

# Akelius Residential Property AB (publ)

## sustainability report 2018



320 D Street, Boston

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In the event of conflicts in interpretation or differences between this report and the Swedish version, the Swedish version shall prevail.

# efficient buildings reduce environmental impact

By 2030, the share of world population that lives in cities with at least one million inhabitants, is expected to increase from 23 to 28 percent according to the United Nations.

Akelius invests in residential properties in metropolitan cities and thus benefits from population growth. Nevertheless, Akelius understands the importance of acting responsibly and creating *better living* from an environmental standpoint.

The sustainability targets are an integral part of the business. The sustainability action plan addresses all aspects of the business, encapsulating everything from environmentally efficient properties to sustainable operations.

Akelius plans to reduce energy and water consumption in its properties by ten percent by 2020. Akelius intends to benchmark the buildings with an internally developed energy management software.

The software facilitates energy-saving investment decisions.

Akelius contributes to well-functioning and sustainable communities. Akelius informs tenants and business partners of its Code of Conduct. The internal training on sustainability and the Code of Conduct is mandatory. All employees must complete the training.

Akelius believes that building sustainable relationships with its employees, tenants and suppliers can create long-term value for everyone.

2018 was a year of intense work and significant achievements that improved Akelius from an environmental standpoint. Akelius strives for improvement and aims to constantly enhance our efforts to integrate sustainability in business. It is in Akelius' DNA to continuously change for the better.

Pål Ahlsén  
CEO and Managing Director

Katarina Bangata, Stockholm





Markelstraße 17, Berlin

## about the sustainability report

Through the sustainability report, Akelius communicates its sustainability performance and impact.

The report supports transparency in Akelius' efforts to operate in a sustainable way.

Akelius publishes sustainability reports annually for each fiscal year.

The sustainability report is part of the directors' report.

The 2018 report is the second sustainability report.

The report presents actions taken to manage the main economic, environmental and social impacts caused by Akelius' daily operations.

It also presents Akelius' values and governance model and demonstrates the commitment to contribute to a sustainable global environment.

If you have questions or want further information, you are welcome to contact our Sustainability Manager at [sustainability@akelius.com](mailto:sustainability@akelius.com).

# materiality analysis

## Akelius' stakeholders

Akelius has identified its residents, suppliers, investors and employees as the primary stakeholders. Akelius affects all primary stakeholders by its operations.

At the same time, the stakeholders' actions are expected to affect Akelius' ability to implement strategies and achieve objectives successfully.

Akelius' sustainability efforts result in continuous improvements affecting all primary stakeholders.

## materiality analysis

Akelius has identified material issues as those impacting its business most significantly; economically, environmentally and socially.

In 2017, Akelius had discussions with its creditors aimed at identifying and understanding the issues that influence the perception of Akelius.

It was assessed whether these issues present risks or opportunities in relation to Akelius' business strategy.

In 2018, these issues were tracked and investigated to make sure that those deemed most important were addressed.

Akelius continuously draws insights from global trends and drivers. Input is received from market research, internal and external dialogues, expert opinions and other sources of information to improve the understanding of its business context.

## focus

The analysis and prioritization of the most material issues are made through group-wide discussions involving management and the board of directors.

Akelius aims to focus its efforts towards

- water and energy efficiency
- waste management
- use of environmental friendly materials
- staff development
- respect of human rights
- avoidance of corruption
- supply chain management

## goals

Akelius' general goals are to

- improve sustainability in the supply chain
- provide better living to tenants
- act ethically and respect human rights
- ensure the health and safety of employees and tenants
- eliminate harmful materials
- improve the quality and efficiency of properties

# business model

## apartments for metropolitans

Akelius' properties are located in cities such as Berlin, Hamburg, Munich, Cologne, Paris, London, Toronto, Montreal, New York, Boston, Stockholm, Washington D.C. and Copenhagen.

The high population growth in metropolitan cities reduces the risk for vacancies and is key to long-term income growth.

## cherry-picked residential properties

Akelius focuses on prime residential properties with limited downside risk. Akelius prefers to make many smaller purchases of properties that are just right rather than to make a smaller number of larger purchases that are not quite right.

Akelius selects properties with potential. This means properties with current rent levels below market rent that benefit from demographic changes and have low downside risk.

Akelius buys consciously and does not invest in properties with environmental issues that cannot be resolved.

Secure and growing returns over a ten-year period are more important than short-term profits.

## better living

Akelius plans to hold its properties for at least ten years. During the holding period, Akelius improves the properties and the service to the tenants.

The upgrading of roofs, insulation, entrances, kitchens and laundry rooms aims to decrease the properties' environmental impact.

It ensures that the properties are suitable for the future.

Improved lighting, facades, common areas and surroundings create safer neighborhoods, that become subsequently more attractive to tenants and investors.

By improving the quality of common areas and apartments, Akelius can increase demand for its apartments and raise rents.

## long-term ownership

When upgrading apartments, Akelius focuses on those that are vacant. This way, no tenant is forced to accept a higher quality and rent.

For this reason, it usually takes a long time to upgrade all apartments in a property.

## financing – safety first

Akelius puts safety first when selecting assets and funding. Attractive residential properties in growing metropolitan cities have good liquidity and access to funding.

Long-term funding from a diversified pool of creditors, together with a target of a loan-to-value below forty percent, is key to low funding risk.

Akelius' financial policy stipulates a minimum credit rating of BBB and an ambition to reach BBB+ or better. A high credit rating indicates low financial risk.

# governance

## sustainability manager supported by departments

The global sustainability manager proposes ideas aimed at improving the company's sustainability performance to the Board of Directors.

The global sustainability manager monitors and evaluates the implementation of the goals.

The global sustainability manager works in the Property Department.

The Property Department operates under the control of the Vice President of the Group.

To engage decision-makers, the sustainability manager meets regularly with the heads of

- Finance Department
- Procurement Department
- Property Department
- Staff Department
- Regional managers

At these meetings, the process for achieving the sustainability targets is evaluated, information is exchanged and projects are discussed.

## continuously reviewed targets

The Board has approved actions and set targets for the sustainability work.

Sustainability policy sets clear targets regarding

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

Akelius continually reviews the targets and its success in meeting them.

## code of conduct

The Board of Directors reviews the Code of Conduct annually.

The Code of Conduct sets out the main principles and rules governing business practices.

The Code of Conduct

- supports the company's success as well as a professional corporate culture
- sets out the expectations on the behavior and attitude of Akelius' employees and business partners
- is part of the training for all employees

99 percent of Akelius' employees have completed the Code of Conduct course.

## regular internal and external audits

Compliance with Akelius' policies is continually monitored internally by Group functions.

Audits are performed regularly by both internal and external auditors.

Non-compliant behavior has led to disciplinary actions, both in relation to employees and third-party contractors.

# environmental matters

Akelius strives to manage the waste and protect the environment from harmful materials.

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

The two main goals of an environmental management system are to ensure

- compliance with all applicable regulations and legislation
- that the business operations improve continuously and reduce their environmental impact



Blücherplatz 5, Frankfurt

## reduction in energy and water consumption

One of Akelius' main environmental impacts is the energy and water that is used during the operational phase of a building's life cycle.

Akelius has adopted a global target of reducing its energy and water consumption by ten percent in like-for-like properties by 2020 compared to 2016.

Measures taken include

- equipping all properties with appliances of the highest efficiency standard
- equipping properties with state-of-the-art heating systems
- insulating windows and piping
- commissioning hydraulically balanced heating systems
- integrating renewable energy units depending on the regions' basic conditions such as solar irradiation
- rolling out smart meter infrastructure, including water leakage detection
- supplying all tenants with information on efficient ventilation and heating when moving in
- providing highest transparency when invoicing tenants for utilities
- providing a mobile application that allows the tenant to identify appliances with the highest energy efficiency

Akelius employs energy specialists and carries out actions in different regions to achieve the targeted energy savings.

Akelius works on internally developed energy management software that benchmarks water and energy consumption in every property.

Akelius' internal energy and water project pool enables sharing knowledge between regions.

Akelius calculates energy consumption on the basis of building utility meters. Areas to which Akelius has no access can only be estimated.

Akelius' energy consumption only includes internal usage.

Akelius is not taking into account consumption outside the organization.

For normalization, Akelius uses its own recorded vacancy rate and third party providers for metrological data, such as heating degree days.

Akelius does not report energy used by tenants that have their own utility contracts.

Energy intensity refers to the area in square meters where the energy was used.

The data analysis includes real consumption data to an extent of 74 percent.

26 percent rely on standardized load profiles related to building size and usage.

## risks

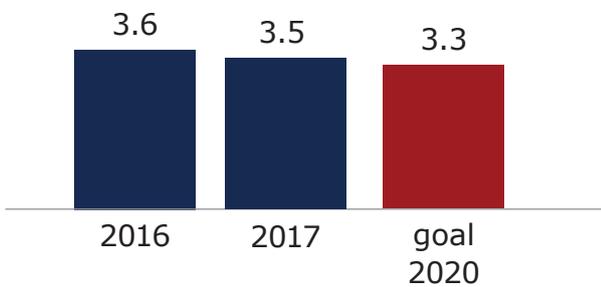
- adding to global warming
- assets destroyed by rising sea levels
- increased operating costs

## targets

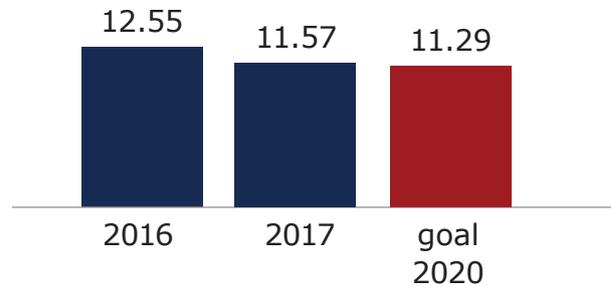
## status goal

- | target   | status | goal |
|--|--------|------|
| - reduce energy consumption by ten percent by 2020, compared to 2016 | -1.7%  | -10% |
| - reduce water consumption by ten percent by 2020, compared to 2016  | -2.8%  | -10% |

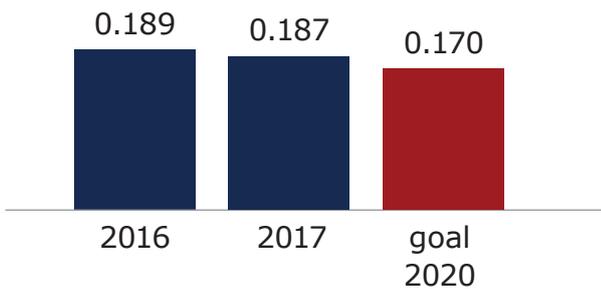
water,  
like-for-like properties  
million m<sup>3</sup>



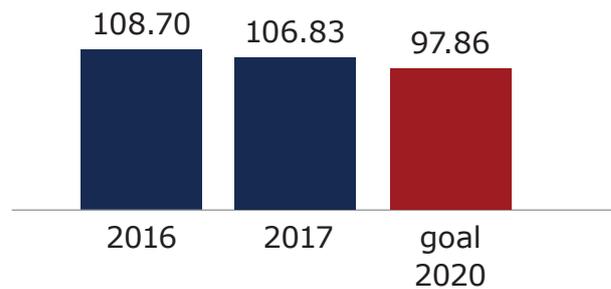
electricity intensity,  
like-for-like properties  
kWh per sqm



heat intensity,  
like-for-like properties  
kWh per sqm



energy intensity,  
like-for-like properties  
kWh per sqm



## use of clean materials

### non-toxic

Akelius is committed to protecting the health of its tenants, suppliers and staff. Akelius is devoted to protecting the environment.

The company's contribution includes

- blacklisting hazardous construction materials in all operations
- banning toxic cleaning products

Akelius strives for identifying and managing substances of high concern that may be present in common construction materials.

Akelius' new guideline for cleaning products ensures the use of non-toxic cleaning products.

The guideline provides countries with approved lists of eco-labels.

Heads of regions and the Procurement Department are responsible for ensuring that the guidelines are shared with our contractors, cleaning companies and purchasing managers.

### risks

- negative health consequences caused by harmful and toxic substances
- environmental pollution

### targets

status  
2018

goal

- |  |                   |      |
|--|-------------------|------|
| - create country-specific lists of approved cleaning materials | 100%              | 100% |
| - blacklist materials and chemicals                            | new goal for 2019 |      |
| - select all cleaning agents from list of approved agents      | 100%              | 100% |

## long-life materials

New materials and products used in renovation and upgrading are long-life products of high quality.

Akelius uses

- real oak flooring instead of laminate
- durable porcelain stoneware tiles
- durable kitchen countertops of engineered stone
- high-quality and durable fittings for bathrooms and kitchens

Renovation cycles are significantly extended and the need for new materials and products is reduced.

Akelius is committed to continuing to reduce the impact of the materials that are used on both ecosystems and near people.

Sustainability teams in the Property Department and in the Architecture and Design Department are developing a sustainability standard for new components purchased by the Procurement department.



Overgaden Oven Vandet, Copenhagen



Peschkestrasse 16, Berlin

## repairs instead of disposal

Whenever technically possible, original style elements are repaired instead of being disposed and replaced.

## inventory application

Two years ago, Akelius started a pilot project, with the aim at reducing the amount of used components, such as fridges and freezers, that are thrown away.

The project aims at re-using components that are still in a good condition and not older than five years. Components are then being re-used in other, non-upgraded apartments.

Akelius is developing an Inventory Application. This application helps making the re-use of used components easy and effective for employees.



details of interior material at Rubenstraße 58, Berlin

## product certification and labels

Product certifications and labels are the best indicator that products are produced sustainably.

97 percent of the company's coffee and fruit suppliers meet an eco-standard, as a result of the company's 2018 target.

## reduction in the use of plastic bottles

Akelius installed taps fitted with water filters to remove impurities and improve taste. The impact of doing so has been huge.

In 2017, the company ordered over 120,000 bottles of water. As a result, 150 bottles are saved per employee per year.

By this, Akelius contributes to reducing

- energy consumption
- carbon emissions
- plastic pollution.



preserved details at Droysenstraße 7, Berlin

## waste disposal system in place

A large amount of waste is produced in Akelius' properties. This waste is not only generated by tenants, but also during improvement and maintenance work. Poor waste management may cause environmental pollution.

Property managers are responsible for meeting the waste disposal targets. The sustainability manager follows up on the targets every quarter and sends reports to management.

During the year, specific recycling information has been shared with all tenants to ensure their awareness of the recycling possibilities in the properties.

In some countries, tenants find the information in the property's bin area. In others, the information is sent directly to the tenant by mail.

### risks

- higher emissions of harmful gases
- emissions of toxic substances due to landfilled appliances
- resources with potential for recycling are wasted

In 2018, Akelius ensured that all tenants are able to sort their waste.

In most cases, Akelius equipped the property with recycling facilities. In other cases, Akelius made sure that the tenants have access to a general recycling station close by owned by the municipality.

During the year, the Swedish organization installed food waste recycling facilities in 49 percent of the Swedish properties.



newly built sorting area,  
18 Belmont Road, London

### targets

- inform tenants how to sort household waste
- all properties have common sorting stations

status  
2018

goal

100%

100%

92%

100%

## emissions

Akelius creates opportunities for suitable transportation and encourages employees to use electric or environmentally friendly vehicles when traveling between the office and properties.

Some offices have installed charging stations.  
The Stockholm and Copenhagen offices recently bought bicycles for the employees.

In 2017, Akelius' Board adopted the target that all purchased pool cars must be electric.  
In 2018, 92 percent of new pool cars were fully electric.

A new policy for lease cars was adopted. To promote the use of more environmentally friendly cars, Akelius gives incentives to employees for choosing a hybrid or an electric car. For regular cars, the limit for CO2 emissions is 120 gram per kilometer.

In Sweden, six out of seventeen new lease cars in 2018 are fully electric. Eleven of them are hybrid cars with an average CO2 emission value of 48 gram per kilometer.  
61 percent of the pool cars are fully electric.



# staff

## a healthy and creative working environment

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

Low turnover and low sick leave indicate a good working environment at Akelius.

## quick integration

All new employees take the "Welcome to Akelius" course.

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

## motivation through internal recruitment

Akelius offers ample opportunities for advancement to new positions, regardless of the employee's starting position.

All vacant positions are first announced internally.

9.3 percent of the workforce proceeded to new positions within Akelius in 2018. Internal recruitment is more efficient, since employees are familiar with Akelius' way of working.

## specialist training and MBA

Akelius offers internal education within areas relevant to the operations through Akelius Business School.

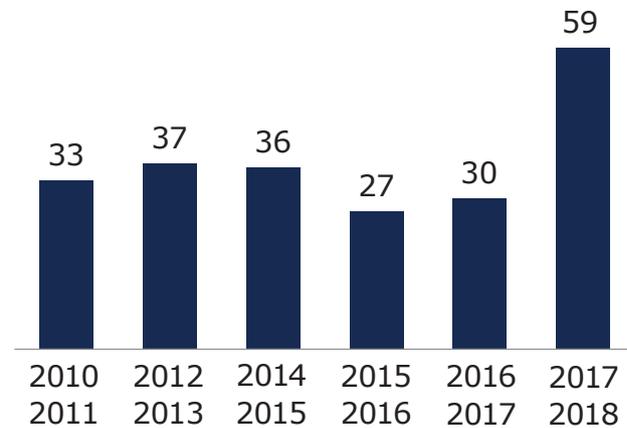
This comprises a specialist training course with the possibility to follow up with an MBA course.

In 2019, Akelius Business School receives a budget of EUR 4 million.

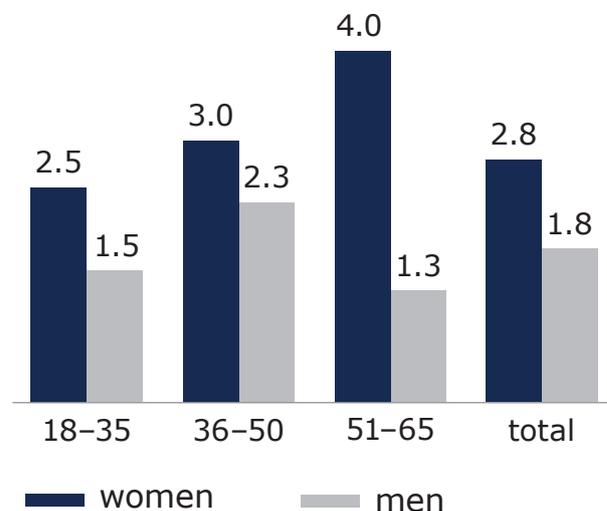
Internal education helps managing risks associated with safety and security issues, sustainability issues, corruption and whistle blowing.

students at Akelius Business School, MBA-course

number of students



sick leave per age group percent

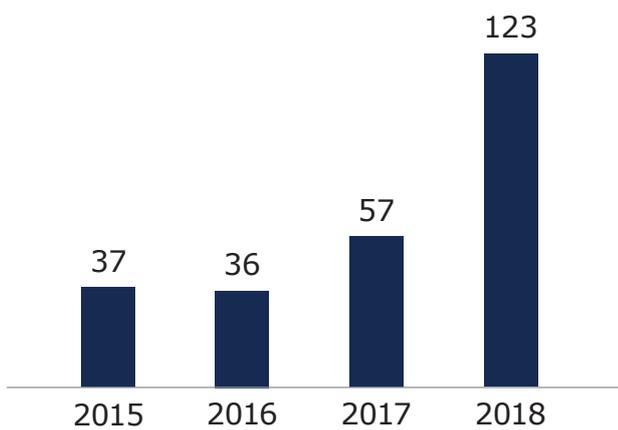


### risks

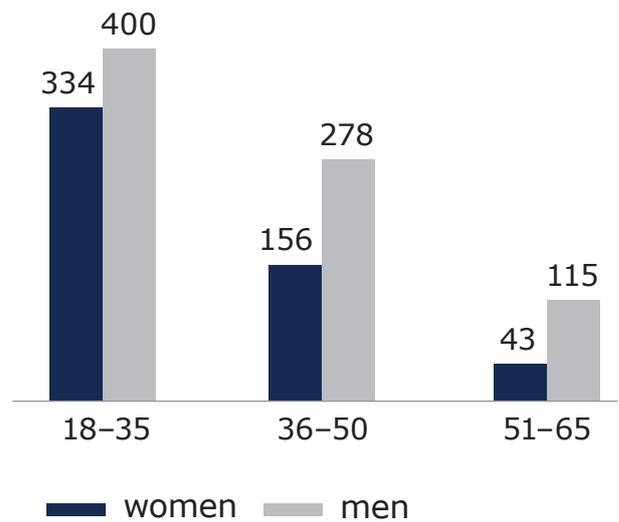
- high employee turnover and sick leave
- decreased efficiency

targets	status 2018	goal
- sick leave below two percent	2.2%	<2%
- employee turnover below fifteen percent	14.5%	<15%
- all employees have health insurance	100%	100%
- train all staff on sustainability issues	on going	100%
- sustainability segment in the "Welcome to Akelius" course	✓	✓

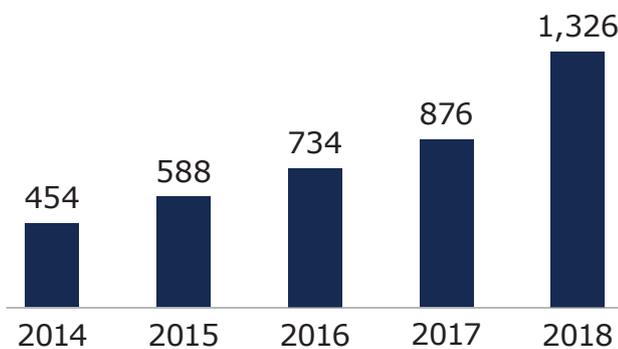
employees with new positions at Akelius  
number of employees



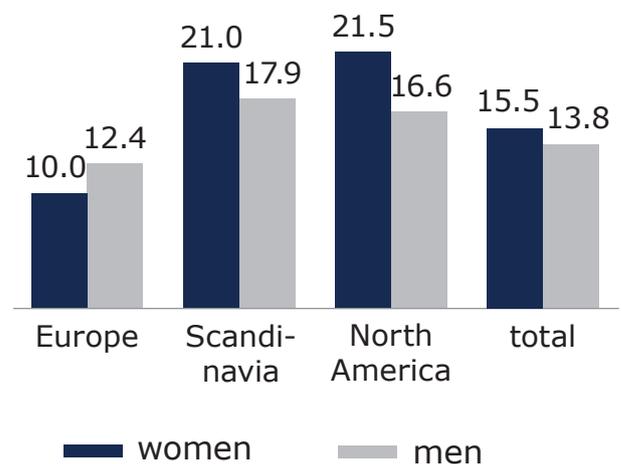
age distribution  
average number of employees



number of employees



turnover per region  
percent



# social and economic responsibility

## safety first

The residential property business is capital intensive.

By adopting an investment strategy that puts safety first and by reinvesting profits in our operations, Akelius secures its assets and thereby homes of tenants and the jobs that Akelius creates.

The “safety first” strategy is explained in the business model described on page 8 in the annual report, which is available at [akelius.com](http://akelius.com).

Akelius’ activities support job creation for suppliers, contractors and consultants.

## improved neighborhoods

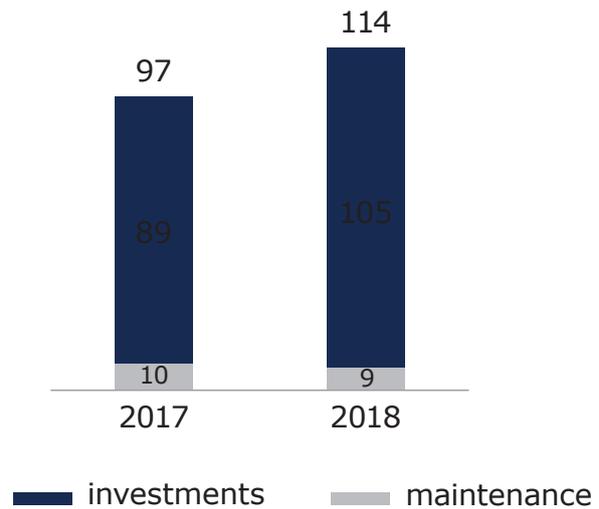
Akelius’ assets are its tenants homes. Everyone should feel safe in their home and neighborhood.

Akelius contributes by investing in the properties, starting as soon as they are purchased.

Akelius makes long-term investments to ensure that properties remain secure investments.

Akelius’ properties have a high standard throughout their entire lifespan. Well-kept properties mean safer and more attractive neighborhoods. Akelius prioritizes good lighting and neat and attractive common areas.

investments and maintenance  
EUR 114 per sqm



## Akelius helps

Akelius is owned to 85 percent by charitable foundation, the Akelius Foundation. This means that dividends received are used for charitable purposes.

Akelius Foundation has mainly donated to SOS Children’s Villages, Doctors without borders and Unicef.

# human rights and anti-corruption

## fair competition and ethical standards

The property business is a capital intensive industry where agreements with contractors and suppliers involve large sums.

Akelius has a responsibility to act ethically in every aspect.

Akelius values fair competition and does not accept any form of corruption, bribery or unfair anti-competitive measures.

Akelius ensures that human rights are respected within the Akelius Group and throughout the entire supply chain. Akelius accepts no instances of child labor, slave labor or forced labor.

Akelius does not accept violations against Code of Conduct.

Any such action may lead to disciplinary measures, including dismissal and prosecution.

This applies also to the approval of such actions, whether expressed or implied.

Employees, suppliers or other business partners are encouraged to report any violations of Code of Conduct to [whistleblower@akelius.com](mailto:whistleblower@akelius.com).

Whistleblower emails can only be read by the chairman of the Board, Anders Lindskog, who keeps informants anonymous.

## clear information to employees

Akelius' Code of Conduct states what is expected from each employee in their interaction with tenants, co-workers, suppliers and investors.

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

In 2018, 99 percent of Akelius' employees have read and passed a test on the Code of Conduct.



## guidelines for suppliers

Akelius' suppliers stand for a significant part of the sustainability development, since they handle a lot of material production and transport. These are areas associated with increased risks.

Non-compliant suppliers may damage the company's brand reputation. Akelius wants its suppliers to manage the same risks as Akelius does.

Child labor, slave labor or otherwise forced labor is not tolerated, and environmental compliance of products is a requirement for suppliers.

Akelius has a significant environmental impact due to international transport of materials. The Logistics Department limits the impact by coordinating transports. Orders are bundled as much as possible. Orders for upgrades are held as long as possible so that a container can be filled to maximum capacity.

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

The central warehouse location in Hanover is in the center of gravity for Akelius' logistics activities. That way,

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

Supplier contracts are administrated by the Procurement Department which creates increased control on Akelius' behalf.

Akelius actively engages its supply chain by notifying them of Akelius' Code of Conduct, which sets the principles that guide its business.

In cooperation with the global sustainability manager, the Procurement Department implemented a system to identify high-risk suppliers in the Akelius supply chain in 2018. The system contains a self-assessment tool and on-site audits.

The supplier audits were initiated to evaluate whether the suppliers' business practices are in compliance with international sustainability standards and principles.

### risk

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

targets	status 2018	goal
- inform all suppliers of the Code of Conduct	100%	100%
- start on-site audits and continuously make on-site audits of ten percent of suppliers	11%	10%
- ensure that ninety percent of all coffee and fruit served in offices meet international eco-standards	97%	90%



renewed courtyard at  
Alte Jakobstraße 75, Berlin

## key figures

### staff

total number of employees by employment contract, by gender	permanent employment	temporary employment
women	504	31
men	753	38
<b>total</b>	<b>1,257</b>	<b>69</b>

total number of employees by employment contract, by country	permanent employment	temporary employment
England	57	-
Germany	458	39
France	50	2
Sweden	177	20
Denmark	21	-
Canada	273	6
USA	221	2
<b>total</b>	<b>1,257</b>	<b>69</b>

total number of employees by employment type, by gender	full-time	part-time
women	490	45
men	755	36
<b>total</b>	<b>1,245</b>	<b>81</b>

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# auditor's report on the statutory sustainability report

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

## engagement and responsibility

It is the Board of Directors that is responsible for the statutory sustainability report for the year 2018 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

## the scope of the audit

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

This means that our examination of the statutory sustainability report is 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 a sufficient basis for our opinion.

## opinion

A statutory sustainability report has been prepared.

Stockholm 14 March, 2019  
Ernst & Young AB

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Ingemar Rindstig  
Authorized Public Accountant

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Jonas Svensson  
Authorized Public Accountant

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