

SUSTAINABILITY



SkiStar is Scandinavia's leading operator in alpine mountain tourism. Protecting the unique mountain environment in which SkiStar operates is a fundamental condition for sustainable development of the business. SkiStar's sustainability efforts are an integral aspect of the daily work and a natural approach for all employees.

SkiStar's sustainability report for the 2017/18 financial year has been prepared in accordance with Global Reporting Initiative Standards (GRI), applying the Core option. SkiStar's GRI index on pages 74–75 includes references to where the information can be found in the report on operations. The sustainability report includes the Parent Company and wholly owned subsidiaries. It has

been determined that co-owned associates do not constitute a significant portion of operations, which is why they are not included. SkiStar's sustainability work is initiated by Group management and endorsed by the Board of Directors as a priority area for SkiStar. The work is managed by the sustainability officer together with sustainability teams that handle sustainability issues identified

within the organisation for their respective areas. This report relates to the 1 September 2017–31 August 2018 period and is SkiStar's first sustainability report in accordance with GRI's guidelines.

Please direct any questions regarding SkiStar's sustainability report to: Viktoria Wöhl, +46 (0)280-880 80, viktoria.wohl@skistar.com.

SUSTAINABILITY GOVERNANCE

SkiStar's sustainability governance is based on the critical sustainability areas that have been identified as part of a materiality analysis. This enables SkiStar to satisfy expectations that are imposed on the company. It is also a way of raising awareness among all stakeholders and employees and allows SkiStar to meet the opportunities and challenges associated with the sustainability aspects.

In addition to the application of relevant laws and guidelines, work is also under way to integrate the UN's Sustainable Development Goals into SkiStar's targets and strategies.

Risk management

Like all companies and business operations, SkiStar is exposed to various risks related to the business. The company's operations include sustainability as a parameter that is evaluated based on opportunities and risks in all business decisions. Management of sustainability risks is an integral aspect of the Group's risk management process. SkiStar's risk management is described in the administration report on pages 41–43.

Internal controls

Based on the details given above, several different policies and regulatory documents were drawn up, revised and approved during the year. This makes it easier for SkiStar's employees to find information about how everyone is expected to act, as well as when and why.

Code of Conduct

SkiStar's Code of Conduct was approved by SkiStar's Board of Directors during the year. It clarifies SkiStar's guidelines and values, creates transparency and functions as a blueprint for how SkiStar's employees should behave towards one another and the people they meet as part of their day-to-day work, including guests, suppliers and collaborative partners. It also explains that SkiStar supports the ten principles of the UN Global Compact regarding human rights, working conditions, the environment and anti-corruption, as well as the ILO's eight fundamental conventions concerning minimum standards for working conditions.

Policies

In addition to the above-mentioned Code of Conduct, SkiStar also has several operational policies. The purpose of these policies is to create transparency and clarify how to pursue operations with a long-term, sustainable approach to generate growth and develop the company. All SkiStar employees will undergo online training to increase their awareness and understanding of how SkiStar is expected to act and respond to its operating environment. The purpose of the training is to increase understanding of how sustainability aspects should be observed in all areas of the business, and how they should be a natural consideration for every employee at all levels and in all decisions. All the company's policies are

available on SkiStar's intranet. All policies are revised annually.

Supplier Code of Conduct

SkiStar also has a Supplier Code of Conduct, which sets out obligations and expectations that the company has of its suppliers, to ensure responsible procurement and purchasing. All SkiStar's suppliers are expected to sign the Supplier Code of Conduct and action will be taken in the event of any breaches. The Supplier Code of Conduct imposes requirements for several perspectives to be considered when making purchases and in procurement processes, such as availability, sustainability aspects and legislation in the respective country. Availability varies among the different types of purchases, with a limited number of suppliers for primarily lifts, piste machinery and snowmobiles.



The coloured UN goals above are those that SkiStar plans to integrate into the business's long-term objectives and strategies.

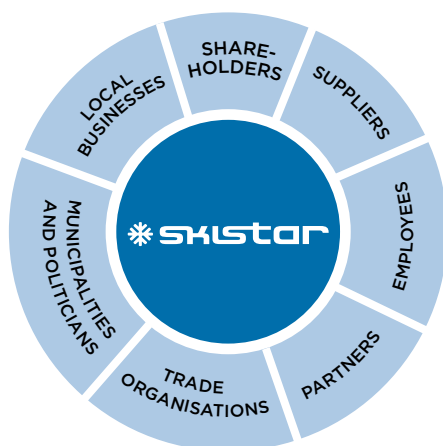
STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

SkiStar involved its stakeholders when carrying out the materiality analysis. SkiStar's stakeholders have been identified via the respective business area. Stakeholder involvement facilitates the company's further development and work on long-term sustainable solutions going forward. Additional stakeholder dialogues have been carried out via employee surveys, guest surveys and through meetings and discussions with suppliers. The following categories of stakeholder have taken part:

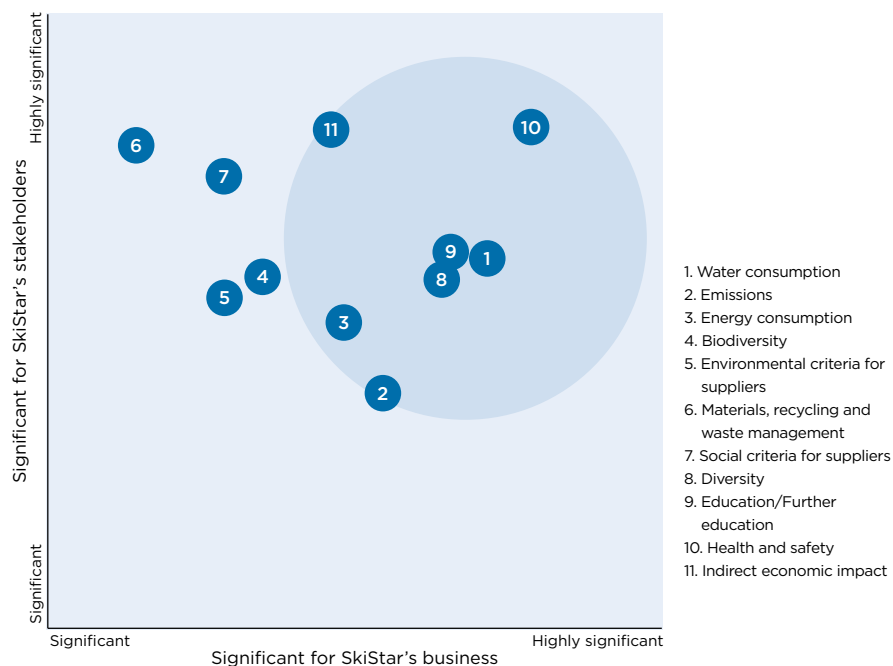
In order to produce a sustainability report in line with GRI guidelines, SkiStar is required to identify, prioritise and validate. As an initial step, an internal analysis has been carried out to highlight key sustainability areas. This process has identified a selection of sustainability topics. The sustainability topics have emerged in dialogues with the business area managers to ensure that the entire business is covered by the selection. Over the past year, SkiStar has completed a web-based materiality

analysis with the company's stakeholders, aimed at identifying and prioritising the key sustainability aspects. Completed analyses have produced the following results regarding priority topics:

SKISTAR'S STAKEHOLDERS



SKISTAR'S SUSTAINABILITY TOPICS



* The sustainability topics within the area marked with a circle constitute SkiStar's significant sustainability topics. Other topics are mentioned in the text but are not included in SkiStar's GRI reporting.

ECONOMIC RESPONSIBILITY

SkiStar's mission is to create long-term stable value for shareholders, guests and other stakeholders. Pursuing a proactive strategy while balancing operational risk and creating a stable return in the long term requires a strong financial base, where the objective is to achieve a minimum equity ratio of 35 percent. For other financial targets and outcomes, please refer to pages 10–11 of the report on operations. Taxes are a statutory cost that impacts returns, while also constituting a responsibility issue for SkiStar as a corporate citizen. SkiStar has operations in Sweden, Norway and Austria and complies with the tax legislation of each country.

SkiStar operates in sparsely populated areas of both Sweden and Norway. Via SkiStar's operations, other operators that are complementary to a certain extent may offer services within and near the destinations, including restaurants, hotels and other alpine activities. Both visitors to the region in the form of tourists and permanent residents benefit from an operator that adopts a long-term and sustainable approach to alpine tourism. SkiStar's presence helps boost the tourism industry, which in turn generates tax revenues for society. In addition, improvements to infrastructure have a positive impact on the region.

Anti-corruption

SkiStar's risk management and regulatory documents cover anti-corruption. SkiStar's anti-corruption efforts primarily aim to counteract corruption within the company. This is achieved by analysing the risks associated with corruption, establishing purchasing procedures and guidelines that cover how to handle potential bribery to counteract incidents, and monitoring and acting if a case of corruption is confirmed. All SkiStar's employees will undergo training in how to combat corruption, in order to improve knowledge and raise awareness. SkiStar has a zero-tolerance policy when it comes to bribery and corruption.



EMPLOYEES

SkiStar relies heavily on employee engagement. Motivated and satisfied employees will also provide good service for guests, and the guests are always at the centre of SkiStar's operations. If guests experience good service, they will come back. This is an extremely important factor in generating long-term profitability. To have motivated employees, there are several elements that are vital to the company's success.

SkiStar is a big employer. At all its destinations, SkiStar has collective agreements that regulate minimum wages and employee rights in relation to the employer. All SkiStar employees, except for the CEO, are covered by collective agreements.

Work environment, health and safety

Health and safety includes both safe and secure workplaces for Group employees and good working conditions and a healthy work-life balance. Living and working at one of SkiStar's destinations allows good opportunities for an active lifestyle in a natural alpine environment.

At every SkiStar destination there is a structured work environment organisation that works on preventive measures to continuously improve working conditions, for example by carrying out safety inspections and drafting work environment policies. SkiStar also has a robust crisis management organisation at each destination, with specially trained crisis managers. Crisis management exercises are conducted every year to ensure the company is always prepared.

SkiStar carries out regular employee surveys to ensure a good and pleasant work environment. These employee surveys also serve to identify

EMPLOYEES

Number of employees	Permanent employees		Employees on fixed-term contracts	
	Men	Women	Men	Women
Sweden	223	120	985	664
Norway	80	45	370	207

* Employee data relates to the number of employees in February 2018 and has been compiled from the Group's HR and salary systems. Reported forms of employment include permanent and fixed-term contracts.

DIVERSITY

2017/18	Women	Men	<29 years	30-50 years	>50 years
Board of Directors	4	5	0	3	6
Group management	1	8	0	6	3
Destination management teams	7	27	0	23	11
Other*	6	11	1	12	4
	18	51	1	44	24

Other relates to individuals who report directly to a member of Group management. All figures as at 31 August 2018.

areas where there is potential for improvement. Following the surveys, three focus areas are selected that SkiStar then works on to bring about further improvement, and to respond to employees' preferences and expectations. Health checks are also carried out regularly to prevent occupational risks and monitor the physical wellbeing of the company's employees. Each employee has an annual performance review and salary review.

Diversity and equality

Equal treatment and rights apply regardless of gender, sexual orientation, ethnicity, beliefs, disability or age. SkiStar does not accept any form of discrimination and takes strong action in response to

incidents and conduct that contravenes SkiStar's policies and guidelines. The company's corporate culture is characterised by values and attitudes that are consistent with SkiStar's diversity policy. SkiStar's diversity policy is revised every year. Responsibility for active gender equality work lies with each department/business area manager. SkiStar has a zero-tolerance approach to all forms of discrimination and discriminatory treatment.

SkiStar places great emphasis on the importance of valuing differences and diversity. SkiStar works to create an inclusive working environment, an important aspect of which is for all employees to feel a sense of belonging.

Recruitment

Another key issue for both the company and the industry is recruitment and ensuring that the right skills are available in the future. SkiStar's mountain locations mean that the Company devotes considerable time to developing partnerships with companies that run similar seasonal operations during the summer months and works closely with local companies in the tourism industry. SkiStar uses an online recruitment tool that contributes to a qualitative selection process. SkiStar's values are matched with those of potential candidates. A well-structured recruitment process lays the ground for successful appointments, which then contribute to the prevailing positive corporate culture.

Training and education

To ensure that employees maintain and develop their skills and to guarantee future needs, the Group places great emphasis on training and education. All employees complete an online course every year, in which sustainability, GDPR and working environment are key components. In addition, SkiStar implements an annual internal leadership programme, and a trainee programme that aims to provide continuity for key functions.

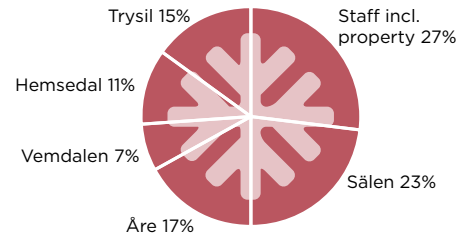
TRAINING HOURS PER EMPLOYEE

	2017/18		2016/17		2015/16	
	Women	Men	Women	Men	Women	Men
Permanent employees	10	10	10	10	10	10
Employees on fixed-term contracts	25	25	25	25	25	25

Since SkiStar's operations are seasonal, there is a substantial need for seasonal employees. Every winter season, the workforce is made up of roughly two-thirds returning employees and one-third new. This puts pressure on the company to ensure that recruitment, training and staff inductions are systematic and simple, so that a large volume of seasonal employees is well prepared in a short period of time. As an employer, SkiStar is extremely proud of its ability to offer many young people the chance to gain professional experience and the opportunity to develop their skills in their working lives.

Many of SkiStar's employees choose to stay on within the organisation, but with new duties or at a different destination. All employees are encouraged to further develop their skills internally, and combined positions are common.

PERMANENT EMPLOYEES, per destination



The number of permanent employees, excluding St. Johann in Tirol, totalled 484 at 31 August 2018.

ENVIRONMENTAL RESPONSIBILITY

SkiStar will consider all sustainability aspects in the business, with the aim of creating memorable mountain experiences. Through systematic improvement initiatives, SkiStar will be the right choice for guests in terms of sustainability. This is done by constantly reducing any negative environmental impact by designing and selecting products and services in such a manner as to limit their environmental impact during purchase, production, utilisation and disposal. SkiStar continually trains and informs its employees in order to constantly improve environmental awareness and expertise primarily in the alpine environment.

Energy conservation

SkiStar's goal is to conduct operations adapted to the environment while consuming as little energy as possible. SkiStar endeavours to conserve energy as much as possible in its operations. Snowmaking, property management and ski lifts are all processes requiring a great deal of energy. SkiStar's objective is to use electricity that is 100-percent renewable, a goal that has already been achieved. To conserve energy, SkiStar will:

- * Systematically analyse energy use;
- * Adopt processes that use as little energy as is financially reasonable;
- * Focus on efficient energy consumption when making new investments;
- * Highlight energy consumption for individual employees and together devise ways of reducing energy consumption without impacting product quality.

Use of water

SkiStar's operations are water-intensive. The water issue is of great importance from a sustainability perspective, and everyone has a duty to manage the assets and resources available responsibly. SkiStar's main water consumption in operations is in the form of snow production. For snow produc-

tion, SkiStar uses water from nearby watercourses and lakes, i.e. surface water. In some cases, the water is kept in storage ponds directly adjacent to the ski resorts. When making snow, nothing is added to the water and particles are filtered out before it is used. Water is extracted from water sources mainly during the months prior to the

ELECTRICITY CONSUMPTION WITHIN THE ORGANISATION

MWk	17/18	Compared with		
		15/16, %	16/17	15/16
Electricity from renewable sources	68,523	-7.2	76,150	73,810
Electricity total	68,523	-7.2	76,150	73,810

FUEL CONSUMPTION WITHIN THE ORGANISATION

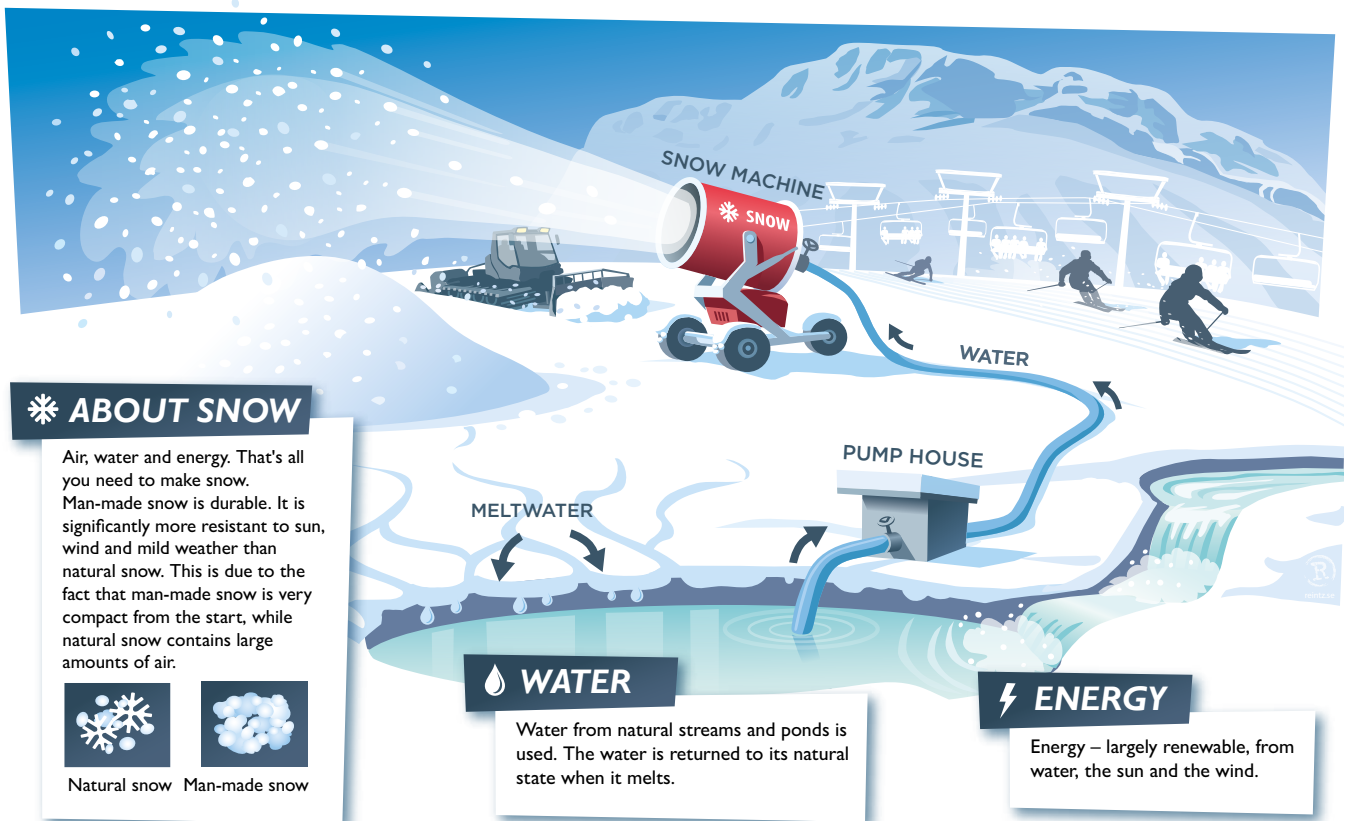
MWk	17/18	Compared with		
		15/16, %	16/17	15/16
Renewable fuels	14,514	-	5,332	-
Fossil fuels	13,018	-40	19,190	21,802
Total fuel	27,532	-40	24,521	21,802

DISTRICT HEATING WITHIN THE ORGANISATION

MWk	17/18	Compared with		
		15/16, %	16/17	15/16
District heating	13,050	55	14,785	8,394
District heating total	13,050	55	14,785	8,394

SUMMARY TOTAL ENERGY CONSUMPTION WITHIN THE ORGANISATION

MWk	17/18	16/17	15/16
Electricity from renewable sources	68,523	76,150	73,810
Renewable fuels	14,514	5,332	-
Fossil fuels	13,018	19,190	21,802
District heating	13,050	14,785	8,394
Total	109,106	115,456	104,006



start of the winter season and during the first part of the winter season. In the spring, when the snow melts, all the water returns to natural sources. Water extraction from each source is regulated via water rights court rulings.

Snow production methods have been developed both technically and environmentally. This has in turn led to more efficient snow production. This is achieved using automated snow production systems in which temperature, optimum wind direction, humidity and water temperature are pre-set, meaning snow is only made in perfect conditions using a technique that ensures sustainable snow production. The focus for SkiStar is on producing the right amount of snow in the right location in as short a time as possible. In addition to technological advances for snow cannons, other measuring tools have also had a positive effect on water usage in snow production. All SkiStar's destinations now have piste machinery equipped with GPS systems to measure snow depth, to enable optimum snow production in the right locations.

Climate and emissions

As a leading operator in the alpine mountain tourism industry, SkiStar aims to pursue operations while causing the least possible impact on the environment. This means that SkiStar will work actively with solutions that develop the company sustainably going forward. SkiStar uses fuel in its operations, which produces carbon dioxide emissions. By harnessing new technology and being proactive, SkiStar hopes to be able to push carbon dioxide emissions in a sustainable direction in future. SkiStar has decided to implement a pilot project using semi-electric piste machines, which cuts fuel consumption and thus reduces carbon dioxide emissions. The piste machines' GPS-based snow depth measuring function also helps reduce

WATER USE IN SNOW PRODUCTION

m ³	2017/18	2016/17	2015/16
Sälen	1,006,692	897,098	1,039,839
Åre	1,546,341	1,813,107	1,507,766
Vemdalen	649,523	656,000	622,000
Trysil	540,915	577,480	432,802
Hemsedal	473,191	565,254	480,573
Total water use in operations	4,216,662	4,508,939	4,082,980

GREENHOUSE GAS EMISSIONS, TONNES OF CO₂

	17/18	16/17	15/16
Scope 1*	4,516	5,860	6,358
Scope 2**	141	129	78
Greenhouse gas emissions, tonnes of CO ₂	4,657	5,989	6,436

* Relates to direct emissions from SkiStar's operations.

**Relates to indirect emissions from electricity and heating.

CO₂ emissions have been calculated using guidance from emissions factors from the Swedish Petroleum and Biofuel Institute, the Swedish Energy Agency and the Swedish Environmental Protection Agency. Fuel quantities have been obtained from readouts and invoices. Measurements relating to electrical power have been obtained from the respective network.

emissions, as it optimises the snowmaking process and driving patterns. SkiStar has also initiated the transition to non-fossil fuel and at the present rate of transition has increased the proportion of non-fossil fuel to over 50 percent. Over the past year, 100-percent non-fossil fuel has been used in operations, lifts and on pistes at SkiStar's Swedish destinations.

Biodiversity

SkiStar's opportunities to develop new, untouched areas of land are heavily restricted. Naturally there are stringent environmental requirements when it comes to developing land. To be able to continue offering guests a magnificent alpine setting with untouched nature just around the corner, SkiStar needs to develop new areas of land while observing great consideration for the existing environment.

In practice, this means that SkiStar will preferably not develop new untouched land, but instead focus on densifying areas that are already in use. Concentrating beds centrally around the ski areas reduces the need for transportation for guests and allows for more efficient construction of infrastructure. However, when development of untouched land does take place, closeness to nature is an important factor, which means that parts of existing forest are kept aside. This applies both when constructing the skiing area and when expanding within the skiing area. From a forest conservation perspective, expansion of the ski resort can benefit the area as it provides a guarantee that it will not be completely felled, which would otherwise be a strong possibility. This of course means that the biological diversity is preserved in the area, provided it is developed sensitively.

HEALTH AND ACTIVE LEISURE TIME

In addition to economic, social and environmental areas of responsibility, SkiStar works with the health and active leisure time sustainability area, where SkiStar has an opportunity to make a considerable difference. As SkiStar is convinced that an active lifestyle with friends and family contributes significantly to a healthy life, the company is constantly looking for new opportunities to create the conditions for such a lifestyle. This is about stimulating growth in activities linked to a mountain setting and providing opportunities and inspiration for 52 weeks of exercise. Interest in health and wellbeing has increased and the trend to stay active while away on holiday is continuing to grow.

SkiStar tries to promote health and active leisure time via various initiatives:

- * 2,913 children and young people under 15 living in a municipality at one of SkiStar's destinations Sälen, Åre, Vemdalen, Trysil and Hemsedal were offered a free SkiPass for the 2017/18 winter season.
- * Children and young people from grades 1–9 in the municipalities of Nacka and Stockholm

are offered free leisure days at Hammarbybacken ski slope.

- * Valle's Winter Weeks. During Valle's Winter Weeks, skiing, ski school and ski rental are free for children up to the age of 6. This encourages parents and children to engage in physical activity during their leisure time.
- * Personal skiing statistics are provided via MySkiStar, which is a service that SkiStar has introduced to seize upon and reinforce guests' interest in alpine skiing as a means of exercising and socialising. MySkiStar has just over 780,000 members.
- * At Valle's Ski School, children learn how to be safe and confident skiers, with the support of highly-qualified ski instructors and Valle the Snowman. Almost 50,000 children took part in Valle's Ski School in the 2017/18 winter season.
- * Valle encourages activity through music, dance and skiing. Some 100,000 children skied with Valle at SkiStar's destinations in the 2017/18 winter season.

SKISTAR'S OTHER SUSTAINABILITY INITIATIVES

- * Åre is home to the first three solar-powered lifts in the mountain regions – a collaboration between SkiStar and Fortum.
- * Most newly constructed accommodation is located close to the lift systems (Ski-in Ski-out), which reduces car travel at the destinations.
- * Charging points for electric vehicles are standard for all new builds, to meet heightened demand for eco-friendly means of transport.
- * As far as possible, accommodation is built by local construction companies, using locally sourced, recycled materials. Existing vegetation on the land around the buildings is preserved and replanted, and trees in the vicinity are protected during the construction period.
- * Continuous efforts to prevent erosion of the slopes by building dams and planting vegetation.
- * Young people are encouraged to gain their first experience of the world of work. Over the past ten years, SkiStar has given over 11,000 young people aged between 18 and 24 the opportunity to gain professional experience.
- * SkiStar's operations are spread over a wide geographical area, which is why physical meetings are being replaced by telephone, web and video conferences wherever possible.
- * In areas with a district heating network, SkiStar converts own properties from direct electric heating to hydronic heating.
- * SkiStar is co-owner of Dala Vindkraft Ekonomisk Förening, as well as Dala Vind AB, as part of the company's focus on renewable energy and climate-neutral power production, and to make it possible for the municipalities, the County of Dalarna, Sweden and the EU to meet their climate targets.
- * Together with other investors, SkiStar operates three biomass heating plants.
- * Panta Mera (Swedish can and PET bottle recycling campaign). At the destinations, cans and PET bottles are collected in clearly marked 'Panta Mera' containers and igloos. The return on the cans/bottles is donated by SkiStar to the Alla på snö (All on snow) project.
- * All on snow: a collaboration between the Swedish Ski Association and the Swedish Ski Council aimed at inspiring children to lead active and healthy lifestyles through opportunities to try out skiing.
- * The purpose of the Swedish foundation Min Stora Dag (My Special Day) is to make wishes come true for seriously ill children. Several My Special Day wishes have been granted at SkiStar destinations, with the help of volunteers and SkiStar personnel.
- * Stefans Stuga in Lindvallen – a specially-designed set of accommodation close to the lifts, the purpose of which is to provide a haven where families affected by cancer can relax and spend precious time together. Stefans Stuga is an initiative of the Stefan Paulsson Cancer Fund.





AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT



TO THE ANNUAL GENERAL MEETING OF SKISTAR AB (PUBL), CORP. ID NO. 556093-6949

DUTIES AND RESPONSIBILITIES

The Board of Directors is responsible for the sustainability report on pages 30–37 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

SCOPE OF THE REVIEW

Our review was conducted according to FAR's recommendation RevR 12 Auditor's Opinion Regarding the Statutory Sustainability Report. This means that our review of the sustainability report has another focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider this review to provide us with sufficient grounds for our opinion.

OPINION

A sustainability report has been prepared.

Stockholm, 12 November 2018

Ernst & Young AB

Mikael Sjölander
Authorised Public Accountant