** | **48 287** | **117 619** |

| **Total comparable emissions used in climate compensation** | **30 318** | **4 496** | **3 898** | **5 137** | **2 896** |

**Comparable emissions with 2006 7)**

| Emissions intensity, Scope 1 and 2 (kg per leasable sq. m.) | 8.14 | 0.91 | 0.85 | 1.40 | 0.55 |
| Emissions intensity, Scope 1 and 2 (after climate compensation) | 8.14 | 0 | 0 | 0 | 0 |

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1) Including AP Fastigheter's emissions before merger with Vasakronan. Only scope 1, 2 and flights and only CO2.
2) As of 2012 only included are temporary agreements that are not origin-marked.
3) This category includes emissions upstream in the production process, from hydropower, wind power, biomass power, additional power, district heating and cooling, as well as oil extraction, refining and distribution.
4) New categories since 2014 for waste, materials and transports and since 2015 for electricity use of tenants.
5) Entire construction project emissions for projects concluded during the reporting year.
6) Electricity purchased directly by tenants.
7) To make a correct comparison with 2006 base year, the same system limits and greenhouse gas emissions, i.e. only CO2, are used, also for 2012-2015.

For more information (in Swedish) on Vasakronan’s climate neutral activities, please see page 18 in the *Annual Report for 2015*. 
WASTE

It is important from both a financial and environmental perspective to reduce the amount of waste and reuse/recycle what remains.

Vasakronan’s long-term goal is for neither our own, nor our customers’ operations to generate waste that cannot be recycled or reused. We envision a future of efficient material use, where no such waste is generated at our properties and any leftover resources are regarded as important raw materials. To realize that, we must collaborate with our tenants and suppliers to:

1. Lower the amount of waste through an efficient use of resources.
2. Create the conditions for being able to reuse waste.
3. Manage waste in such a way that it is no longer considered waste, but rather as resources.

In addition, any hazardous waste arising from our own, or our customers’ operations, must be disposed of properly. Regional managers are responsible for ensuring that waste targets are achieved in our projects. At existing buildings, our facilities management teams (engineering, service and development) are responsible for ensuring that waste targets are met.

Progress in the area of waste management is central to our way of working and the goal is to minimize the amount of waste that is sent to landfills or incineration plants, while increasing the percentage of waste that is recycled or reused.

Our reporting on the amount of waste that Vasakronan and our tenants generate is partly based on estimates. Some of the waste, labeled as “household waste or similar” is collected by contractors employed by the municipalities across Sweden. It is often difficult, or even impossible, to obtain information from these local authorities on how much waste is collected at each property. Accordingly, it has been necessary to estimate some of that waste by creating key figures per square meter based on the actual information that is available for some of the buildings.

For project waste, detailed statistics are available for major projects. For fit outs however, there typically is no information available about waste. The waste generated from these types of projects has therefore been estimated by creating key figures that are based on actual data in a reference project.
SUPPLIER ENVIRONMENTAL ASSESSMENT

In order to successfully run the business, it is necessary to rely on different types of suppliers. These suppliers typically also rely on their own suppliers as well and this is usually where the direct environmental impact arises.

Procurement is responsible for entering into agreements with our suppliers for the purpose of ensuring that purchases comply with high quality and sustainability requirements, with the lowest possible environmental impact. Head of Procurement reports to the Chief of Technical Operations.

Environmental requirements for our suppliers are stated in specific attachments to agreements, such as the environmental program for both large and small projects. General environmental requirements are summarized in our environmental policy and (in Swedish) in our Code of Conduct for Suppliers that was created in 2013. It applies to all new supplier agreements and is now included in 100 percent of the supplier agreements signed by the Procurement. The share of agreements not entered into by the Procurement is difficult to estimate and it is therefore difficult to assess how many agreements and suppliers have relevant environmental requirements included in their contract. At Vasakronan, continual efforts are directed at lowering the total number of suppliers and ensuring that all supplier agreements are managed by the Procurement.

Supplier audits are carried out to ensure compliance with the code of conduct and any other items specified in the supplier’s contract. In 2015, 13 major supplier audits were carried out. Besides that, 13 supplier audits on a smaller scale were done in conjunction with contract meetings as well as a review of 6 of our cleaning contractors focusing on labor practices and human rights. The results of the audits that have thus far been carried out show that our suppliers are meeting our environmental requirements in a satisfactory manner.

When selecting the suppliers for audit, consideration was given to the extent they are used (based on costs), along with particular risks and focus areas. In 2015, our focus area was labor practices and work environment. It was determined that cleaning and landscape companies are suppliers for which there could be major risks in those areas. Accordingly, they were prioritized in the selection process.

For more information (in Swedish) on Vasakronan’s procurement process and code of conduct for suppliers, please see page 20 in the Annual Report for 2015.
ENVIRONMENTAL GRIEVANCE MECHANISMS

The company has established a whistleblower system so that employees and others are able to anonymously report any suspected incidents where there is lack of compliance with laws, rules or policies. Vasakronan’s General Counsel also serves as the company’s Compliance Officer, with responsibility for receiving and investigating any such complaints. To supplement this, an external whistleblower function was set up in 2015. More information (in Swedish) is available here.

In 2015, there were no reports of suspected non-compliance with laws or regulations pertaining to environmental issues.

Environmental certification of buildings

Obtaining environmental certification for both existing and newly constructed buildings is important from several perspectives. It provides a third-party confirmation that our properties have a low environmental impact and it helps us meet the growing environmental requirements of our tenants. In addition, environmental certification for our buildings impacts the transaction process and enables project financing via the proceeds generated from selling our green bonds. Regional managers are responsible for environmental certification associated with our projects and our Head of Operations (engineering, service and development) has that responsibility for our existing buildings. At the end of 2015, 71(44)% of the portfolio had environmental certification. Our long-term goal is to obtain environmental certification for all of the properties we own. As of 2015, Vasakronan only reports certification obtained through the following schemes: BREEAM, LEED and Miljöbyggnad.

For more information (in Swedish) on Vasakronan’s environmental certification, please see page 18 and the listing of properties in the Annual Report for 2015.
SOCIAL RESPONSIBILITY

To achieve our vision of future-proof cities, with buildings where both individuals and companies can thrive, we must take responsibility for the people affected by our operations. Our main impact is on our employees, suppliers, tenants and others in the vicinity of the properties we own.

We also want to influence current issues and help solve important challenges in society that are beyond our direct control, but where we can help make a difference. This is possible through our own direct efforts or by supporting and collaborating with existing organizations. Any such collaboration must have local support and be linked in some way to Vasakronan’s operations. It must also enable our employees to directly become involved. The materiality analysis identified the following aspects as essential in the area of social responsibility:

SUPPLIER ASSESSMENTS FOR LABOR PRACTICES AND HUMAN RIGHTS

In order to successfully run our business, we need to rely on various types of suppliers. They, in turn, have their own employees and suppliers. We want all employees working on behalf of Vasakronan, regardless of their direct employer, to have decent working conditions, and be treated with respect and regard for their health and safety. Procurement is responsible for entering into agreements with our suppliers. Head of Procurement reports to the Chief of Technical Operations. Procurement is responsible for ensuring that we only enter into agreements with suppliers who approve of our terms.

Requirements on suppliers concerning labor practices and human rights are stated in, among others, attachments to agreements, such as work environment regulations. General requirements (in Swedish) on labor practices and human rights are summarized in our Code of Conduct for Suppliers that was created in 2013. It applies to all new agreements that our Procurement signs with suppliers. In addition, supplier audits are carried out to ensure their compliance with the code of conduct and any other items specified in their contract.

The percentage of agreements not entered into by the Procurement is difficult to estimate and it is therefore difficult to assess how many agreements and suppliers have relevant requirements on labor practices and human rights included in their contract. At Vasakronan, continual efforts are directed at lowering the total number of suppliers and ensuring that all supplier agreements are managed by the Procurement.

Supplier audits are carried out to ensure their compliance with the code of conduct and any other items specified in their contract. In 2015, 13 major supplier audits were carried out. Besides that, 13 supplier audits on a smaller scale were done in conjunction with contract meetings as well as a review of 6 of our cleaning contractors focusing on labor practices and human rights. The results of the audits that have thus far been carried out show that our suppliers are meeting our requirements on labor practices and human rights in a satisfactory manner.

When selecting the suppliers for audit, consideration was given to the extent they are used (based on costs), along with particular risks and focus areas. In 2015, our focus area was labor practices and work environment. It was determined that cleaning and landscape companies are suppliers for which there could be major risks in those areas. Accordingly, they were prioritized in the selection process.

For more information (in Swedish) on Vasakronan’s procurement process and code of conduct for suppliers, please see page 20 in the Annual Report for 2015.

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EN32, LA14, HR10

Audited suppliers
DIVERSITY AND EQUAL OPPORTUNITY

All employees and job applicants are treated equally and we do not allow any form of discrimination. Women and men are given equal opportunities for development and promotion, as well as equal pay for equal work.

We strive to be a company that reflects the society in which we do business. We believe that success and diversity go hand-in-hand because it makes us more innovative and better at solving problems more efficiently.

Diversity and equality efforts are led by the company’s Head of HR. However, each manager is responsible for promoting group diversity and ensuring that no employee encounters discrimination. The company’s equal opportunity policy summarizes the purpose and targets for equality and it clearly states that all areas of operation must be free from hostility towards foreigners, discrimination and harassment. The company also has its own code of conduct for employees and the board of directors (in Swedish).

Any cases of discrimination are reported via: employee surveys, closest supervisor, HR department, union representatives, Compliance Officer, or our external whistleblower function.

Salary surveys are conducted regularly to ensure that there are no unfounded salary discrepancies.

As of 31 December 2015, Vasakronan had 346 employees, of which 340 were permanent and 6 were temporary employees. One employee had a part-time contract. All employees are covered by union agreements. Of the total number of employees, 270 were salaried employees and 83 were employed under a collective agreement. During the year, the company used around twenty consultants to fill positions of employees who were on sick leave or parental leave. In addition, contractors were used in project activities. Since the number of contractors can vary considerably over time, an assessment of the number used has not been made.
For more information (in Swedish) on the number of employees, please see Note 8 on page 85 of the Annual Report for 2015.

For more information (in Swedish) on the Board of Directors and Management, please see pages 64-65 of the Annual Report for 2015.

### Gender distribution

#### All employees

- Men: 62% (63)
- Women: 38% (37)

#### Management

- Men: 62% (67)
- Women: 38% (33)

#### Board of Directors

- Men: 67% (67)
- Women: 33% (33)
ANTI-CORRUPTION

Corruption occurring within the Swedish construction and property sector, where the sale of products and services each year is substantial, is assessed as widespread and extensive. For this reason, we must have working methods directed at eliminating the risk of corruption in all situations.

Daily operations are governed by policies and guidelines on such things as procurement, communication, diversity, equality and the environment. Together with the code of conduct, our policies, routines and training all contribute towards discouraging all forms of corruption and all of Vasakronan’s employees and suppliers are expected to comply with existing laws. Efforts to combat corruption and bribery are led by the company’s General Counsel in her role as Compliance Officer. Violations will not be tolerated and may result in disciplinary action, dismissal or prosecution.

All policies are available on our intranet and there is regular follow-up to ensure compliance throughout the organization. In 2015, a total of four suspected incidents of corruption were reported. However, subsequent investigation ruled out the existence of corruption in each case. No cases were reported to the company’s external whistleblower function in 2015.

CUSTOMER SATISFACTION

A high level of customer satisfaction is intrinsic to success in delivering a high, long-term return. When customers are satisfied, they are also more loyal to us.

Overall responsibility for customer satisfaction lies with the regional manager at each of the company’s four regions. Customer surveys are carried out regularly to monitor the results of our efforts and identify areas for improvement. Vasakronan conducts a customer survey at the beginning of each year. It also surveys customers in conjunction with specific events. For more information (in Swedish) on Vasakronan’s customer surveys, please see pages 10 and 20 in the Annual Report for 2015.

LABOR PRACTICES AND HUMAN RIGHTS GRIEVANCE MECHANISMS

The company has established a whistleblower system so that employees and others are able to anonymously report any suspected incidents where there is lack of compliance with laws, rules or policies. Vasakronan’s General Counsel/Compliance Officer is responsible for receiving and investigating any such complaints. An external whistleblower function was also set up in 2015 so that it is possible to bring any suspected incidents to the attention of external parties.

The Compliance Officer is bound by professional secrecy and therefore must keep the identity of anyone reporting incidents of suspected misconduct confidential. Specific instructions also exist on how reported incidents (directly or via the external function) are to be dealt with. The number of reported incidents, their nature and the number resulting in further action is monitored by the steering committee for internal control, which consists of the company’s CEO, CFO, General Counsel and one Controller. A summary of this is included in the annual report each year. In 2015, there were no reports of suspected non-compliance with laws or regulations pertaining to labor practices or human rights.