

Environment
Social
Governance

Genesta 2017

About Genesta

We are an independent real estate fund management company with a focus on commercial value-add real estate in the Nordic region. Through our funds, institutional investors enjoy the combined benefits of first class asset management and in-depth market knowledge.

We are a vertically-integrated organization. Our professionals use a hands-on approach and ensure the quality of our key functions – analysis, acquisitions, fund management and asset management. We have offices in Sweden, Finland, Denmark and Luxembourg. Our 30 employees are focused on unlocking and utilizing the inherent potential in commercial real estate, resulting in superior risk-adjusted returns for our investors.

Letter from the CEO

We believe that, by integrating environmental, social and governance (ESG) aspects into our business operations, we develop long-term sustainable business opportunities, create value for our investors and contribute to the wellbeing of our stakeholders, our society and future generations. With the ambition of being the leading force within our industry, we operate from a strong position that makes it possible to create a real impact. We are proud of the ESG achievements we have accomplished so far and thankful for our investors' enthusiastic support. In this report we will present, among other things, our progress with ESG, our goals and values and the environmental footprint of the properties in Genesta's funds.

Properties generate a large portion of global CO₂ emissions and hence focusing on standard sustainability procedures in properties will also be one of the key ways to counteract climate change. The importance of the property sector to society has also been acknowledged by the Global Industry Classification Standard (GICS) in 2016, when it introduced Real Estate as the new 11th sector, underlining its growing importance to the global economy. Real estate was elevated to be a distinct asset class separate to the Financial Sector. Though there is more focus on ESG aspects than ever before in all the asset classes, real estate might possess the most significant sustainability potential of them all. The Paris Agreement on climate change provides a clear signal to the investment community that the transition to low-carbon, clean energy is inevitable and already underway.

As a vertically-integrated property fund manager, we have a great opportunity and responsibility to make a positive impact on the environment through our choices relating to energy sources, the type and focus of our renovation works, the selection of construction materials and in daily operating practices. This is why we are committed to minimizing the environmental impact of the properties we manage through sustainable practices. We are committed to a continuous improvement in ESG performance. To succeed in this, we develop and implement policies that include proactively meeting increasing regulation, monitoring and improving sustainability performance and communicating with our stakeholders to foster sustainable behavior. GRESB REA is our primary tool for benchmarking progress and reviewing and improving our commitment to sustainability. Our funds' Board of Directors (Fund BoD) have ultimate responsibility for reviewing our sustainability performance and adjusting our goals and objectives.

We have also developed tools to assist us in evaluating the environmental certification potential (type and level of certification and the steps needed to achieve the certification) and the proposed building operational changes and capital improvements as well as their environmental impact and financial benefits. These assessment tools are essential during the acquisition process as we obtain a comprehensive understanding of the environmental improvements and operational cost savings prior to acquiring the property.

Our track record is proven. GNBRE Fund I (operational since April 2007) has outperformed its IPD and INREV benchmarks. The focus on NOI-growth, professional management and re-positioning of properties has paved the way for the fund's success. The last 14 realizations generated project IRRs net of taxes of 23% and an equity multiple of 2.0. The fund also achieved a Green Star award by GRESB for the second year in a row during 2016. The number of Genesta's environmentally certified properties grew by one during 2016 as Liila shopping center received BREEAM certification in May. In November 2016, GNBRE entered liquidation.

We are now investing our second fund, GNRE Fund II, using the same principles as with the first fund – local knowledge and hands-on asset management. GNRE Fund II was established in 2015. The fund will provide institutional investors with exposure to office, retail and logistics property investments, predominantly in the capital cities of Stockholm, Copenhagen, Helsinki and Oslo. At the end of 2016, GNRE Fund II had invested in four properties, three properties in Finland and one in Norway. The fund participated in GRESB Real Estate Assessment (GRESB REA) for the first time in 2016 to benchmark the governance aspects as it was at that point still without investments. The overall score was understandably lower than peers due to the lack of KPIs, but the score in Management & Policy (73) was 7.5% higher than the peer average (68).

As with other Genesta operations our sustainability efforts must utilize our infrastructure, our tools and our talent to make an impact that results in true business benefits for Genesta and for our investors while contributing to the global mission of a more sustainable society.

Stockholm, October 9th, 2017



David C. Neil,
CEO, Genesta Property Nordic AB

¹ GRESB Real Estate Assessment, www.gresb.com

² Global Real Estate Sustainability Benchmark, www.gresb.com

³ Building Research Establishment Environmental Assessment Methodology, www.breeam.org

Organizational Profile

Operational Structure and Markets

Genesta Property Nordic AB (Genesta) is an independent real estate fund and investment management company specializing in commercial real estate in the four Nordic countries. Genesta is a vertically-integrated organization where professionals use a hands-on approach and ensure the quality of Genesta's key functions – analysis, acquisitions, fund management and asset management, supported by corporate functions like marketing, sustainability, HR and best practice. Genesta has offices in Stockholm, Helsinki, Copenhagen and Luxembourg; currently, we employ 22 full-time employees and 11 in-house consultants. The corporate headquarters for Genesta is located in Stockholm.

Vision and Strategy

Genesta's vision is to be the preferred partner for real estate investment in the Nordics. Privately-owned Genesta was established in 2003 with idea of it being the preferred local partner for major global investors, such as LaSalle IM, J.P. Morgan, Merrill Lynch and AIG. Nowadays, Genesta is a vertically-integrated RE fund manager based in Luxembourg regulated by the CSSF (Commission de Surveillance du Secteur Financier). The funds Genesta manages invest in Nordic countries and we still take pride in being a local partner for global large investors with our tailor-made high-end investor services. We aim at being a multi-fund manager with a combined AUM in excess of EUR 1 billion. The Genesta Promise is to deliver top-tier risk-adjusted returns to our investors. In order to reach this goal we want to be an exceptional employer, attracting and retaining the best talent.

The issuing document of each fund we manage describes the investment strategy of the fund in question. The two funds we currently have are value-add funds; however, we consider our investment advisory services to fit also with less management-intensive investments. Our governance practice is more in line with institutional fund managers than a traditional value-add fund. Our value-add activities include active leasing and re-tenanting of a property to address vacancies, extending average lease terms and improving the quality of the tenant profile as well as undertaking refurbishments and generally repositioning of a property.

Material aspects and reporting boundaries

This sustainability report describes Genesta as the fund management house. Fund management is done in Luxembourg and in compliance with its regulatory framework. Investment management is established by Genesta in Nordic countries with

local expertise and with a very hands-on approach. Property management and other operational tasks within each fund property are outsourced to external contractual business partners. External business partners, property managers and construction project managers are required to respect and apply Genesta ESG policies and guidelines via contractual, coordination and reporting means. Genesta's in-house sustainability and H&S consultants together with core operations closely coordinate the external business partners' operations to ensure compliance.

We currently manage two funds. The first entered liquidation during Q4 2016 and the second is now in the investment period. The table below shows the properties for the funds as at end-2016.

Property	Fund	Country/Region	Asset Type	m2
Atomitie	GNBRE	Finland, Helsinki	Office/light industrial	26,300
Martinsilta	GNBRE	Finland, Espoo	Retail	24,000
Värmdö Marknad	GNBRE	Sweden, Stockholm	Retail	21,500
Kaunas Terminalas	GNBRE	Lithuania, Kaunas	Warehouse	30,000
Antinkatu 1	GNRE Fund II	Finland, Helsinki	Office	11,300
Bulevardi 21	GNRE Fund II	Finland, Helsinki	Office	10,000
Dronning Mauds gate 15	GNRE Fund II	Norway, Oslo	Office	9,400
Fabianinkatu 9	GNRE Fund II	Finland, Helsinki	Office	8,100

The content, structure and assessment of material aspects of this report is based on different views that have been identified through various stakeholder activities and communication with Genesta's main stakeholder groups; employees, tenants and investors. A sustainability stakeholder survey was conducted in December 2015 by Genesta. Sustainability stakeholder and employee surveys form the basis of our materiality assessment. We also follow actively public debate about sustainability issues and trends in the real estate industry. Participating in GRESB REA gives us valuable insights on material issues and development areas that we may need to focus on.

The aim of this report is to increase Genesta's openness and transparency, thereby giving stakeholders better opportunities for assessing our sustainability performance, operations and decision-making processes. For each fund we produce annually a sustainability report where the assessment of material aspects corresponds with the requirements of the GRI G4 reporting guidelines with respect to sector- and industry-specific material aspects of sustainability (GRESB, INREV Sustainability Reporting Recommendations). Our sustainability priorities are also reviewed in this report.

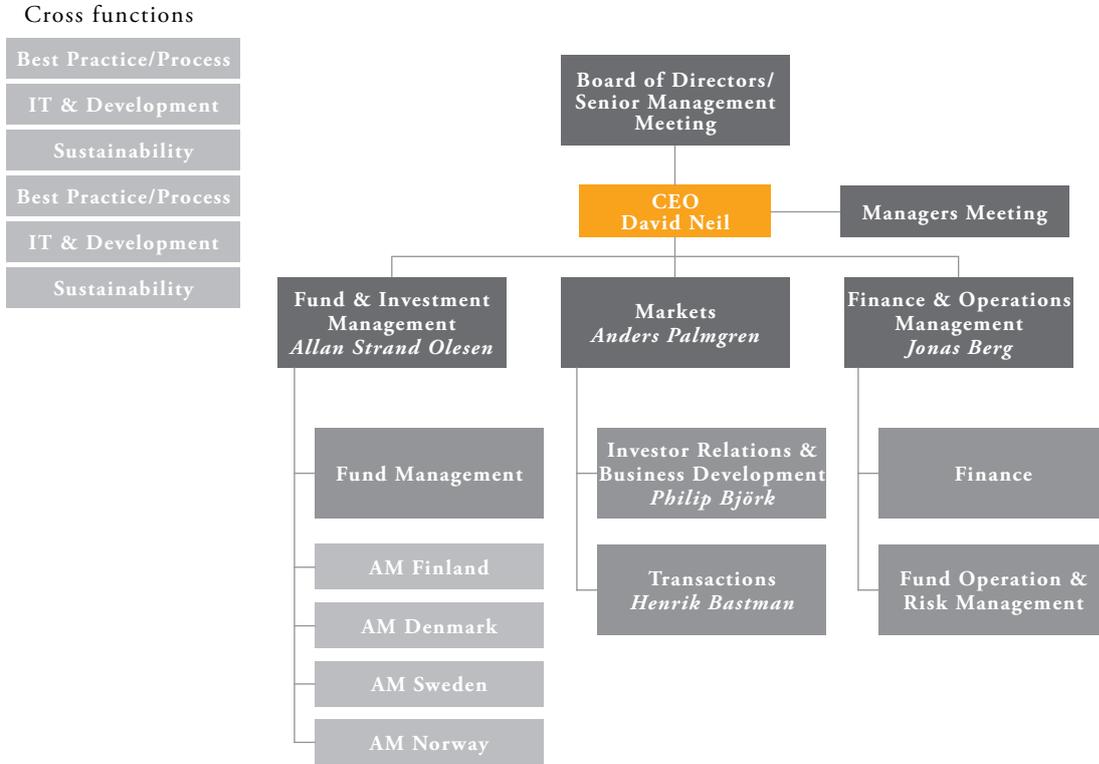
Governance

Corporate Governance

Genesta recognizes the importance of good governance in achieving its corporate objectives, and in discharging its responsibilities to all stakeholders in a transparent, accountable and open way. Safeguarding of the interests of our investors, integrity and transparency play a key role in Genesta's governance principles:

- Independent compliance function
- Conflicts of interests policy; and
- AIFMD compliance

Genesta's board of directors (BoD) has the ultimate responsibility for Genesta. Genesta's CEO - who is also one of the board members - has set up two forums to manage the day- to-day business and to give steering in matters the CEO chooses to bring to the handling of these forums, namely the senior management meeting and the managers meeting. The senior management meeting is more of a formal decision-making forum and the managers meeting is a debate and discussion forum on material management issues. The senior management meeting consists of senior managers at Genesta and the managers meeting consists of individual managers from the fund management, investment management, financial and operations management and markets groups. In addition, the CEO manages the corporate functions (including ESG matters) directly; these functions provide resources and consistent services across Genesta to all the business groups mentioned earlier. The financial and operations management groups are managed by the Genesta group CFO, who is also one of the board and senior management group members and is responsible for the risk and compliance aspects among corporate governance and finance at Genesta. The markets group develops Genesta's products, is responsible for investor relations and executes property transactions. The figure on the next page shows the governance structure of the Genesta group.



Funds (AIFs) managed by Genesta must adopt sound procedures, processes and policies to ensure their efficient operation with the aim of accountability at the fund level and transparent, seamless management of the property companies underneath. Genesta’s managed funds report under INREV and GRI and make every effort to comply with these guidelines. Each AIF under management has a defined investment strategy within the AIF documents that acts as a business plan for the AIF. This strategy specifies, inter alia, the geographic focus, the real estate asset class and specific investment limitations as well as setting out the underlying rationale of the investment strategy.

Funds, segregated accounts and AM assignments are managed in the fund management (portfolio management) and investment management (asset management) groups with the help of the investor relations, transactions and corporate groups. The CFO manages the fund operations and finance groups, which are responsible for the corporate governance, risk, compliance, reporting and finances of funds managed by Genesta.

Fund boards consist of both Genesta managers and external independent board members. The board is the governing body. The board takes all investment and divestment

decisions on behalf of the AIF through a majority vote. The board carries out the decision-making and oversight on all portfolio management, risk management and marketing functions relating to the fund. The board is responsible for the implementation of the investment policy of each AIF and oversees the approval of the investment strategies of each AIF.

Values

At the heart of our operations, company culture and business relations are Genesta's values. Our values have been prepared as a joint effort between our employees and management. Senior management promotes these values, leading by example, following them by their spirit, and insisting that others do the same.

Proactive	We believe in showing initiative and taking responsibility. Our clients have come to us for quality and results – a high level of professionalism, innovation ability and a strong local presence. To meet these expectations, we encourage active teamwork, continuous learning and good partnership.
Passionate	We are an ambitious "can do" company. We get inspiration from professional challenges and we are triggered by high expectations. But, above all, we have a passion for results. We believe that success is inevitable for a company with a strong reputation for delivering on its promises.
Respectful	Our business can only thrive when built on transparency and founded on trust. Therefore, we believe in treating our clients, business partners and our own people with fairness, openness and respect. By supporting each other and sharing ideas, we will achieve our vision and bring enjoyment into our work.
Diverse	Each and every one of us makes a difference. In a company of experts, each and every one makes a difference. To serve our clients and support our mission, we encourage diversity – of people, opinions and ideas. We believe that a diverse and engaging environment inspires people to reach their highest potential, ignites real teamwork and attracts the best new talent.

Genesta is committed to fostering a diverse and inclusive workforce. Genesta considers diversity in the workplace as respecting and valuing differences based on a wide range of personal characteristics including gender, age and ethnicity, as well as diversity of thought and background. Genesta has an employee and management manual that covers sustainability, business ethics, values, diversity, community involvement and health and safety. This manual contains the overriding objective of increasing the percentage of women in leadership positions, and promotion of a culture that values diversity, inclusion and flexibility.

Risk management

Effective identifying, assessing and monitoring of risks have a beneficial impact on all stakeholders. Assessments and identified controls that seek to minimize, mitigate or manage the risks in business as well as roles and responsibilities to manage and oversee risks have been established by the AIFM certificate. Each fund board has the ultimate responsibility for risk management over fund properties.

Genesta has implemented an appropriate risk management process in order to detect, measure, manage and follow in an adequate manner all the risks of each new investment or material changes for existing investments. The impact of each new investment or material changes for existing investments will be considered in relation to each fund's overall geographic diversification, leverage profile, interest rate exposure, mix of operating cashflow versus terminal value-oriented investments and the overall projected return of a fund and the effect on the risk profile of the fund in question. As such, Genesta shall ensure that the risk profile of the fund is relevant in light of the size, portfolio's structure, strategies and investment objectives of the fund in question.

Two committees have been formed that handle all the suggestions prior to each fund board's meetings. These two committees are namely the Audit, Risk and Compliance Committee (ARCC) and the Finance and Investment Committee (FIC). The FIC reviews and prepares investment strategy, acquisitions, disposals and third-party debt prior to the fund board consideration and decision-making. The ARCC reviews and prepares risk and compliance reports, provides updates on audits, both internal and external, and valuations to fund boards. The ARCC oversees the quality and integrity of accounting, audit, financial, compliance and risk management practices for the group.

Genesta's risk and compliance manager is responsible for daily risk and compliance processes across the business and monitors the efficiency of Genesta's risk management framework (including compliance systems) on an ongoing basis with a review of Key Risk Indicators performed on a quarterly to annual basis. The aim is to ensure that appropriate procedures, staff education and reporting arrangements are in place to support the risk management framework.

Genesta applies the precautionary principle in terms of ecological responsibility. This is reflected in the systematic reduction of the environmental impact of fund properties in accordance with the sustainability and H&S best practices and environmental building certifications. Furthermore, sustainability and H&S risk assessments are carried out periodically on fund properties.

Genesta has implemented a Conflict of Interest policy, Conflict of Interest plan and Conflict of Interest register to safeguard the interests of investors in funds, which at times may conflict with those of the Genesta Group or of any other funds Genesta manages. In addition to this, in order to deal specifically with the responsibility and accountability of individuals for reporting and investigating reports of unethical behavior, Genesta has implemented a Fraud and Corruption policy and a Business Gifts and Entertainment policy.

We are too small to have a remuneration committee. Nevertheless, we have a Remuneration Policy that is binding on all our senior managers and risk takers employed within the Genesta Group.

The remuneration policy is consistent with and promotes sound and effective risk management through:

- Establishing a sound governance structure for setting goals and communicating these goals to employees;
- Including both financial and non-financial goals in performance and result assessments;
- Making fixed salaries the main remuneration component.

Business Ethics

Genesta is committed to the highest standards of ethical behavior and expects the same commitments from all managers and employees. Each and every person working at Genesta should maintain a strong commitment to fair dealings, honesty, legality, non-discrimination, a safe environment and values held by the company. Any infractions of this Code of Ethics will not be tolerated and Genesta will act quickly in correcting the issue if the ethical code is broken. Any employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

1. Genesta empowers employees to create value for our company and our clients through internally delegated ownership.
2. Genesta promotes an exciting and progressive work environment. Employees shall treat others fairly, honestly, have mutual respect and promote a team environment. Genesta is committed to maintaining a diverse, equal and safe workplace free from any form of discrimination, intimidation, harassment and retaliation.

3. One of the fundamental principles of fund management is fiduciary duty. Fiduciary duty is a legal or ethical relationship of confidence or trust between a fund manager/service provider and its clients. It is essential that management and all employees understand, promote, implement and require adherence to Genesta's fiduciary/trust responsibilities. Our work must always build and develop trust with our clients.
4. We accept and take seriously our responsibility to maintain a safe and healthy environment for our own employees and people who work in, visit or pass our properties. Active health and safety practices shall be implemented in all Genesta internal operations as in all aspects of our building management and construction operations.
5. Integration of sustainability into our business operations from an environmental, social and governance (ESG) perspective is a priority for Genesta and our investors. Sustainable business practices include minimizing energy usage and waste, but are also to be applied across every aspect of our business from strategy, risk management, learning and innovation and customer care programs.
6. Genesta and its employees are active members of many communities across the Nordics and Luxembourg. This is because we believe the sustainable development of our communities benefit from our active engagement and participation in it.
7. Employees must disclose any conflict of interests regarding their position within Genesta. All employees shall avoid the intent and appearance of unethical or compromising practice in relationships, actions and communications.
8. Unauthorized use of company, client or other confidential trade secrets, marketing, operational, personnel, financial and/or technical information integral to the success of our company, clients, suppliers or other parties will not be tolerated.
9. We require adequate commitments from our contractors and suppliers to ethical standards concerning employment, health and safety, fair dealings, tax and legal compliance and sustainability.
10. Genesta is committed to full compliance with the laws, rules and regulations of the countries in which we operate. Genesta will be accurate and truthful in representing business transactions to government agencies.
11. Genesta always avoids the risk of bribery and other inappropriate influence when dealing with external relations. This means that no manager or employee is to hand over, promise or offer an inappropriate benefit, or receive,

encourage promises of, or demand an inappropriate benefit for carrying out work duties or assignments. We shall never use bribery or illegal payments in any form. Entertainment and gifts are to be characterized by openness and moderation and they should always have a natural connection with the business relationship.

Genesta BoD shall keep and regularly update a record of any actual situations where risks have arisen from irresponsible employment acts, or where a potential risk may arise, throughout the Genesta decision-making process and/or operations, as well as any actual mitigation and/or remedial measures taken in the application of policies.

ESG Management, Priorities and Benchmarking

Genesta is committed to playing a leading role in achieving a sustainable future for generations to come and our funds set their strategy accordingly as described earlier in this report. The highest body of governance regarding each fund's economic, environmental, social and governance responsibility are the boards of these funds.

Cross-Genesta ESG functions with a dedicated team of five part-time consultants are led by Genesta's corporate ESG manager reporting to the group CEO and supporting each fund board. The ESG team's most important goal is to help the funds managed by Genesta to safeguard investors' interests through the implementation of a sound and responsible investment and management processes, strong governance, best practice reporting and risk management. The main performance indicator for the ESG team is whether the fund achieves four or more stars in the GRESB Rating (the former green star) during the lifespan of the fund. The ESG management of funds is supported by several of Genesta's guidelines, policies and tools in order to secure quality, manage risks and give directions and guidance on responsible and ethical business conduct and sustainability performance improvement. The ESG team helps funds to set strategy, form targets and implement required changes both in portfolio and property functions. Furthermore, internal training on ESG is organized and all Genesta employees are required to participate.

Based on feedback from our stakeholders, we have identified Genesta's sustainability priorities. The way in which Genesta addresses these priorities is described in the following table. These issues have been incorporated into our strategic priorities.

Genesta ESG Priorities	
Economic Responsibility and Governance	
Solid governance and transparency	Fiduciary duty determines our operations and solid governance and transparency are vital for Genesta's business operations. Compliance and ethical business conduct are enforced through all our operations.
High return on investment	High returns to our investors and profitability form the backbone of continuity of Genesta business operations.
Growth of business operations	Genesta aims to be the leading vertically-integrated fund manager in the Nordics.
Environmental Responsibility	
Energy efficiency	Managing, measuring and improving the energy efficiency of fund properties is our key, long-term sustainability objective.
Communication and co-operation with tenants and business partners	We aim for a behavioral change among our stakeholders, tenants and business partners. We recognize the need to improve our communication and interaction with tenants; we want to help them to act more sustainably.
Waste sorting and recycling	Recycling 50% of fund properties' waste (excluding incineration) is our main target. We can help our tenants to avoid waste, increase recycling and the reuse of waste.
Social Responsibility	
Health, safety and wellbeing of employees and property users	We have a zero-injuries policy. We reinforced our H&S taskforce to implement planned operations, to identify and assess any H&S risks systematically and to develop H&S management further.
Customer satisfaction	Measuring and continuous improvement of tenant satisfaction ensures our business continuity. We strive for a deeper customer focus and enhanced tenant interaction in our business operations.
Wellbeing of employees and life/work balance	Genesta employees are engaged and encouraged to get involved, communicate and take time for thinking. We offer extensive occupational healthcare, nurse diversity and growth on an individual employee level. The sickness rate at Genesta is significantly low. We offer flexible working hours to all employees and remote working is supported by tools and systems enabling employees to better balance their private life and professional duties.
Promoting sustainability around fund properties	We acknowledge the importance of considering the local community while developing fund properties. Promoting sustainability among our neighborhood and taking proactive measures for assistance in case of disaster or serious threat are included in our sustainability agenda.
Enrichment of services and activities in local communities	Offering sustainable, accessible, reasonable business premises for a variety of sizes and types of businesses enables the development of community, businesses and employment around fund properties.

Based on the strategy set by each fund's board and the priorities identified, the ESG team creates long-term and short-term goals and objectives for the fund.

Each fund's economic performance is assessed quarterly and annually against the IPD Nordic Property Index and the INREV Index. Fund boards continuously assesses the fund's economic performance against the targeted internal rate of return (IRR). GRESB REA is conducted once a year, but we have included ESG in each fund's quarterly reporting to our investors and to fund boards to ascertain the sustainability performance progress of our funds, and to adjust targets as necessary. Since 2014, Genesta has been a fund manager member of GRESB. Membership of GRESB gives us valuable insights into sustainability assessment, trends and developments in real estate sustainability. The GRESB benchmark helps us to further develop our sustainability performance.

ESG Compliance with Laws and Regulations

In addition to our internal ambition and commitment to sustainability and governance, Genesta recognizes the responsibility to national and European laws and regulations for ESG for ensuring compliance with all applicable regulations in our business operations. Among different regulative ESG topics, we have raised our awareness concerning EU-level plans on electric car charging stations, energy efficiency and national CO2 emission reduction targets.

A part of Genesta regular sustainability due diligence conducted in connection with all new acquisitions, in 2016 our focus was on Health and Safety risks. Health and Safety registers were created to ensure continuous monitoring, reporting and implementation of necessary corrective actions in relation to Health and Safety deviations. In 2017, we will continue our work to improve Health and Safety monitoring and reporting at the asset level.

Environment

ESG Management at Funds and Properties

We aim constantly to minimize the negative environmental impact of our funds' properties and to maximize the environmental awareness of our stakeholders. It is vital that Genesta employees, tenants, contractors and service providers embrace sustainability and make it a part of their daily activities. Reducing the environmental impact of properties is based on Genesta Sustainability Best Practices.

We have a zero-injuries policy. It is our view that no business or activity is so important that it will be pursued at the expense of health and safety (H&S) of our employees, a tenant's employees and guests, service providers and the communities surrounding our operations and environment. We aim for continuous improvement in all our operations. We want to achieve best practice and innovation; to share ideas; to measure progress and set targets for health and safety across properties.

Sustainability and H&S due diligence (DD) and a feasibility study is conducted for each asset prior to acquisition. Sustainability DD includes the evaluation of the asset's current state, environmental certifiability, feasibility of on-site renewable energy production, proposed sustainability improvements over the holding period, and estimates of both holding period and capital costs. Secondly, Genesta Sustainability Best Practices and numerical targets for sustainability performance are set for each fund. Sustainability targets and policies for individual properties are defined in a manner to ensure the achievement of fund-level sustainability targets and objectives. Health and safety policies and targets are implemented both at the fund level as well as at the level of individual properties.

Health and safety policies are based on Genesta's Health and Safety policy and best practice that describes the H&S processes in property operations, construction and leasing. During 2016, we reinforced our H&S taskforce to implement planned improvements, to identify, assess and follow up on H&S work at properties. We have developed a concept of health and safety property guide that describes the regulatory and best practice requirements applicable to properties and acts as a tool for property managers and project managers to use when managing health and safety within properties. Furthermore, the guide is a tool for carrying out H&S assessments during the due diligence process as well as for annual H&S inspections of the properties. H&S inspection findings are recorded in property-specific health and safety registers. The registers also include H&S-related findings made during the acquisition-stage assessments, including identified hazardous substances within the building structure

or in storage and use. Any reported incidents or near misses that have occurred at the property are similarly included in the registers. All findings are risk-rated in order to prioritize corrective actions. The registers are kept up-to-date on a monthly basis.

Sustainability performance of properties is assessed against selected key performance indicators (KPI) measuring energy and water consumption, greenhouse gas emissions and the ratio of recycled, diverted waste. In order to gather reliable and accurate sustainability data from properties, the first concrete sustainability task at properties is to connect them into Genesta's automated sustainability data collection and monitoring system. Primary health and safety KPIs monitored are the number of injuries and the number of individual health and safety improvements made at the portfolio level. Ultimately, each fund's environmental performance is evaluated annually against GRESB REA.

In practice, we work to improve energy efficiency and waste recycling, and reduce our emissions and water consumption. An essential part of our business is the re-development of properties; an important share of our environmental responsibility is to realize all projects with construction materials and methods with minimum environmental impact and anchoring a total lifecycle approach into our decisions in daily operations. Genesta Sustainable Construction Policy is implemented for all construction taking place at Genesta properties.

Genesta aims to certify around 50-70% of the fund properties it manages. Environmental certifications help us to develop the sustainability performance of fund properties in a systematic and measurable way. Sustainability and H&S performance for each fund is managed through a comprehensive ESG Action Plan. We manage and monitor the progress of the ESG Action Plan at asset, fund and Genesta levels.

Environmental performance

Genesta's ESG team sets reduction targets for each fund, and monitors and reports quarterly and annually based on the intensities that are normalized by the occupied square meter basis (m2Occupied). The team reviews the default Genesta sustainability target indicators and adjusts them in accordance with the fund strategy, if required:

- Reduce specific energy consumption kWh/m2Occupied by 10%
- Reduce specific amount of greenhouse gas (GHG) emissions CO2e/m2Occupied by 15%
- Reduce specific water consumption liters/m2Occupied by 5%
- Recycle 50% of the waste produced (excluding incineration and waste-to-energy).

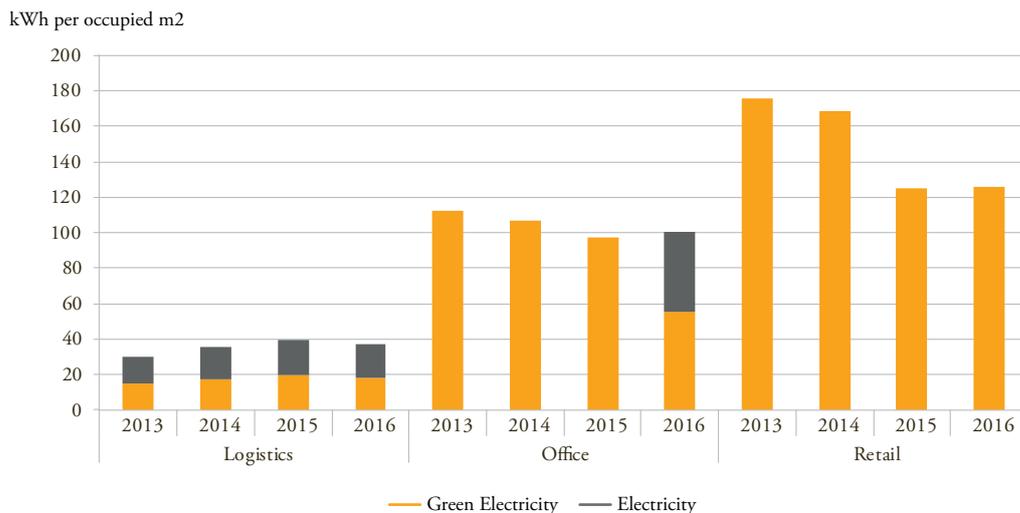
A more detailed analysis of Genesta’s environmental KPIs in 2016 is in the following chapters, but it is evident that the liquidation (fund properties we’ve already moved to sustainable mode) and the investment period of the other fund (new properties we need to move into sustainable mode) will cause turbulence in the portfolio figures this year.

Energy efficiency

Energy consumption and expenditure monitoring includes fuel and electricity consumption and heating and cooling of premises. We monitor the renewable portion of the total energy consumption and we constantly aim to increase its share. Monitoring and controlling of the energy performance of the properties is necessary for prompt identification of any deviations and for improving energy efficiency further.

Total energy consumption per occupied square meter decreased by 10% in the year from 2015 to 2016. Total heating and cooling energy usage per occupied square meter decreased by 20% in the year from 2015 to 2016. Including all Genesta fund properties, the electricity consumption per occupied square meter increased by 2% in the year from 2015 to 2016. The portion of renewable energy was 39% of all energy consumption during 2016. This is because we acquired new office properties during 2016 with existing electricity contracts. This is evident in the graph, as a smaller portion of all electricity was from renewable sources. All old contracts have been changed to renewable alternatives. The following graphs illustrate the nominal electricity, heating and cooling consumption at Genesta’s fund assets between 2013 and 2016.

Electricity Usage in Genesta’s Fund Assets per Occupied m2, 2013-2016



CO2 Emissions in Genesta's Funds Assets per Occupied m2, 2013-2016

kg CO₂ per occupied m²

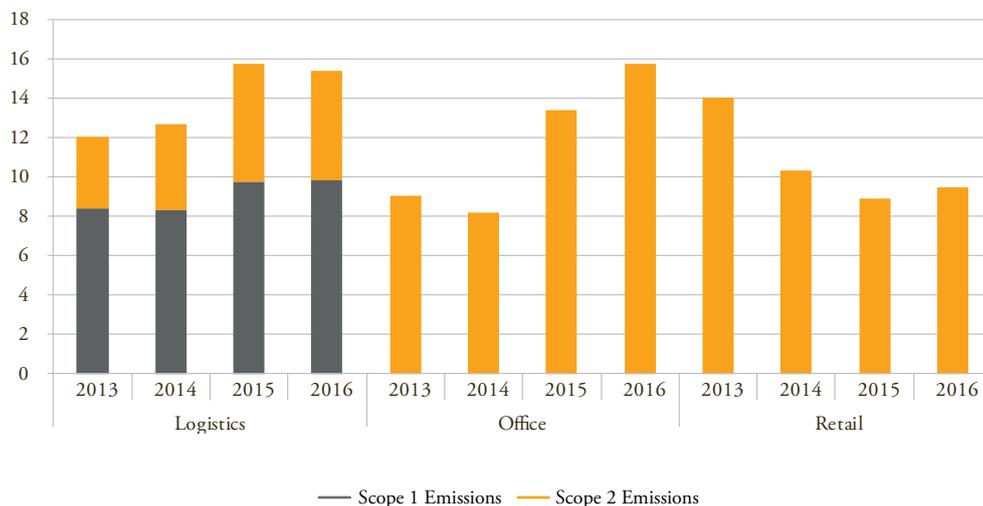


Emissions and Renewable Energy

In order to reduce greenhouse gas emissions we strive to reduce our dependency on non-renewable energy sources. Electricity agreements are made primarily with providers of green energy from renewable sources such as wind, sun, biomass, etc. CO₂ emissions are divided into direct emissions caused by e.g. fuel consumption at the properties (Scope 1) and indirect emissions caused by purchased electricity consumption (Scope 2). Overall CO₂ emissions per occupied square meter increased from 2015 by 10%. Graph 3 presents nominal CO₂ emissions by property types. Increased CO₂ emissions for office buildings is due to old electricity contracts, as described in the energy efficiency chapter.

CO2 Emissions in Genesta's Funds Assets per Occupied m2, 2013-2016

kg CO₂ per occupied m²

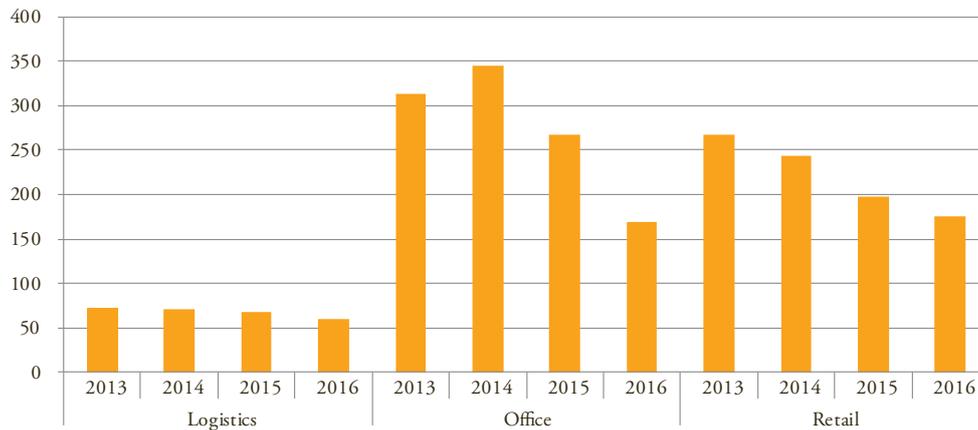


Water Consumption

We aim to optimize and minimize water consumption in properties using several methods. By installing amenities such as waterless urinals, efficient spray taps, high-efficiency fixtures and water sensors, water consumption can be reduced. Water consumption per occupied square meter at all Genesta assets decreased by 24% between 2015 and 2016. Change is mostly related to the acquisition of new assets with much lower water consumption levels and the disposal of older, higher water-consuming GNBRE Fund I assets. The nominal water consumption for all the assets by property type is illustrated in the following graph.

Water Usage in Genesta's Fund Assets per Occupied m², 2013-2016

Liters per occupied m²

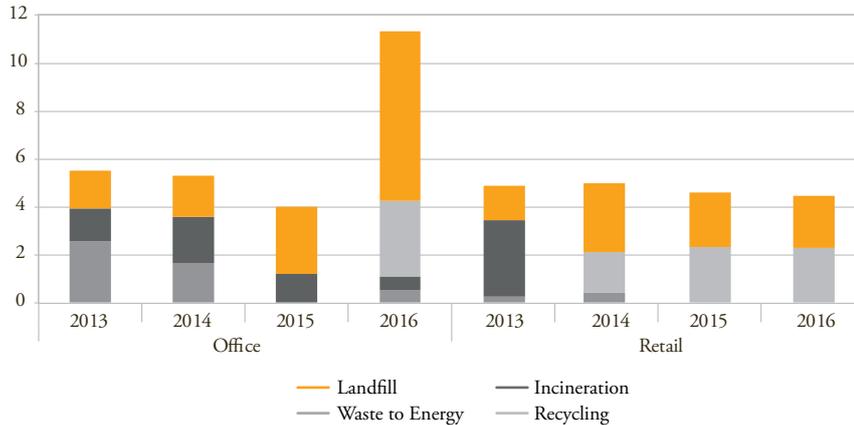


Waste Management

Developing waste management systems and offering our tenants easily accessible and comfortable waste sorting and recycling facilities is one of our key sustainability priorities. We aim to minimize landfill waste and maximize the amount of recycled waste in all properties. The rate of recycling of the waste weight per occupied square meter decreased 4% from the previous year. The total amount of waste per occupied square meter increased by 127% from 2015 to 2016 and the recycling percentage of all waste in 2016 was 61%. The total amount of waste increased in 2016 significantly due to construction waste generated by refurbishment and tenant renovation projects.

Waste Disposal Routes for Genesta's Fund Assets per Occupied m2, 2013-2016

kg per occupied m2



Environmental Certifications

Since 2014, four Genesta fund properties have been environmentally certified in accordance with “BREEAM in Use”: three in Finland and one in Sweden. GNRE Fund II properties have environmental certification planned in coming years; in most cases the certification is applied in connection with property refurbishment projects.

Environmental certifications help us to develop our sustainability strategies in a systematic and measurable way. The attainment of environmental certifications enables us to differentiate from our competitors, it broadens the potential buyer base and helps to communicate our sustainability achievements through an internationally recognized and proven system.

Environmental Certifications



- Vilhonvuori, Finland; March 2014, (Part 1 & 2: Good)
- Zins, Finland; November 2015, (Part 1 & 2: Good)
- Värmdö, Sweden; December 2015, (Part 1 & 2: Good)
- Martinsilta, Finland; May 2016, (Part 1 & 2: Good)

Social

Stakeholder Engagement

Genesta's stakeholders are those individuals, groups of individuals and organizations that can affect Genesta's business and/or could be affected by their activities and decisions. Stakeholder engagement at Genesta is a process to engage relevant stakeholders in a clear purpose to achieve our common goals. We strive to meet our stakeholders in accordance with our values. We aim for an active and open dialogue with our stakeholders.

Stakeholder engagement has both strategic and operational purposes. Stakeholder engagement develops our sustainability strategy and addresses operational issues. The most important purpose of stakeholder engagement is to build trust-based, mutually-beneficial relationships with our key stakeholders. An important part of stakeholder engagement is to increase transparency through communicating about Genesta's sustainability objectives and performance against stakeholders' opinions and views.

Stakeholder engagement may be formal or informal. The key stakeholder groups, means and frequency of engagement as well as the level where engagement takes place are described in the following table.

Stakeholder Group	Frequency of Engagement	Status 2016
All Stakeholders		
Stakeholder survey	Every second or third year	-
ESG Update	Annual	OK
Investors		
Investor meeting	Bi-annually	OK
Quarterly report and conference call	Quarterly	OK
Investor notice	When considered material	
INREV survey participation	Annually	OK
GRESB REA participation	Annually	OK
Tenants and Users		
Tenant satisfaction survey	Annually	-
Tenant magazine	Bi-annually	OK
Sustainability info screens	Ongoing	OK
Tenant meeting	Once per year (IM/PM)	OK
H&S and sustainability audits at properties	Annually	OK
Property websites and social media	Ongoing	OK
Tenant events at properties	Annually	OK

Employees		
VCD performance review	Annually	OK
Employee survey	Periodically	OK
Employee conference	Annually	OK
Team meetings	Monthly as minimum	OK
Genesta intranet portal	Ongoing	OK
Sustainability training	Periodically	OK
GRESB REA participation	Annually	OK
Internal H&S risk assessment for office work, visits to construction sites and business travel	Once and reviewed in case of changes and at least annually	-
Employee training on H&S	Periodically	-
Appointment of employee H&S representatives	Differing national requirements	-
Suppliers		
Know-Your-Client Review	On-going	OK
Supplier Meeting	Monthly	OK
H&S and Sustainability Audits at Properties	Annually	OK
Industry		
Participation in events	Ongoing	OK
Memberships of associations	Ongoing	OK
IPD benchmark	Annually	OK
INREV survey participation	Annually	OK
GRESB REA participation	Annually	OK

Investors

Our investors are mainly European pension funds. We acknowledge that the most important aspect of investing in Genesta's fund(s) is the forecasted strong returns. The ESG team's most important goal is to help the funds reach this forecast and help to safeguard investors' interests in achieving the target in a sustainable manner. In practice this is through the implementation of a sound and responsible investment and management processes, strong governance, best-practice reporting and risk management.

Our KYC (Know Your Customer) process complies fully with existing laws and regulations. We strive for complete transparency and meeting our investors' sustainable investment criteria and requirements.

We strive to support the objectives of our investors not only economically, but also in terms of responsibility and sustainability. Profitable and sustainable growth is important to our investors so together we can help to make a brighter future for current and future generations and the environment we work in.

Employees

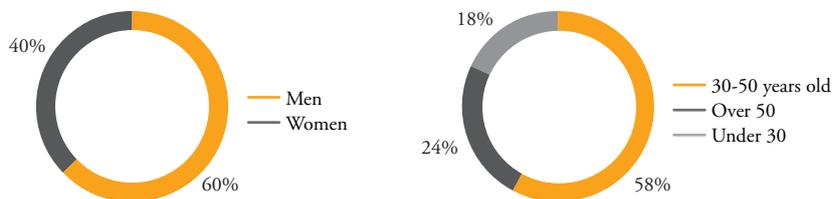
We consider job satisfaction as one of the most important factors in achieving good results and success. At the moment there are 22 full-time employees and 11 in-house consultants working at Genesta. We encourage initiative and support employees to further develop their professional skills by an active training plan. Our organizational structure is flat, enabling communication and innovation for all employees from younger team members to senior management. In 2016, Genesta supported two employees in attending professional study programs aimed at achieving a professional qualification or a degree in the real estate investment field.

An employee survey was conducted in 2016 among all Genesta full-time employees by an external party, IC Potential. The response rate of the survey was 100%. A previous survey was conducted at the end of 2015. 89% of the respondents are quite or very satisfied with their employment and working situation, compared to 96% in 2015. The share of employees being "very satisfied" increased by 11% from 2015. The same share, 89%, of employees feel very or quite motivated in their daily work. Areas acknowledged as development areas are well-functioning salary negotiations, document management, the efficiency of decision-making processes and the follow-up and evaluation of company goals.

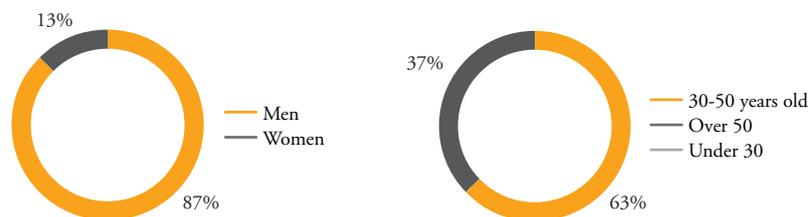
We constantly strive to build an organization where people have the same opportunities regardless of their cultural and ethnical background, sexual orientation or gender. To ensure and guide all employees on matters of equal opportunities and diversity

we follow our diversity policy. We offer equal employment conditions and equal pay for similar jobs. We support our employees in combining private life, parental duties and professional life by offering flexible working hours and the possibility of working remotely. The breakdown of Genesta's employees and management team by gender and age groups is illustrated in the following graphs.

Breakdown of Genesta's Personnel by Gender and Age Groups, 31 December 2016



Breakdown of Genesta's Management Team by Gender and Age Groups, 31 December 2016



The sickness absence rate at Genesta is low. Work consists mainly of office work, with no major physical stress or specific risk of physical occupational accidents. In 2016, there were no injuries among Genesta employees and no occupational diseases emerged. There were no occupational disease-related days lost during 2016. Genesta's internal health and safety policies apply both to our employees and our contractors.

The Genesta Helsinki office moved to new premises in 2016. The new office was refurbished with attention to energy saving and employee health and wellbeing. The ergonomics of workstations was improved by providing all employees with the possibility to use standing desks and adjustable chairs. Also, a smart green wall with air purifying plants was installed at the new office.

Tenants and Property Users

Tenants are our key stakeholder group and we carefully attend to the needs of our

current and potential tenants to achieve high-level customer satisfaction and continuity. Our goal is to understand our tenants' needs better and to continuously improve tenant satisfaction and meet tenant criteria on sustainability. Our aim is to engage tenants with our sustainability work, increase awareness on the sustainable operation of premises and how we can support tenants' own sustainability work by providing sustainable business premises, sharing information and mutually improving sustainability performance.

We are committed to conduct annual tenant satisfaction assessments and we use the outcome to develop our properties and services further to meet the needs of our tenants. The surveys provide us with insight into what is important for our stakeholders.

In 2016, we participated for the seventh time in a tenant satisfaction survey conducted by KTI in Finland. There were altogether 27 responses, and the response rate was 87.1%. The survey included three areas; the premises itself, satisfaction with the landlord, and satisfaction with services, as well as sustainability-specific questions and open-ended feedback. The survey was targeted to selected tenants and conducted as a phone interview.

In 2016, tenants were asked about the importance of energy efficiency, reduction of properties' environmental impact and the support and guidance provided by the landlord to tenants to operate premises in a sustainable manner. Tenants were also asked to evaluate how well Genesta performed in these three aspects. The energy efficiency of premises was "very important" or "important" to 76% of respondents, reducing environmental impact important to 65% and guidance for the sustainable operation of premises to 61% of respondents.

Tenants' evaluation about Genesta's performance leaves us space for improvement, especially in relation to guidance and support on how to operate premises in a more sustainable way. 17% of respondents rated Genesta's performance "poor" against 58% of respondents who evaluated our performance as "very good", "good" or "satisfactory". In relation to energy efficiency, 72% of respondents evaluated our performance as "satisfactory", "good" or "very good", and only 6% as "poor".

The survey results have been shared with our tenants in various ways, via newsletter, with face-to-face meetings, and through property caretakers and property managers.

Suppliers and Business Partners

As a whole, Genesta's and the funds' property companies' supply chain extends over the following locations: Helsinki (Finland), Stockholm (Sweden), Copenhagen (Denmark), Oslo (Norway) and Luxembourg (Luxembourg). The selection of suppliers af-

fects Genesta's profitability and reputation. Through a systematic purchasing process where we choose suppliers with care, we ensure cost-effectiveness and a high quality of execution. Supplier selection is part of our risk management process with a specific focus on ethical business conduct and the avoidance of corruption and conflicts of interest. We aim to contract local suppliers for operations and maintenance contracts.

Purchased property management services include the management of the properties' services and energy efficiency, property accounting, corporate governance, secretarial services and technical building management. Property services for fund properties are provided by external tendered suppliers, often selected from property managers' preferred suppliers list. These property services include, for example, property maintenance, technical maintenance, cleaning services, security services and waste management. The majority of property service providers operate in labor-intensive industries.

Engaging our suppliers proactively helps us to accomplish our own ESG goals and increases the awareness of responsible business conduct within our supplier network. We expect our suppliers to implement and adhere to Genesta policies and best practices as well as good standards of ethical business conduct and sustainability. Our "Know Your Client" (KYC) review includes aspects such as: health and safety, environmental, social and economic aspects.

- Health and safety, e.g. current standards, safety plans and injuries record
- Environmental aspects, e.g. building materials, chemicals and locally supplied products
- Social aspects, e.g. employment practices, employee dispute record, insurance coverage of employees and workers
- Economic aspects, e.g. tax payment compliance and creditworthiness.

Supplier compliance is monitored through contractual practices, communication and regular supplier meetings. Larger and regular contractors and business partners are given goals and objectives covering all ESG aspects. Our regular business partners as organizations are committed to sustainability with implementation of quality and environmental management systems such as ISO 9001 and ISO 14001, extensive sustainability disclosure and adoption of WWF's Green Office program at their own premises. Furthermore in Finland we comply with "The Act on the Contractor's Obligations and Liability when Work is Contracted Out" covering supplier fulfilment of tax liabilities, pension insurance, employment terms, occupational healthcare and obligatory accident insurance for construction workers.

We are committed to plan and carry out periodical property inspections to assess compliance with our ESG requirements.

Community

As a member of the fund and investment management industry, Genesta has a responsibility to take part in the development of the industry and create a marketplace with high standards, transparency and fair dealings. Active membership of domestic and international associations and initiatives, recurring interaction with investors and tenants, and contributions by writing debate articles, participating in events and networking are tools that we apply to help create a healthy marketplace. Genesta is a member of the following associations and initiatives where Genesta employees have been actively elected and appointed in different positions of responsibility:

Genesta Memberships and Genesta Employees' Positions of Responsibility:



Finnish Green Building Council
- Board of Directors



The Finnish Association of Building Owners and Construction Clients
- Management Team, Commercial and Public Properties
- Investment and Finance Committee



European Association for Investors in Non-Listed Real Estate Vehicles
- Reporting Committee
- Tax Committee



Danish Property Federation
- Appointed Delegate



IPD/MSCI Property Indices



Global Real Estate Sustainability Benchmark



Scandinavian International Property Association



Royal Institution of Chartered Surveyors
- Fellow (FRICS)



Helsinki Region Chamber of Commerce

We strive for an active cooperation with educational institutes in order to encourage education within real estate and finance. We participate in lectures and panel sessions at universities and educational programs.

In 2016, Genesta participated in a research project "Corporate social responsibility in the real estate sector" with 10 other leading Finnish real estate industry operators. The research project was triggered by KTI Property Information Ltd.

In 2016, we supported the Swedish Childhood Cancer Foundation and the Save the Children organization in Finland. Our employees are also encouraged to take part in charitable projects of their own choice in company time.

Genesta's Charitable Contributions and Donations in 2016



Sustainability Disclosure

In our ambition to be transparent about our sustainability goals, performance and progress to our investors we have reported annually on our sustainability work since 2013. Sustainability reporting describes our governance, environmental and social responsibility in accordance with the principles of the GRI G4 (Global Reporting Initiative) framework and when applicable according to CRESS (Construction and Real Estate Sector Supplement). GRI Sustainability Reporting Standard was published at the end of 2016 and we will report accordingly on sustainability performance progress in 2017 during Spring 2018.

Both our funds participated in GRESB REA in 2016. For GNBRE this was the fourth submission since 2013. GNRE Fund II participated for the first time. In 2014, we took the decision to become a fund manager member of GRESB. Membership of GRESB gives us valuable insights on sustainability reporting and assessment trends and helps us develop our sustainability performance and sustainability reporting procedures further.

In 2016, GNBRE achieved a Green Star rating by GRESB for the second year in a row. GNBRE improved the scoring in GRESB Real Estate Assessment (GRESB REA) from last year by 12% and ranked second among the diversified non-listed entities and 12th out of the 73 in the European diversified non-listed peer group. GNBRE participated in an inaugural Health & Wellbeing assessment, scoring 92%.

GNRE Fund II's GRESB REA submission was not complete. At the end of 2015, the GNRE Fund II portfolio included two commercial properties located in Finland. Handover of the properties happened a few weeks before the year-end and consequently there were no key performance indicators available for GRESB REA 2016. The GNRE Fund II response covered sustainability management, policies and targets, and the result was a promising basis to improve GNRE Fund II's GRESB REA performance toward achieving a five-star GRESB rating.

Actual ESG issues and key performance indicators of the funds are reported quarterly together with regular fund-level financial reporting to our investors. This ESG report completes the range of our sustainability communication tools.

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GENESTA PROPERTY NORDIC

Genesta Property Nordic is a fund and investment manager that specializes in commercial real estate in the four Nordic countries. We invest in office, retail and logistics assets and have offices in Stockholm, Helsinki, Copenhagen and Luxembourg.

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