



WALLENSTAM

COMMUNICATION ON PROGRESS

2019

This is how we create value

1 | Our resources

Financial capital

SEK 24 billion in capital from shareholders and generated profits that remain in the company and SEK 24 billion from external lenders.

Produced capital

More than 200 properties – residential properties in attractive locations in the growth regions of Gothenburg, Stockholm and Uppsala as well as commercial properties in Gothenburg inner city. 66 wind turbines from Jämtland in the north to Skåne in the south, producing renewable energy.

Human capital

Just over 250 dedicated and knowledgeable employees and combined competencies through partners within management, service and construction.

Social and relationship capital

All customers that live in our around 9,500 rental apartments, or that work in the offices, shops etc., which comprise more than 500,000 sq m of commercial floor space. In addition, relationships with financiers, partners, municipalities and local communities.

Intellectual capital

About 11,000 potential apartments in the project portfolio which can become future homes for families through our combined experience and processes concerning management, construction and urban development with dialogue and collaboration.

Natural capital

Land, energy and building materials such as wood, stone and metal provide the basis for our construction operations.

2 | Our operations and business model

Business process

Wallenstam builds, develops and manages properties and areas based on the needs of people and society, and according to the wishes and requirements of customers and shareholders. We create value growth through construction, development and management with a high level of service and long-term sustainability. Profits are reinvested and used to further develop the business. Shareholders receive a share of the profits in the form of dividends.

Efficient management and development

Our properties and public areas adjacent to the properties are developed and refined based on maintenance plans and customer needs and wishes. Safety, comfort and long-term profitability are key words when we, for example, modernize the courtyards of residential buildings, carry out optimized operations projects, or when we develop inner city environments



to contribute to meeting places and a city pulse. Through our own wind power production, we are self-sufficient in renewable energy, something that makes us less sensitive to changes in the electricity price.

Successful letting organization

With good knowledge of the local market and its needs and great commitment in taking care of customer relationships, a strong basis is created for maintaining a uniform and high occupancy rate in our commercial holdings. The residential holdings are fully let and in line with the completion of our new construction projects, letting of a large number of apartments occurs every year.

Cost-efficient construction

We mainly build rental apartments for our own management, but also a smaller number of co-op apartments and commercial properties. Our process and flexible business model, makes it possible to complete our new construction projects in both economic upturns and downturns. We work continually on acquiring land and seek land allocations in order to regularly replenish our project portfolio.

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PROPERTIES

Wallenstam has 1.2 million sq m of lettable area, of which just over 500,000 sq m is commercial floor space.

We create value growth through construction, development and management with a high level of service and long-term sustainability.



3 | Created value for our stakeholders

Owners

- » Stable and safe investment
- » Share price trend
- » Share dividend
- » Value growth

Customers

- » Functional, qualitative homes and well-adapted, flexible working environments
- » Realized entrepreneurial and residential dreams
- » Housing free from financial risk
- » Simplified and hassle-free everyday life – at home and at work

Employees

- » Jobs with secure and stable employer
- » Personal and professional development
- » Remuneration and benefits

Suppliers, partners and lenders

- » Paid goods and services
- » Interest payments
- » Long-term collaborative relationships
- » Jobs

Society and the city

- » Regional development through more housing and premises for people and companies
- » More attractive, lively cities with pleasant meeting places and developed infrastructure and service
- » Tax revenue and jobs
- » Engagement in the local community and sponsorship

Environment

- » More renewable energy
- » Lower environmental impact by reduction of energy use, carbon emissions and water consumption in our properties
- » The possibility of charging electric vehicles, solutions for sorting at source, and initiatives to promote cycling etc.

Business plan 2019–2023

GOAL 2023

To achieve an increase in net asset value of SEK 40 per share

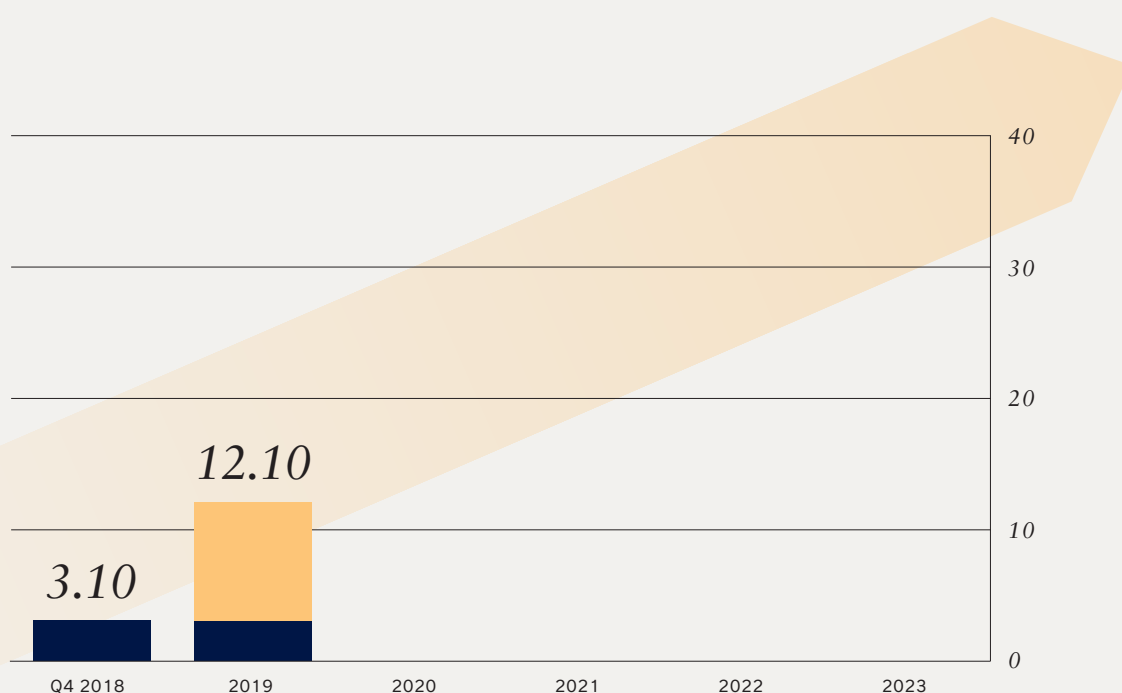
The goal to achieve an increase in net asset value of SEK 40 per share during the period is equivalent to an increase of 50 percent starting from October 1, 2018.

As of September 30, 2018, the Group's net asset value amounted to SEK 25,608 million, which is equivalent to SEK 79.20 per share and is the starting point for the measurement. On December 31, 2019, the net asset value amounted to SEK 29,501 million, which corresponds to SEK 91.30 per share. This means that we have generated SEK 12.10 per share to date. Net asset value

growth is created by successful letting, efficient management, value-creating investments, cost-efficient new construction and strong business operations.

During the business plan 2023, Wallenstam is continuing to work in the growth regions of Gothenburg, Stockholm and Uppsala. We are striving to become even more service-oriented, productive and efficient, so that we can create even more value for our shareholders, employees, customers and society as a whole. During the business plan, the equity/assets ratio shall not fall below 30 percent.

Increase in net asset value, SEK/share



Net asset value growth is created by successful letting, efficient management, value-creating investments, cost-efficient new construction and strong business operations.

Guiding principles

Our guiding principles aim to clarify important focus areas in our operations.

CUSTOMER

We shall exceed customer expectations and improve the overall impression of Wallenstam every year through attractive apartments and premises as well as good service.

READ MORE ON PAGE 6

EMPLOYEE

Through our strong corporate culture, we shall be an attractive employer and improve our Engagement Index score every year.

READ MORE ON PAGE 7

ENVIRONMENT

We shall reduce our environmental impact every year, through initiatives within the focus areas energy, transports and resources.

READ MORE ON PAGE 8

The Sturefors block,
Gothenburg.

“We shall exceed customer expectations and improve the overall impression of Wallenstam every year through attractive apartments and premises as well as good service.”

Our customers are at the center of our business and it is important for us to be able to offer the right product and service to our residential and commercial tenants. Satisfied customers that are happy are loyal and rent longer with us, which among other things, contributes to lower relocations, less wear and tear and increased security. A satisfied customer is also a good ambassador for us as a company.

Through telephone calls, e-mail and personal contacts, we meet our customers every day, including through our customer service that receives reports of defects and viewpoints. We also meet our tenants at different customer events, for example occupation-related meetings. These meetings benefit the relationship between us and our customers and between the tenants, and knowing your neighbours contributes to increased satisfaction and security.

Good testimonials from our customers

During 2019, we conducted a CSI (Customer Satisfaction Index) survey where we asked our customers what they think about our service, our product and our image. The outcome showed that we obtained very high ratings in a number of areas. The availability and response from our customer service is top class, our capable partners obtained high ratings in relation to property maintenance in our properties and customers are satisfied with their apartments and their premises, for example with regard to design and standard. Our service index, which is a weighted rating for several areas within service and response, improved compared to the previous survey.

CSI provides focus areas

Based on the results, we have identified areas for improvement that we continued to work on during the year. This resulted in a number of action plans and procedural changes. This work occurs on a company-wide basis and is led by a process manager with the entire customer journey in focus, from letting and occupation, information and contact with us as a landlord to cancellation and removal. We are also looking specifically at the process around handling cases of reports of defects, so that our customers can obtain even quicker help with their cases.

The action plans relate for example to operation, such as ventilation and indoor climate, as well as cleaning and maintenance in our properties, but also targeted projects that aim to make it easier for customers to act in an environmentally-friendly way. This can, for example, involve sorting at source or recharging possibilities for electric bikes.

Increased follow-up

The work on improving our processes and implementing the action plans will continue over the next few years. We plan to increase the follow-up of our efforts and customers' experience of these through shorter, focused surveys of different areas of our operations. In this way, we can listen faster and adapt to our tenants' viewpoints. Every second year, we will conduct a major survey in the entire holdings.



During fall 2019, we started a training initiative in how we meet our customers through conversations and personal meetings. All employees and Wallenstam Partners who in their work have a lot of customer contact, will have the opportunity to advance their knowledge and skills in relation to the right response, communication and tonality.



We are meeting our customers' need to contact us via different channels. During 2019, we launched the Wallenstam App for our residential tenants, where tenants can communicate with us and their neighbors, book the laundry room and other common areas. We are continually improving the App and are gradually connecting more of our properties.

“Through our strong corporate culture, we shall be an attractive employer and improve our Engagement Index score every year.”

Knowledgeable and dedicated employees are one of our success factors as a company and the most important resource for our operations. Dedicated employees ensure more satisfied tenants and more efficient operations.

Managers have a key role in promoting employee commitment. During the year, a large part of the management training in the company focused on how a leader can work to increase the commitment among the employees and allow it to permeate the leadership.

The work with the guiding principle affects the entire company and is led by a process manager, who in 2019 focused primarily on:

Mapping how the measurements of our Engagement Index score shall be implemented

The Engagement Index not only includes how satisfied the employees are, but also shows to what extent the employees take responsibility for and feel involved in the company's mission – our goals, our business concept and our vision. We want to improve our Engagement Index score every year and have analysed how the follow-up should be made, how the measurements should be carried out and how often they should occur. During the coming year, we will start the measurements, as part of our employee surveys.

Involving all employees in our corporate culture and our values

The corporate culture is a large part of how the company is feeling and doing. Wallenstam is basically a family business and takes good care of its employees and ensures opportunities for development. Often a corporate culture is unspoken and difficult to define. We have therefore worked during the year to clarify and describe what Wallenstam's corporate culture implies and means for our employees. An enterprising attitude, stability, purposefulness, security, togetherness and equality are some of the qualities that our corporate culture is based on and that are connected to our core values, respect, commitment and progress.

To develop our entire process around employer branding

How we are perceived as a company by potential, current and previous employees is important for attracting and retaining dedicated employees. In this work, we want to improve and quality-assure all stages in the process in order to further strengthen Wallenstam as an attractive employer.



“We shall reduce our environmental impact every year, through initiatives within the focus areas energy, transports and resources.”

The property sector has a significant impact on the environment, climate and society, an impact that we take responsibility for as a major property owner and construction company.

Our efforts contribute both to a reduced environmental impact and lower operating costs. During the first year of the current business plan, we focused on mapping routines and processes for statistics and follow-

up and on defining new goals within the guiding principle Environment. We have formed an environmental group which is led by our Sustainability Manager with representatives from the entire organization. The aim of the group is to bring together experience from the operations, formulate goals, strategies and action plans that will be firmly established in the Management and implemented throughout the entire organization.

FOCUS AREAS

In order to delineate and concretize the work in the guiding principle Environment, we have selected three focus areas: **energy, resources** and **transports**. Each area implies different kinds of challenges, and for this reason we continued our work during the year on mapping how each area should be designed. Among other things, this meant that we have been in contact with suppliers to gather statistics and data, which will form the basis for the continued environmental work. Based on this supporting data, environmental goals will be defined. It is important that each environmental goal is commercial, realistic and ambitious.

- » Within the **energy** area, we are a leader today because we are self-sufficient in renewable energy from our wind turbines. We have also started to install solar cells in our properties. The challenge we are now facing is connected to the heating of our properties and how we should reduce our climate impact here.
- » The term **resources** is broad and we have currently been focusing on aspects such as waste, water and material. We divide waste into waste from our tenants, and waste connected to our new construction.
- » As a first step in the work in the **transports** area, we have focused on trips that the company's employees make.



Geothermal heating from 88 different 300-meter-deep holes

In our urban development project Umami Park in Sundbyberg, we are installing one of the Stockholm area's largest geothermal heating plants, which will supply all of the so-called Central block containing 37,000 sq m of commercial floor space with heating and cooling. The plant will be powered by our internally-produced electricity and will be commissioned in February, just before the first tenants move into the reconstructed and newly renovated premises.



Comments by the CEO

Our anniversary year is now at an end and I can confirm that it was a very good year. It was especially nice in November, the very month when the company was established 75 years ago, to be able to unveil our new logo and graphic identity. I am personally very proud of the designed logo, which has received many positive reactions. The new design – with the ant and name in a modern style – reflects both our history and future.

We generated an increase in net asset value of SEK 9 per share during the first calendar year in the new business plan, of the SEK 40 which is our goal for 2023. Income from property management increased by 10 percent to just over SEK 1.1 billion and the surplus ratio came in at 75.5 percent. These are really excellent numbers, which once again show how well the operations and our business model are working.

High demand generates higher property values

Demand for properties is pretty incredible right now and is a natural consequence of the fact that we are in a low interest rate environment where properties are regarded as a safe investment option. The strong demand for properties is affecting yield requirements and consequently also the valuation of our property holdings. The changes in value of our properties amounted to SEK 2.6 billion in 2019. It is extra satisfying to see that the changes in value from our efficient new production are making an increasing contribution to our value growth. My opinion and that of many others is that the low interest rates will persist for a long time to come.



Value-creating over time

Wallenstam's share is a long-term investment. The share has had a stable positive development for a long time without large fluctuations in the market price. We develop, build and manage with a high level of service and long-term sustainability – this is how we create value. Our continual value-creating work combined with our dividend help to ensure the share's stable development. The Board of Directors will propose an unchanged dividend of SEK 1.90 per share in view of the major investment program that we are in and have ahead of us. We always want to do what is best for our shareholders, and therefore it feels right to strike this balance, through a stable financial position in combination with our value-creating business concept.

Two Vice CEOs

In October, Marina Fritsche, Regional Director for Gothenburg, was also appointed as Vice CEO. Since 2007, Mathias Aronsson has been Vice CEO and Regional Director for Stockholm and Uppsala. The company has decided that each Regional Director shall also be a Vice CEO of Wallenstam, a title that strengthens the Regional Director position. Wallenstam thus has two Vice CEOs who lead the company's operations in two business areas.

Sustainability in all decisions

During the year, we formed our sustainability department, which brings together all of the sustainability work that has been carried out over many years in the company and which is driving our sustainability initiatives and strategy work. Wallenstam has already signed the UN's Global Compact, which means that we support and work on the basis of ten principles in the areas of human rights, labor, the precautionary approach, anti-corruption and taking of responsibility in relation to environmental issues. Sustain-

ability pervades all of our operations and all decisions, important ones as well as minor.

During the year, Jämtkraft took over our company Svensk NaturEnergi with electricity sales to end customers, a changeover that has worked well, and which feels extra nice in view of the fact that Jämtkraft also shares Wallenstam's values regarding sustainability. We have retained all our 66 wind turbines and are still self-sufficient in renewable energy, which has been the case since 2013. In the energy area, we have installed some individual solar panels as a pilot project in selected properties. During 2020, we will continue these efforts on a larger scale in several of our buildings.

It is also gratifying that the European Investment Bank, EIB, has entered as a new financier in our energy-efficient rental apartment productions. For us, this represents a confirmation that we are working in a sustainable way, since a precondition for the financing is that the projects meet the EIB's requirements for "nearly-zero-energy building". The aim of the financing is also to support the construction of rental apartments and thereby reduce the severe housing shortage in Sweden's largest cities.

New production rate

Our new production is progressing as planned and we are continually starting new projects. We currently have more than 3,000 apartments under construction. Of these, construction started of more than 1,200 apartments during 2019. Among other things, we finally started more than 400 apartments in our largest urban development project Kallebäcks Terrasser in Gothenburg. Here, we are also building a commercial property of 20,000 sq m, mostly office space.

Given the huge housing need that exists, it is important that those of us building rental apartments can maintain



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inner city. This gives us greater freedom of action and makes it easier for us to find creative and alternative solutions for each property.

Our letting organization continually works close to the market in order to find the right mix for a lively and attractive inner city. During 2020, we are welcoming for example Götaplatsgruppen to Magasinsgatan in Gothenburg. Reconstruction is currently in progress of the premises in Artilleristallarna and in September the doors will open to a new meeting place for Gothenburgers and visitors to the city.

the production rate and provide our regions with new homes, particularly as cooperative apartment production has now decreased. About 100,000 people have registered in our own queue for newly constructed apartments in Stockholm, Uppsala and Gothenburg.

We are keenly aware of how the market and demand are developing, and we are also testing other forms of housing. For example, we are now building co-living apartments, which will be introduced into our holdings during 2020. It will be exciting to follow the development of modern collective living – through Colive. I hope and believe that this can be a popular product in today’s society, like coworking has become, where we share workplaces.

Services, shops and restaurants important for office tenants

Of course we are also taking on challenges. One challenge currently facing many property companies is the fact that physical stores are being subjected to tough competition from e-commerce. In addition, we have the challenge of the ongoing work with the West Link project in Gothenburg, which will make access to the city more difficult for some time.

For us, this work means additional focus on finding different solutions for business activities in the ground floors of our properties so that we can create the right conditions for a lively streetscape. Offices account for the majority of our floor space in our commercial properties. For our office tenants, it is important that there are services, shops and restaurants that provide life and a pulse in the local area, while the businesses benefit from the customer potential of the commercial tenants. Therefore, we always take a holistic approach in a property and in an area, so that different activities can complement each other. It is a strength that our commercial properties are located in Gothenburg

Passing of our Chairman of the Board Christer Villard

In September, our Chairman of the Board, Christer Villard, passed away after a short period of illness, a huge loss. Christer, who was part of the Board for 25 years, of which 15 years as Chairman of the Board, was both a mentor for me and a fantastic friend. Over the years, he made an invaluable contribution to the company’s development and I am extremely grateful for all the knowledge, experience and commitment he provided. He is missed by many of us!

Thank you!

I would like to thank the Board and express a special thank you to Ulrica Jansson Messing, who quickly and very effectively took over the role of Chairman of the Board in connection with Christer Villard’s passing. I also want to thank all our fantastic employees whose dedicated work has enabled us to be so successful.

Approaching year two of the business plan, we have a very good starting position – a business and organization which is well-equipped and prepared for future challenges, a business model that generates confidence and scope for flexibility and a strong financial position that provides us with freedom of action and good opportunities to be proactive. I am looking forward with excitement and anticipation to an interesting 2020!

Hans Wallenstam, CEO



Solar cells provide more renewable energy

In order to test and evaluate how we can use solar power, we have installed solar panels in a few of our residential properties in Stockholm and Gothenburg. Solar power is mainly produced during the May–August period, and is used by the tenants in each building. During the coming year, we will review our entire property holdings and continually install solar panels in the properties that have the right technical and economic conditions.

Responsible enterprise

Wallenstam wants to contribute to a better society, today and for future generations. This is our driving force and what makes us proud of our business. For us, sustainability is about pursuing responsible enterprise. We achieve this by taking responsibility for the impact we have on society and by creating solutions that contribute to a long-term positive development. Wallenstam supports the UN's Global Compact initiative and this section constitutes our Communication on Progress (COP report).

When Agenda 2030 was adopted, the world's countries came together to limit global warming to well under 2 degrees. During 2019, reports continue to show that we must act collectively, and rapidly reduce emissions in order to achieve the targets.

Agenda 2030 contains ambitious goals in relation to equality, poverty, peace and justice. Wallenstam is continuing to focus on our five prioritized goals, all aimed at promoting a sustainable development.

We believe that integrated sustainability work and strong social engagement go hand in hand with long-term profitability. This delivers good control, minimizes business and

operational risks, improves efficiency, generates new solutions and business and ensures more engaged employees, more secure investors and more satisfied customers. For this reason, sustainability is a core part of our business.

For us, sustainable enterprise is also about continuous improvements, setting goals and developing our operations, where our sustainability efforts play a part. Refining and streamlining our processes in order to further improve our working methods.

Organization, governance and reporting

During 2019, the work continued on developing and driving Wallenstam's sustainability work in accordance with

"Nudges" for better sorting at source

By creating so-called "nudges", an encouraging push, we will make it easier for tenants to sort their refuse correctly. The project, which was carried out in a property in Barkarby, started during 2019 in collaboration with Beteendelabbet. In the first phase, we had to map the needs. During next year, we will continue the project, where we will introduce, test and then evaluate the initiative.



the company's sustainability policy, with Karin Mizgalski as Sustainability Manager. The CEO is ultimately responsible for the work with the material topics and risks that are prioritized in Wallenstam's sustainability work. The practical and day-to-day sustainability work is conducted in all parts of the operations and all employees have a responsibility to implement and drive the sustainability efforts in their respective departments. Outcomes are followed up and regularly reported to Group Management and the Board.

Wallenstam has reported its sustainability work every year since 2006 and reports according to Global Reporting

Initiative (GRI) since 2010. We also reported on our emissions of greenhouse gases and other climate-related data during the year to the CDP (Carbon Disclosure Project).

Stakeholder dialogue

During fall 2018, we conducted a stakeholder analysis, which formed the basis for the work with our business plan 2019–2023. Through our stakeholder dialogues, we obtain a relevant view about external requirements and wishes. The result of the stakeholder analysis is the basis for the work performed in the guiding principle Environment, which is described on page 8.

MATERIAL SUSTAINABILITY AREAS BASED ON STAKEHOLDER DIALOGUE



Agenda 2030

Wallenstam has prioritized five global sustainable development goals (SDGs) in the UN's Agenda 2030. Within these goals, we work in various ways with a number of different sub-areas in order to help reach the goals.



Gender equality

Gender equality and diversity

For us gender equality and diversity are important principles. Employers should work together with employees to achieve gender equality and diversity. Gender equality and diversity issues must be integrated throughout the organization and its working methods. During recruitments and in our internal processes, for example in relation to development initiatives and setting of salaries, we work to ensure that men and women have the same conditions and we shall work together to ensure a progressive organization where discrimination on all grounds is prevented. Nevertheless, we need to maintain an ongoing dialogue about what gender equality, respect and diversity mean in our company. Our Code of Conduct is clear that discrimination must not occur. Read more on page 40.



Affordable and clean energy

Renewable energy

Our largest carbon footprint for heating of properties comes from district heating. To the extent that the heating is based on waste heat or is produced with renewable raw materials, district heating can be a good environmental alternative. We are self-sufficient in renewable energy through our own wind turbines, and aim to be able to replace district heating with our own internally-produced wind power in more and more of our properties.

We are also investigating and evaluating other technical solutions for sustainable energy production, such as solar

energy and energy storage. During 2019, solar cells were installed in some properties to test and evaluate how the technology can be used in a larger part of our holdings.

Since May 2019, our wind turbines are financed through green bonds, which were issued within our newly established framework. The framework obtained the highest rating Dark Green.



Decent work and economic growth

Long-term sustainable financial position

We create the right conditions for a long-term sustainable financial position in harmony with the environment and social development. Long-term profitability is one of the basic requirements for us as a company and our owners want to see a return on the capital they have invested in the business. Through efficient organization, cost-efficiency in the entire operations and focus on locations with growth and strong demand, we can ensure long-term economic stability. This also means that we should be profitable – profits that we can reinvest in the business.

Wallenstam is flexible in a volatile housing market in a way that provides assurance for our stakeholders. We mainly build rental apartments for our own management, and provide badly needed housing. During the business plan, we will work for even more efficient processes in our management, letting, new construction and other activities. Through profitable property development, we create value for our customers, society in general and also for the company's employees and owners. Long-term plans and investments over time also create secure jobs in production and management. Read more about how we work with our customers and employees in focus, on page 6, and page 7, respectively.



Reuse of construction material

During the year, the frames started to be erected in Kallebäck's Terrasser. In connection with backfilling of basements, we have chosen to reuse crushed concrete from the demolished buildings instead of purchasing and transporting in new concrete. By reusing the concrete, we have saved 6,700 transports by truck.

Wallenstam's supply chain

In our business, we utilize the services of more than 3,000 suppliers, including our Wallenstam Partners that perform property upkeep and maintenance, and building contractors who are involved in our new construction operations. We buy goods and services from suppliers including energy, IT, and telecommunications companies, and borrow capital from banks. In addition, we use the services of consultants such as technical consultants and architects, and others. Often suppliers in turn use the services of subcontractors. Our suppliers are usually domiciled in Sweden, but for instance, sourcing of construction material etc. also occurs in other European countries and in the rest of the world.

We aim for close and long-term collaboration, which means that we can develop together with our partners. As a client, we have both a responsibility and an opportunity to demand good operational standards in the entire production chain. During procurement of contractors and purchasing of services, the responsibilities of our partners are stipulated in agreements in relation to business ethics, the environment, working conditions, safety etc.



Sustainable cities and communities

Urban development of safe areas

We aim to create safe and welcoming areas and properties that people want to live in, work in and visit. Both the physical environment and relationships with neighbors and visitors in the area, influence tenants' perceptions of security. In the work to increase security, we are making a number of efforts in the day-to-day management as well as selective measures. One example is our collaboration with Huskurage, an organization which works proactively through neighborhood cooperation to prevent violence in close relationships. During the fall, we distributed the book "Från oro till omtanke" to all of our just over 9,000 residential tenants, a book where Huskurage offers simple advice for ensuring more safe homes.



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WIND TURBINES

from Jämtland in the north to Skåne in the south.
We have been self-sufficient in renewable energy since 2013.

Within the scope of our urban development projects, we want to create the conditions for safe communities already during the projecting and zoning plan work. We can achieve this by planning premises for various types of activities, such as offices, stores, geriatric and child care etc. We are developing our existing properties and carrying out activities in collaboration with our commercial tenants, the city and other organizations in society, with the aim of creating a vibrant inner city. Since 2019, we are letting two apartments in Umami Park as intergenerational housing, in order to meet the many different family structures in society today. The apartments will make it easy for different generations to live closely together but still separately through two different entrances to complete homes, which can serve as a large unit but at the same time be divided for individual living.

We actively participate in research and development within urban development, construction and management. Development efforts can relate to all from new technology in management operations to modern mobility solutions in new city districts. A large part of our development work occurs in collaboration with others. Supported by Wallenstam's Innovation Council, Daniel Svartling, the company's Innovation Manager, is working on creating new sustainable business opportunities. Results from our different projects become solutions in the housing of the future and town planning.



Self-sufficiency in renewable energy

Our renewable energy investments were initiated to increase control over our electricity expenses and our climate impact. Since 2013, we have been self-sufficient in renewable energy through our 66 wind turbines, which have an installed total output of 143 MW, located from Jämtland in the north to Skåne in the south. Our high ambitions to be self-sufficient during all months mean that we shall meet our energy needs in the Group even during July when wind power production in Sweden is at its lowest.

The wind turbines shall provide Wallenstam's properties with renewable energy and thereby make the management operations less sensitive to changes in the electricity price.

Operation and production

In total, we produced 367 GWh (338) during the year. We work actively on boosting our turbine uptime, in other

words, minimizing the time that turbines do not generate electricity due to disruptions or planned stoppages – for example by carrying out maintenance work at times when there is no wind. Production is also continually optimized by various types of capacity increasing modifications and upgrades, including new software to improve production efficiency.

Electricity trading and prices

With the divestment of Svensk NaturEnergi to Jämtkraft on April 1, 2019, our own electricity sales to end customers ceased. We still sell the electricity we produce to the Nordic electricity market and Wallenstam will continue to only purchase the internally-produced wind power. We follow the development of the electricity price, handle hedging and sales of renewable energy certificates.

Social engagement for reduced exclusion

Wallenstam is passionate about fighting exclusion and about creating city districts where everyone can feel safe and a sense of belonging. We believe that supporting youth activities in the local communities where we operate is a recipe for success. For this reason, we participate in many local projects, which focus on helping young people to have active leisure time. Examples of our initiatives include letting premises for associations, creating meeting places and supporting activities for young people and particularly vulnerable groups. The aim to reduce exclusion is also the background for our collaboration with organizations such as Project Playground, Barnens Ö, Stiftelsen Läxhjälp, Mitt Liv, Stockholm City Mission, the Refugee Mission in Gothenburg and many sports associations.

Cooperation and support mainly occur through sponsorship and participation in different sustainability-related initiatives.

Transports for tenants and employees

We are looking at various mobility solutions in order to offer our tenants practical and environmentally-friendly transport solutions. We offered carpooling in a number of properties during the year. This initiative was evaluated during 2019 and a decision on development of mobility solutions will be taken during the coming spring. Composite mobility solutions involving bicycles, cars and other

types of transports are still under development in some of our urban development projects, for example in Kallebäck's Terrasser in Gothenburg. Today we are installing recharging possibilities for electric vehicles in our new construction projects. Transports will continue to be a focus area during the business plan 2019–2023.

Internally, we encourage the use of public transport to and from the workplace by offering the possibility of buying an annual travel card through a net salary deduction. Electric bikes are available for shorter trips and we have expanded our carpool with ten additional electric cars. This reduces the need to take your own car to work and the use of pool cars will generate much less carbon emissions.

Resources in focus

How we use our resources is becoming increasingly critical, which is also evident in our internal work and in dialogues with stakeholders. For this reason, in our current business plan, we have chosen to define it as a new focus area in our sustainability work over the coming years. Resources consist of several elements, such as waste management, recycling, building materials etc.

The possibility of sorting at source is offered in our properties, both for residential tenants and for commercial tenants. Needs vary with the tenants' businesses and the possibilities also vary depending on the design and location of the properties. Within this area, there are improvements

We are looking at various mobility solutions in order to offer our tenants practical and environmentally-friendly transport solutions.

to be made, both to make it easier for tenants and to reduce our environmental impact. There is also great potential for a reduced environmental impact in our new construction operations, when it comes to sorting at source, recycling and materials. As part of trying to improve the sorting possibilities, a project has been initiated with the aim of improving environmental efficiency for our tenants. In 2019, we started monitoring the amount of residual waste from our properties, where a first step has been to investigate what statistics we can obtain from our waste management suppliers.



Climate action

Drive the development for reduced environmental impact

We place great importance on limiting environmental impacts in our production, operation and management of properties. The property sector in Sweden uses a lot of energy and accounts for a large proportion of the overall carbon footprint in society, which means that it is a prioritized area for Wallenstam from an environmental and economic perspective.

Environmental legislation impacts many parts of our business and includes health protection, waste management and potential disruptions from properties such as noise, smoke and odors. There are also rules for maximum energy usage for our properties and soil remediation measures based on soil investigations prior to construction starts.

The standard of our work is not always based on legislation or external requirements but we also create solutions ourselves. This occurs to a large extent in operation of properties, where we continually optimize and operate metering in order to reduce consumption of energy and

GLOBAL COMPACT

Wallenstam has signed the UN's Global Compact, which means that we support and work on the basis of ten principles relating to human rights, labor, the precautionary approach, anti-corruption and taking of responsibility in relation to environmental issues.

resources and create a good financial position with continuous improvements. Individual electricity and water metering has been standard in our new construction since 2006. Such an installation usually contributes to a reduction in consumption by tenants of 10–25 percent following a running-in period.

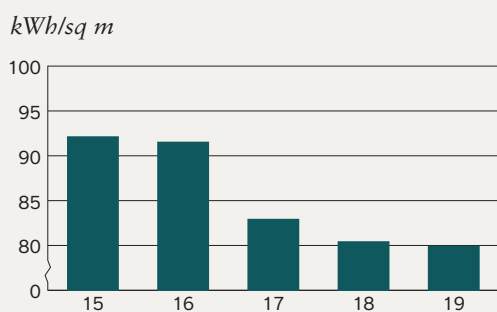
Wallenstam is also driving developments for a lower environmental impact through different collaborations and initiatives. For example, we collaborate with Fossilfritt Sverige, which is a governmental initiative which started before the climate change conference in Paris in 2015, and with Mälardalen University, which conducts research and innovation for energy-efficient construction and housing.

Environmental certification of properties

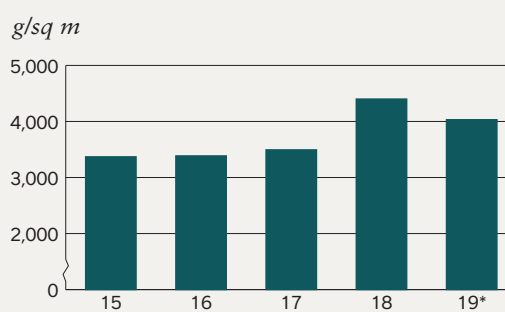
There are several environmental programs and certification systems for buildings in the market, such as Green Building and Miljöbyggnad ("Sweden Environmental Building"). We use environmental programs as a specification for requirements concerning energy usage, quality of indoor environments and climate as well as choice of material for both new construction and existing buildings.

Our aim is to achieve at least a Miljöbyggnad Silver rating for our new production and many of our properties meet the requirements for certification under this standard although they are not certified. We have chosen to certify our buildings when required, for example by a municipality or customer. Four residential properties in the environmentally-designed Kvillebäcken district in Gothenburg are currently certified according Miljöbyggnad Silver rating. In our commercial holdings, we are working to reduce the energy use so that properties meet the requirements for Green Building certification. At present, one of our properties is certified according to Green Building.

HEATING CONSUMPTION, CLIMATE ADJUSTED



CO₂-IMPACT FROM OUR HEATING



* Estimated value for actual impact, see pages 146–147.

Clarity with values

Our core values – progress, respect, commitment – are clearly reflected in the long-term sustainability work.

Progress shows our attitude to continual improvements, that the work is never finished. We find rewarding collaboration, for example with researchers regarding solar cells and battery storage, in the planning work with municipalities and land owners and with partners in order to offer services to our tenants relating to mobility.

Respect towards each other in the company is something natural. We want to spread the same attitude during contacts with customers, contractors, suppliers and other stakeholders. For instance, that we comply with laws and regulations, that we do not insult or discriminate against anyone and that we work actively to ensure the equal value of everyone, both in the company and in society. Respect in business is based on active anti-corruption work. We have a declared zero tolerance policy against bribery, inappropriate gifts and the like. The boundary for what is a bribe or equivalent extends a long way. Our internal guidelines help determine how we should act in relation to bribery and inappropriate gifts.

Our drive to contribute to a better society is based on a great *commitment*. We want to be close to our customers and offer good overall solutions for housing and premises. We are committed to our commercial tenants' operations and we want to be flexible to meet their needs. Our ambition is to conduct long-term sustainable business and develop responsible enterprise for the benefit of both society and our own operations. We see that it is important for society to have attractive, vibrant inner cities and more housing. Wallenstam safeguards the rental apartment, which is a flexible form of housing for the tenant and crucial so that more people will have the chance to reside in our cities.

Code of Conduct and Ethics Council

In the construction and property sector, there are risks, for example related to the working environment, corruption, human rights and the environment. Our Code of Conduct serves as a guide for us. It is based on our core values, and provides guidance and continuity for our actions all the way to the dialogue and meeting with our stakeholders.

The Code of Conduct, and a number of guidelines connected to it, set out Wallenstam's approach and clarify how we want to act as a company. The goal is to have an environmental, social and commercial commitment in everything we do. We shall comply with laws and regulations, and apply responsible business methods – characterized by high business ethics and good business practice. We impose requirements on contractors that enter into cooperation agreements with us that they follow the content of the Code of Conduct and act according to it. Violations of the Code of Conduct, internally or by partners, can damage Wallenstam's operations and brand.

The Code of Conduct, which is available in its entirety on www.wallenstam.se, is revised annually and adopted by the Board.

We want to be close to our customers and offer good overall solutions for housing and premises.

Training and information about the Code of Conduct and specific guidelines, for example on anti-corruption and information security are mandatory for all employees including the Group Management and Board. Training occurs regularly, as part of the introductory program for new employees, among other ways and as digital training.

Wallenstam's Ethics Council, with representatives from the entire business, holds about four meetings annually. The Ethics Council is the body that works centrally in the Group on continually advancing the Group's anti-corruption work, and it conducts risk analyses in the area and proposes possible measures. The Ethics Council receives regular questions of an informational character that the Council answers. Most questions relate to what employees can give or receive, in other words, questions connected to business ethics and corruption. We provide information to all employees based on commonly asked questions. No cases arose during the year where further investigation was required. The Council has an external whistleblower function, which is also accessible via a link from Wallenstam's website. During 2019, no cases were reported via this function.

HUMAN RIGHTS

Our operations are conducted in Sweden and we follow applicable rules for example relating to working conditions, the working environment and freedom of association. Wallenstam supports the UN Declaration of Human Rights and we see that we can contribute positively in many areas, including by fighting discrimination, treating everyone with respect – employees and customers as well as others we meet – and offering equal opportunities to employees.

350
social contracts

Having a home is a fundamental need and constitutes an important part of a functioning society. Ultimately, we want to contribute to a good living standard for many people by producing and managing residential properties, primarily rental apartments, and develop safe, secure and lively city districts. There is currently a severe housing shortage, which also means that many people are finding it hard to get their own home. We currently have about 350 social contracts with municipalities and organizations, where we make housing available for people who find it difficult to obtain a regular contract. For example, this can relate to transitional accommodation. Several of the contracts change over to regular leases when it is possible for the tenant.



Risks that generate opportunities

Minimizing risks and optimizing opportunities is an integrated part of our business. Wallenstam's employees participate in both the risk inventory and the preventative work. The risks are assessed based on harmfulness and probability, and are prioritized by the Management and Board. The work aims to develop strategies and measures to reduce the risks and optimize opportunities. This is ongoing work, which is continually developed and the company's compliance function is responsible for follow-up.

All events cannot be foreseen. For this reason, part of our risk work is to be prepared for crisis management. We conduct regular drills of our crisis management organization based on special guidelines and crisis checklists. This helps to minimize losses to the operations and our stakeholders.

RISK AREAS OPERATIONS

Production and management of properties



Description of risk

- » Occupational accidents.
- » Unpredictable events that result in increased costs, such as environmental factors, for example substances in soil or leakage that requires decontamination or areas of natural value that need to be protected.



Description of opportunity

- » Safe working environment without personal injuries.
- » Good financial position and environmental performance.
- » Value growth through new construction projects.



Wallenstam's management

- » Working environment plan is prepared early on and followed up during the entire project. Building work environment coordinators are appointed to ensure occupational safety in the planning stage. In contractor agreements, coordinators are appointed with equivalent responsibility during the construction phase. Sufficiently long time plans to avoid stress and mistakes.
- » Analysis of environmental risks during acquisition of land, soil investigations during new construction and continual investigations of environmental risks.
- » Efficient organization of projecting, planning, procurement, construction and choice of contractor.



Opportunities and risks connected to the operations refer to matters that are related to our core business.

Partners



Description of risk

- » Competition for contractors.
- » That procurements are not conducted/agreements not correctly entered into, which can cause uncertainty about responsibility and increased costs.
- » That partners do not follow entered into agreements or our Code of Conduct.



Description of opportunity

- » Good collaboration, long-term planning, good financial position and high quality.
- » That we have secure and efficient processes for purchasing and signing of contracts, providing secure collaboration.
- » Good business ethics and satisfactory working conditions among contractors and subcontractors.



Wallenstam's management

- » Develop long-term relationships and well-established collaboration with contractors and suppliers.
- » We have developed processes and templates for procurement and purchasing, we bring in the right competencies to the process and at least two people always review tenders and agreements before they are signed.
- » Information to and dialogue with contractors about required compliance with Wallenstam's Code of Conduct.
- » Project managers are highly knowledgeable and very closely involved with their projects. Routines for follow-up of agreements and on-site checks.
- » Routines for logbooks and ID checks etc. at workplaces. Spot checks at partners are performed regularly.
- » Training and development of routines regarding supplier checks.

Employees



Description of risk

- » Less confidence or attractiveness among existing and potential employees.
- » Not to be able to recruit and retain employees with the right competencies and commitment.
- » That employees do not live and act according to the company's values.



Description of opportunity

- » To be perceived as an attractive employer. Possibility of recruiting employees with the right profile and competencies.
- » Development of employees and the company.
- » To develop employees, the operations and the brand based on strong common values.



Wallenstam's management

- » The guiding principle focused on employees is important for quality and satisfied customers. Offer a good working environment, attractive and market-related working conditions, health and wellness training, skills development and internal recruitment for new positions.
- » The synthetic options scheme for employees, which offers clear participation in the company's development.
- » Recruitment is prioritized as a strategic area. The processes are being strengthened and HR competencies shall always be engaged during recruitments.
- » Regular employee surveys are a tool for improvements, connected to the guiding principle of an annual improvement in the Engagement Index score, which is followed up during the business plan.
- » Introduction program with conference about the company's history, values, policies and guidelines etc.
- » Managers are supported in dialogues about the values in the form of checklists, templates for development discussions etc.

Anti-corruption



Description of risk

- » Risk for corruption linked to allocation of apartments/premises.
- » Risk for corruption during procurements and purchasing.



Description of opportunity

- » Good control of business operations, credibility for business partners and other stakeholders and assurance for employees with clarity regarding rules and routines.



Wallenstam's management

- » Clear processes and templates for procurements, purchasing and letting. Routines where two persons shall jointly review and authorize lettings and purchasing and also check tenders and agreements prior to signing. Spot checks for checking agreements. Focus on checking existing contracts, for example unlawful subletting.
- » An Ethics Council tasked with driving and monitoring the anti-corruption work at Wallenstam. Internal information and support through the Ethics Council.
- » Accessible whistleblower function.
- » Internal transparency about side-line jobs and assignments that may affect interests.

Financing



Description of risk

- » Weak liquidity impedes investments and the ability to meet payment obligations.



Description of opportunity

- » Strong liquidity provides the freedom of action to complete approved investments and obligations.



Wallenstam's management

- » Proximity to the market and the banks. Good relationships with several lenders provides good financing possibilities.
- » Financing is always secured before new construction starts, which eliminates the risk of low liquidity.
- » Focus on strong liquidity and high equity/assets ratio.
- » Liquidity forecasts are updated continuously with the objective of optimizing cash management.

Information and IT security



Description of risk

- » That IT systems are attacked and the operations manipulated or that information gets into the wrong hands.
- » That sensitive information is circulated to the wrong people.
- » Non-compliance with legal requirements.



Description of opportunity

- » Well-functioning and fit-for-purpose IT security for our operations and that information is handled securely.
- » Increased administrative efficiency due to IT security routines.



Wallenstam's management

- » Continual work with security-enhancing measures surrounding IT security, upgrades of firewalls, anti-virus protection and systems, anti-hacking tests, routines for IT security etc.
- » Policy and guidelines for information security as well as internal information and training. Routines for information sharing and handling.
- » A Data Protection Officer who works continually with GDPR issues.

Economic situation

**Description of risk**

- » Weaker property values. Increased land prices.
- » Lack of resources and increased costs.

**Description of opportunity**

- » Positive development in the value of our properties.
- » Increased access to land and land allocations as most other players do not have the same long-term possibilities for investments during an economic downturn.

**Wallenstam's management**

- » Having properties in attractive locations lowers the risk of falling values during an economic downturn.
- » Our new construction means less sensitivity to changing property values, since we generate surplus values in our construction, mitigating the effects of a downturn. Profitability is also ensured in the event of a change in market conditions through high demands in relation to return on invested capital.
- » Self-sufficiency in renewable energy provides lower price sensitivity in relation to electricity.

Supply and demand

**Description of risk**

- » Lower demand, for example for commercial premises, co-op apartments, or rental apartments.
- » Protracted planning processes and a shortage of available land.

**Description of opportunity**

- » Heavy and stable demand for our products.
- » Good access to land for new construction.

**Wallenstam's management**

- » Own and manage properties in attractive areas, which are characterized by growth and strong demand.
- » Proximity and close relationships with tenants.
- » Follow market trends and be prepared for changes in demand.
- » Flexible business model with the possibility to convert and adapt supply, form of tenure and conditions etc. in the event of changing demand.
- » Long-term planning and close collaboration with municipalities and several concurrent development projects.
- » Land acquisition in focus.



Opportunities and risks connected to the external environment exist outside of our operations, e.g. in the form of changing market conditions. These are risks that we have little ability to influence in the short term, but which we must take into account in the planning of strategic development.

Interest rates



Description of risk

- » Interest rate increases that result in higher costs and a large impact on profits.



Description of opportunity

- » Long-term assurance and control over financing costs.



Wallenstam's management

- » Loan portfolio of different maturities and spread among various forms of credit and lenders. Choice of the term for capital tied-up is based on factors such as pricing and refinancing risk in the capital market.
- » Interest derivatives are used to diversify risk, to protect the underlying portfolio and as a flexible means of influencing the fixed interest terms in the loan portfolio.

Changes in laws and regulations



Description of risk

- » Changes in laws, regulations and regulatory requirements, for example relating to the environment, design, tax issues, charges etc., which result in increased costs and additional administration.



Description of opportunity

- » Changes in laws and regulations, which result in reduced costs and less administration.



Wallenstam's management

- » Follow development of issues concerning our operations. Interpret legal cases and regulatory changes that may result in changed conditions.
- » Proactivity in order to meet new requirements, practice and laws.
- » Comment on proposals, meetings with decision-makers in order to clarify the consequences for the property sector.
- » Energy-efficient construction and self-sufficient in renewable energy.

Infrastructure and urban development



Description of risk

- » Changes and construction of infrastructure or other matters that can affect the attractiveness of our properties negatively.



Description of opportunity

- » Changes and construction of infrastructure or other matters that can affect the attractiveness of our properties positively.



Wallenstam's management

- » Continual monitoring of the development of our areas.
- » Co-operation with the municipality, other property owners, tenants and center associations.
- » Initiatives in cooperation with tenants to strengthen the attractiveness of the inner city through events, offers, accessibility, marketing and communication etc.

Climate



Description of risk

- » Climate changes are expected to result in larger volumes of rainfall, warmer periods, increased flows in watercourses and more powerful winds which can impact our properties negatively.



Description of opportunity

- » In the work that is being carried out to handle the climate impact, there are opportunities to create synergies that benefit our construction and management operations.



Wallenstam's management

- » Existing properties in vulnerable locations have preparedness, for example water protection equipment.
- » Ensure hardened surfaces around properties in order to handle large amounts of rain during a short period.
- » In connection with planning new construction, the possible consequences of a changing climate are considered.
- » Production of renewable energy results in a lower global climate impact.

SENSITIVITY ANALYSIS

Property value with other yield requirements	SEK million
0.50 percentage points lower	60,377
0.25 percentage points lower	56,027
0.10 percentage points lower	53,753
Property value according to our estimate	52,354
0.10 percentage points higher	51,104
0.25 percentage points higher	49,233
0.50 percentage points higher	46,489

Cash flow	SEK million
Change in rental income, residential, 1%	9.4
Change in rental income, negotiable commercial contracts, 1%	1.9
Change in operating costs, 1%	5.0
Change in loan interest rate, 1 percentage point (annual basis)	134



Organization and employees

Our biggest strength of all is our employees. We are careful to maintain an atmosphere where consideration is shown to employees and to offer challenges that provide individuals with the opportunity to grow in their professional roles. Today, just over 250 people work in the Wallenstam Group and they are strongly engaged in the company's development.

Attractive employer

One of the key factors for successful enterprise is dedicated people with the right competencies in the right place. We want to be an attractive employer and be able to offer a good and pleasant workplace, which offers employees the opportunity to develop and grow along with the company. Wallenstam works actively on offering good conditions and an excellent working environment and places great weight on competencies, personal attributes and qualities.

Read more on page 7 about our guiding principle where the focus through our strong corporate culture, is to be an attractive employer and improve our Engagement Index score every year.

Training and development

Employee performance reviews are conducted annually to support career and personal development, follow up jointly-established goals, gauge the work situation and plan future skills development efforts. Skills development occurs continually via external and internal training courses and through exchange of knowledge among colleagues. This, as well as challenges in the day-to-day work are other important elements of a positive work situation. As far as possible, Wal-

lenstam provides opportunities for advancement within the company, e.g. by announcing vacant positions internally first.

Focus on health and wellness training

We have clear policies and routines in place to identify ill health among our employees, and we attach great importance to the physical working environment and health-promoting activities. There are excellent opportunities for both group and individual training in fitness centers at each office, while health and wellness training is subsidized. All employees are also offered regular occupational healthcare with the purpose of promoting continued good health.

Working for equality

At Wallenstam, women and men have the same conditions. Equality initiatives based on several different aspects, for example during recruitments, development initiatives and setting of salaries, are an ongoing process, which we as a company are continually working to maintain and improve. The distribution between women and men is perfectly uniform in the Group Management. At middle management level, the distribution is 52 percent women and 48 percent men, while in the company as a whole, it is 59 percent wo-



men and 41 percent men. In the Board of Directors, the current distribution is 75 percent women and 25 percent men.

Values and Code of Conduct

The day-to-day operations are conducted on the basis of the Group's core values; progress, respect and commitment. Overall, the work at Wallenstam is governed by policies, guidelines and instructions and by decision-making and authorization procedures, which are all important for clearly defining the company's standpoints and working methods for the entire organization. The Code of Conduct is based on our core values and emphasizes the policies and guidelines that govern the Group in relation to employees, customers, suppliers and partners. The goal is to have an environmental, social and commercial commitment in everything we do. We shall comply with laws and regulations, and apply responsible business methods, which are characterized by high business ethics and good business practice.

Improvement metrics

We conduct regular employee surveys to measure employees' views of their personal work situation, the company and its management. Here we also continually follow up our Engagement Index score. The results are used as one of a number of tools for improvements in the company. Areas singled out in the surveys for Wallenstam were mainly highly-regarded leadership, confidence in the management and a strong feeling of togetherness.

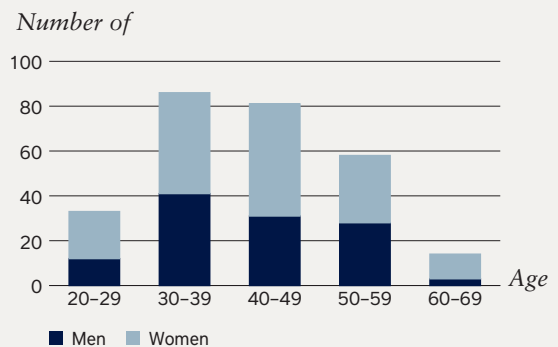
We also conduct regular evaluations where employees provide feedback to their manager based on a number of identified criteria which are important in the leadership at Wallenstam. The result is used as an individual development tool for the company's managers.

254

EMPLOYEES

Wallenstam had an average of 254 employees during 2019 (251). The majority are permanent employees, with a distribution of 59 percent women and 41 percent men. Approximately 30 percent of the employees are based in Stockholm and the remainder are in Gothenburg. Wallenstam's employees are covered by the collective bargaining agreement with Fastigo.

AGE DISTRIBUTION IN THE GROUP

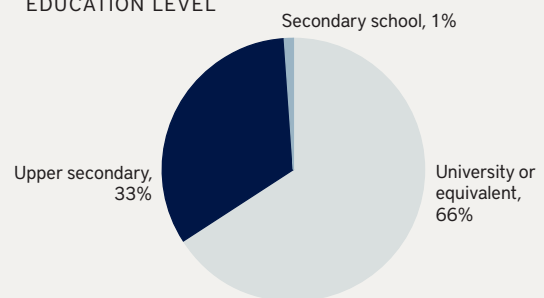


8 years

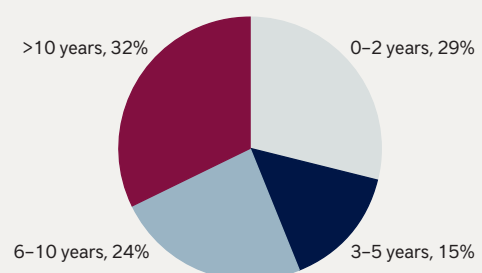
IS THE AVERAGE LENGTH OF EMPLOYMENT

for permanently employed personnel at Wallenstam. Absence due to illness during the year amounted to 3.5 percent (3.3). Employee turnover during the year was 7 percent (6).

EDUCATION LEVEL



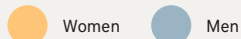
PERIOD OF EMPLOYMENT



REPRESENTATION BOARD OF DIRECTORS

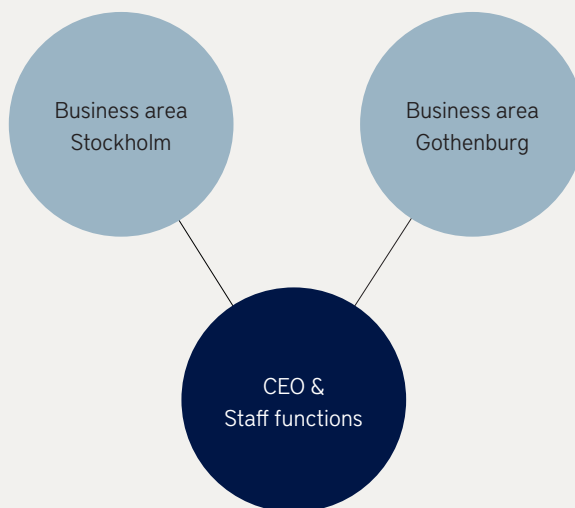


REPRESENTATION GROUP MANAGEMENT



Management and building operations with a local presence

Wallenstam is organized into two regions: the Gothenburg business area, and the Stockholm business area, which also includes the operations in Uppsala. Property management and building operations are conducted in each business area with Wallenstam's own managers and building project managers that cooperate with external suppliers. This local presence enables knowledge about the local property market, changes and business opportunities and provides the basis for understanding our customers' needs and businesses. This promotes commitment and drive, both in the organization as a whole and on the part of each employee. Our staff, specialized in e.g. finance, law, IT, personnel, information and market, supports our operations.



Central customer service

Our customer service is organized as a central function within the company, which enables longer opening hours and a high level of accessibility for our customers who can reach us via the web, e-mail or cost-free phone call. Systematic work and well-developed routines ensure that cases are handled in the best way and we report back to customers during the process. Follow-up and improved routines help us in our continual ambition to increase customer satisfaction.

Partner concept for property care

Property care and maintenance are services we procure from external suppliers through a well-developed partner concept, Wallenstam Partner. Recognition and peace of mind for the customer are created by a common working method and by having the Wallenstam logo on clothes and ID cards. Close collaboration, frequent partner meetings and visits to buildings by our own property managers on a rolling schedule are important for assuring the quality of property care.

99%

During 2018, all permanent employees in the company were invited to participate in a new synthetic options scheme, which is used as a further incentive for employees to actively contribute to value creation in the business. More than 99 percent of employees have opted to participate in the scheme, see also page 82.

Wallenstam's GRI reporting

Wallenstam applies Global Reporting Initiative, GRI Standards. The reporting follows the financial year and is published annually as part of the annual report. The latest GRI Report was published on March 21, 2019.

This report describes how the Wallenstam Group has worked with sustainability issues during 2019. Wallenstam has defined the scope of the report as the areas referred to in the GRI index. A table is provided on the following pages of what GRI disclosures are reported and where information about the disclosures is found in Wallenstam's reporting. This report has not been reviewed by an external party.

The contact person with regard to the reporting and its content is Sustainability Manager Karin Mizgalski, karin.mizgalski@wallenstam.se. Information is provided below on the disclosures that are not reported elsewhere in the annual report.

102-8: INFORMATION ON EMPLOYEES AND OTHER WORKERS

The average number of employees in 2019 amounted to 254. All of the Group's employees are permanent employees, with the exception of six people who are probationary employees and ten people who are employed on a temporary basis, for example in the form of work as a substitute. Eleven people work part time, all of whom are permanent employees. Wallenstam had no significant variation in the number of employees during the year. Temporary employees are not reported, as Wallenstam uses temporary employees to a minor extent.

102-11: PRECAUTIONARY PRINCIPLE OR APPROACH

In many instances, Wallenstam acts in accordance with the precautionary approach, even though we do not use it as a concept in governance and strategies. For example, the precautionary approach is used in our work on identifying, analyzing and following up risks.

102-13: MEMBERSHIP OF ASSOCIATIONS

Representatives of Wallenstam are represented in the governing bodies of Avenyöreningen, Fastighetsägarna Göteborg 1:a regionen, Fastighetsägarna Inom Vallgraven (FIVA), Göteborg Citysamverkan ideell förening, Mölnlycke Centrumförening, Nordisk Byggdag and Barn i Nöd.

201-1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

SEK million

Direct economic value generated	
Revenues	2,899
Economic value distributed	
Payments to suppliers	-4,261
<i>Of which, VAT without right to deduction</i>	-531
Employee wages and benefits, incl. pensions and taxes	-252
Fees and benefits to the Board and CEO, incl. pensions and taxes	-12
Paid energy tax, stamp duty, property tax	-134
Interest payments to providers of capital, net	-223
Dividend to shareholders and repurchase of shares	-614
Economic value retained	-2,597

* Base year 2018 – commences from start of the business plan 2019–2023.

** The electricity item includes electricity consumption relating to heat pumps.

*** All data regarding CO₂ in this table is based on inputs from suppliers, which report according to prevailing accounting standards. As data for the actual impact in 2019 was not available during preparation of this reporting, the heating data is based to a minor extent on estimated values based on the emission factors for the year 2018.

ⁱ See GRI Index page 147, disclosure 102-48.

302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION

	Unit	2018*	2019	2020	2021	2022	2023
Fuel consumption							
Total fuel consumption from non-renewable sources	MWh	521	496				
Heating oil	MWh	379	353				
Natural gas	MWh	142	143				
Fuel consumption from renewable sources							
Non-applicable		-	-				
Energy consumption							
Electricity**	MWh	41,280	37,889				
Heatingⁱ	MWh	89,081	87,611				
District heating ⁱ	MWh	88,560	87,115				
Oil	MWh	379	353				
Natural gas	MWh	142	143				
Cooling	MWh	557	425				
District cooling	MWh	557	425				
Green cooling	MWh	-	-				
Total energy consumption, non-renewableⁱ	MWh	49,983	47,395				
Total energy consumption, renewableⁱ	MWh	80,934	78,531				
Total energy consumptionⁱ	MWh	130,917	125,925				
Heating per sq m climate-adjusted ⁱ	KWh	80.4	79.9				
Own electricity production from renewable sources							
Wind power	MWh	337,880	367,246				

302-3: ENERGY INTENSITY

	2018	2019	2020	2021	2022	2023
kWh/per sq m ⁱ	110	105				

Refers to energy use in Wallenstam's property holdings, not climate-adjusted, including wind power, district heating, district cooling, oil and natural gas. Does not include tenants' electricity use.

302-4: REDUCTION OF ENERGY CONSUMPTION*

	Unit	2019	2020	2021	2022	2023
Total reduction	MWh	4,992				
Reduction electricity	MWh	3,390				
Reduction heating	MWh	1,470				
Reduction cooling	MWh	132				

305-1: DIRECT GREENHOUSE GAS EMISSIONS***

	Unit	2018*	2019	2020	2021	2022	2023
Direct greenhouse gas emissions	ton	132	123				

305-2: INDIRECT GREENHOUSE GAS EMISSIONS***

	Unit	Comment	2018*	2019	2020	2021	2022	2023
Electricity	ton CO ₂	Market-based method: 100% internally generated wind power	0	0				
	ton CO ₂	Location-based method: Average emission factor for Sweden (Svensk Energi)	578	493				
District heating ⁱ			5,097	4,690				
District cooling			0	0				

305-4: GHG EMISSIONS INTENSITY***

	2018	2019	2020	2021	2022	2023
g CO ₂ /per sq m ⁱ	4,400	4,032				

Refers to Scope 1 and 2 (market based) CO₂ emissions in Wallenstam's property holdings excluding tenants.

305-5: REDUCTION OF GREENHOUSE GAS EMISSIONS***

	Unit	2018*	2019	2020	2021	2022	2023
Reduction of greenhouse gas emissions	ton CO ₂	-	416				
Total emissions CO ₂ per sq m ⁱ	g	4,400	4,032				
Reduction of CO ₂ per sq m	%	-	8.4				
Accumulated reduction since 2018 per sq m	%	-	8.4				

401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

New employees 2019

Age	Number of persons	of whom women/men	of whom in Gothenburg/Stockholm
Under 30 years	11	5/6	7/4
30-50 years	10	3/7	6/4
Over 50 years	0	-	-
Total	21	8/13	13/8

406-1: INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN












No incidents of discrimination were reported in 2019.

GRI content index

GRI Standard	Disclosure	Page number	Omission
General Disclosures			
GRI 102: General disclosures 2016	102-1 Name of the organization	cover	
	102-2 Activities, brands, products, and services	67	
	102-3 Location of headquarters	67	
	102-4 Location of operations	67	
	102-5 Ownership and legal form	76	
	102-6 Markets served	43-48	
	102-7 Scale of the organization	67, 72-73	
	102-8 Information on employees and other workers	40-42, 146	
	102-9 Supply chain	30-31	
	102-10 Significant changes to the organization and its supply chain		Not applicable
	102-11 Precautionary Principle or approach	10, 32, 146	
	102-12 External initiatives	27-33	
	102-13 Membership of associations	146	
	102-14 Statement from senior decision-maker	9-11	
	102-16 Values, principles, standards, and norms of behavior	27-33	
	102-18 Governance structure	132-136	
	102-40 List of stakeholder groups	3, 5, 28	
	102-41 Collective bargaining agreements	41	
	102-42 Identifying and selecting stakeholders	27-28	
	102-43 Approach to stakeholder engagement	27-28	
	102-44 Key topics and concerns raised	28	
	102-45 Entities included in the consolidated financial statements	76, 121	All units are covered by the GRI reporting.
	102-46 Defining report content and topic Boundaries	27-28, 33	
	102-47 List of material topics	28	
	102-48 Restatements of information		Changed calculations have occurred as a result of updated values for 2018 in respect of disclosure 302-1, 302-3, 305-2, 305-4 and 305-5.
	102-49 Changes in reporting		Not applicable
	102-50 Reporting period	146	
	102-51 Date of most recent report	146	
	102-52 Reporting cycle	146	
	102-53 Contact point for questions regarding the report	146	
	102-54 Claims of reporting in accordance with the GRI Standards	146	
	102-55 GRI content index	147-148	
	102-56 External assurance	146	

Index continues on next page

GRI content index, cont.

GRI Standard	Disclosure		Page number	Omission	Agenda 2030 SDG	UN Global Compact Principles**
Wallenstam Material Topics						
Stable economy						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	1-4, 22, 27-29, 36-38			
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	64-65, 71-73, 82-83, 117, 146			
Anti-corruption						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28, 30, 32-33, 36, 41			10
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	33			
Sustainable materials						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8, 31-32	*		9
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
Energy efficiency						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8, 27-32, 39		 	8
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	146			
	302-3	Energy intensity	146			
	302-4	Reduction of energy consumption	146			
Greenhouse gas emissions						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8, 27-32, 39		 	7, 8
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	146			
	305-2	Indirect (Scope 2) GHG emissions	146			
	305-4	GHG emissions intensity	147			
	305-5	Reduction of GHG emissions	147			
Waste management						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8, 30-32	*		
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
Fair and decent employment						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	7, 28-30, 32-33, 35, 40-42			3, 4
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	41, 147			
Occupational Health and Safety						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	7, 35, 40-42			
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
Wallenstams Own Disclosure (WOD)	WOD-1	Sick leave	40-41			
Customer satisfaction						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	2-3, 6, 11, 27-29, 49-51			
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
Wallenstams Own Disclosure (WOD)	WOD-2	Key conclusions of customer surveys	6, 43			
Diversity and gender equality						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	7, 28-29, 33, 40-42			6
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	40-42, 84, 133			
Inclusive business climate						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	7, 28-29, 33, 40-42			6
	103-2	The management approach and its components	– –			
	103-3	Evaluation of the management approach	– –			
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	147			

*During the year, Wallenstam continued to map this focus area in order to define goals.

** UN Global Compact Principles

Principle 3, Labour: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4, Labour: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 6, Labour: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 7, Environment: Businesses should support a precautionary approach to environmental challenges.

Principle 8, Environment: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9, Environment: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 10, Anti-corruption: Businesses should work against corruption in all its forms, including extortion and bribery.

Annual General Meeting 2020

Wallenstam’s Annual General Meeting 2020 will take place on Tuesday, April 28, 2020 at 4.00 p.m. at the Elite Park Avenue Hotel, Kungsportsavenyen 36–38 in Gothenburg. The venue opens for registration at 3.30 p.m.

Due to the continued spread of the Coronavirus, this year as a precautionary measure, we will not offer refreshments and a mingle in connection with the AGM. Shareholders who display the slightest symptoms of illness, who have relatives who are sick, who have stayed abroad during the last two weeks before the AGM or who belong to a risk group, should not participate, but can vote by proxy. The same applies to any legal/financial assistants.

Our ambition in the present situation is to make the AGM as short and efficient as possible.

Visit www.wallenstam.se/arsstamma for continually updated information about the Annual General Meeting.

Registration

Shareholders who wish to participate in the AGM must be registered as shareholders in the share register maintained by Euroclear Sweden AB no later than Wednesday, April 22, 2020, and must also notify the company of their intention to participate in the AGM no later than Wednesday, April 22, 2020, preferably before 4.00 p.m. Upon registration, shareholders must provide their name (company name), civic registration number (corporate identity number), address and telephone number as well as the name and civic registration number of any proxy and the number of any accompanying assistants (no more than two).

Registration may take place in the following ways from and including March 19, 2020:

- » on Wallenstam’s website at wallenstam.se/arsstamma
- » by telephone on +46 31 743 95 91
- » by mail to Wallenstam AB (publ), FAO:
Louise Wingstrand, SE-401 84 Gothenburg, Sweden

There are proxy forms available on Wallenstam’s website at wallenstam.se/arsstamma for shareholders wishing to be represented by proxy.

Shareholders who have their shares registered with nominees must re-register their shares in their own name in order to have the right to participate in the AGM. Such registration, which may be temporary, must be completed at Euroclear Sweden AB no later than Wednesday, April 22, 2020. Shareholders should request their nominees to ensure re-registration in good time before this date.

The AGM considers the matters which it must address according to the Articles of Association as well as additional matters described in the notice convening the AGM.

The Board proposes that the dividend be spread over two payment dates. The record day for the first payment is proposed to be April 30, 2020 and October 30, 2020 for the second payment. If the AGM resolves in accordance with the proposal, Euroclear Sweden AB is expected to execute the first payment on May 6, 2020 and the second payment on November 4, 2020.

Glossary

Yield requirement

The yield an owner demands for an investment with due consideration for how risky the investment is.

Beta value

A statistical measurement that describes a share’s risk. A beta value greater than 1.0 means that the share’s yield changes more than its comparative index and the share is deemed to have a high risk. Conversely, the share is deemed to have a low risk in the case of a beta value less than 1.0.

Derivative instruments

A financial instrument whose value is related to an underlying asset or obligation. Used to create a hedge against undesirable price trends in the underlying asset. Examples of normal derivative instruments are futures and swap agreements.

Renewable energy certificates

The renewable energy certificate system is based on the provision of certificates to the producers of renewable electricity. Each MWh (megawat hour) equals one certificate. The sale of certificates is intended to provide producers with revenue in addition to the revenue from electricity sales.

Renewable energy

Energy that comes from renewable sources such as wind power, hydroelectric power and bio-fuels.

GRI

Global Reporting Initiative, a framework for recording and reporting sustainability information. GRI provides guidelines for the content of sustainability reports, how they should be prepared and the disclosures that should be reported.

Covenant

A contract between a lender and a borrower where the borrower guarantees to fulfil certain key ratios, such as a given equity/assets ratio, as a condition of the loan.

Prime Rent

The highest basic rents in the best properties in various areas.

Standard deviation

A statistical measurement that describes the share’s volatility in relation to the share’s average value.

Synthetic options scheme

A share-related options programme aimed at employees. Synthetic options provide the holder with the right to a final settlement in cash at a given point in time based on the current share price.

Swap agreement

Swaps are financial instruments that entail an exchange of cash flow between two parties on an underlying nominal amount. An interest rate swap is an example of an agreement where an operator lending at fixed interest rates (e.g. fixed for five years) may wish to swap the interest flow with another operator lending at variable rates.

Vacancy rate

Unlet floor space in relation to total floor space.

Volatility

A measurement of how much a price of something varies over a given period.

Heating consumption, climate-adjusted

Consumption is adjusted during a normal year with regard to temperature, wind and precipitation.

For additional clarifications, refer to www.wallenstam.se

Definitions

Share yield

The proposed dividend as a percentage of the share price at the end of the period.

Share total yield

The share price trend during the year including distributed dividend as a percentage of the share price at the start of the period.

The number of shares

The number of registered shares at any given time. *Number of shares outstanding*: the number of registered shares less repurchased own shares at any given time. *Average number of shares*: weighted average number of shares outstanding at any given time.

Loan-to-value ratio

Interest-bearing liabilities and lease liability less cash and cash equivalents in relation to the Group’s investments in properties, development properties and wind power at the end of the period.

Residential property

Property, which predominantly consists of residential space.

Market capitalization

Share price multiplied by the number of registered shares on the closing day.

Net operating income

Rental income less operating and maintenance expenses, and property tax.

Development properties

Refer to properties constructed with the intention of being sold after completion.

Rental value*

Rental income and the estimated market rent for vacant space.

Cash flow per share

Cash flow for the period in relation to the average number of shares outstanding.

Cash flow from operating activities per share

Cash flow from operating activities for the period in relation to the average number of shares outstanding.

Commercial property

Property, which predominantly consists of commercial space.

Non-current net asset value (EPRA NAV)

Equity with reversal of deferred tax liabilities and the net effect of unrealized changes in value of derivative instruments after tax and less adjusted in advance financial electricity contracts.

Average number of employees

The total number of hours worked during the year divided by normal annual working hours.

P/E ratio

Share price at the end of the period in relation to profit after tax for the average number of shares over the latest rolling 12-month period.

Earnings per share after tax

Profit after tax in relation to the average number of outstanding shares, in accordance with IFRS.

Return on equity

Profit after tax in relation to average equity, calculated on a rolling 12-month basis. See page 65.

Return on total capital

Profit before tax with reversal of interest expenses and early redeemed derivatives for the latest rolling 12-month period in relation to average total capital employed. See page 65.

Interest coverage ratio

Profit or loss before changes in value and impairment charges with reversal of net financial items and early redeemed interest rate derivatives for the latest rolling 12-month period in relation to net financial items and early redeemed interest rate derivatives for the latest rolling 12-month period.

Community property

Property, which is predominantly used by tax funded activities and is specifically adapted for community services.

Average interest

Interest expenses for the period including profit or loss on swap agreements realized during the period in relation to interest-bearing liabilities.

Equity/assets ratio

Equity in relation to total capital employed at the end of the period.

Net asset value

Equity with the addition of deferred tax liabilities.

Net asset value per share

The Group’s net asset value in relation to the number of outstanding shares at the end of the period.

Occupancy rate – lettable area

Let floor space in relation to total floor space.

Changes in value, investment properties

Gains or losses from sales of investment properties during the period less expenses and the assessed market value of the properties and gains or losses from the change in the assessed market value of investment properties compared to the previous reporting period. See page 64. *Changes in value, New construction*: The increase in value is gradually recognized during the construction of the property until the first year the property is taken into operation. Change in value new construction recognizes the difference between the cost of construction of a new rental apartment and the value it has on completion. *Change in value Other*: Refers to changes in the value of investment properties, which have been in operation for one calendar year or more.

Surrender rate

Proportion of leases extended in relation to the proportion of cancellable leases.

Surplus ratio

Net operating income as a percentage of rental income.

For further information, please refer to: www.wallenstam.se/glossary

**Operational key ratios, are not considered alternative performance measures according to ESMA’s guidelines. See page 64.*

CALENDAR

Annual General Meeting	April 28, 2020
Interim report I	April 28, 2020
Interim report II	July 17, 2020
Interim report III	October 22, 2020

Information regarding Wallenstam's business operations, financial reporting and press releases can be found at www.wallenstam.se.

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