

Clear structure provides control

Corporate governance comprises the foundation for how a company should be owned and controlled. Good corporate governance ensures that the business is run sustainably, responsibly and as efficiently as possible to be able to realise the company's strategies and to create maximum value and returns for its stakeholders. Vasakronan's corporate governance is based on external and internal regulatory frameworks, clearly formulated goals and strategies as well as sound values. To support the operations, appropriate controls and continuous follow-up are in place.

The Swedish Corporate Governance Code

Vasakronan AB is a public limited company. In view of the general interest in the company's operations, and since the company's bonds are listed on the Stockholm stock exchange, the Swedish Corporate Governance Code has been applied. The company also has bonds listed on the Oslo Stock Exchange and Euronext Dublin, and has chosen Ireland as its home Member State. Accordingly, the Central Bank of Ireland is responsible for supervision pursuant to the Transparency Directive.

Important external regulations:

- The Swedish Companies Act
- Accounting policies, legislation and recommendations
- Nasdaq Stockholm Rule Book for Issuers
- The Issuer Rules for Oslo Børs
- Euronext Dublin's Rule Book for Issuers
- The Prospective Directive under Irish law
- The EU Market Abuse Regulation (MAR)
- The Swedish Corporate Governance Code
- UN Global Compact

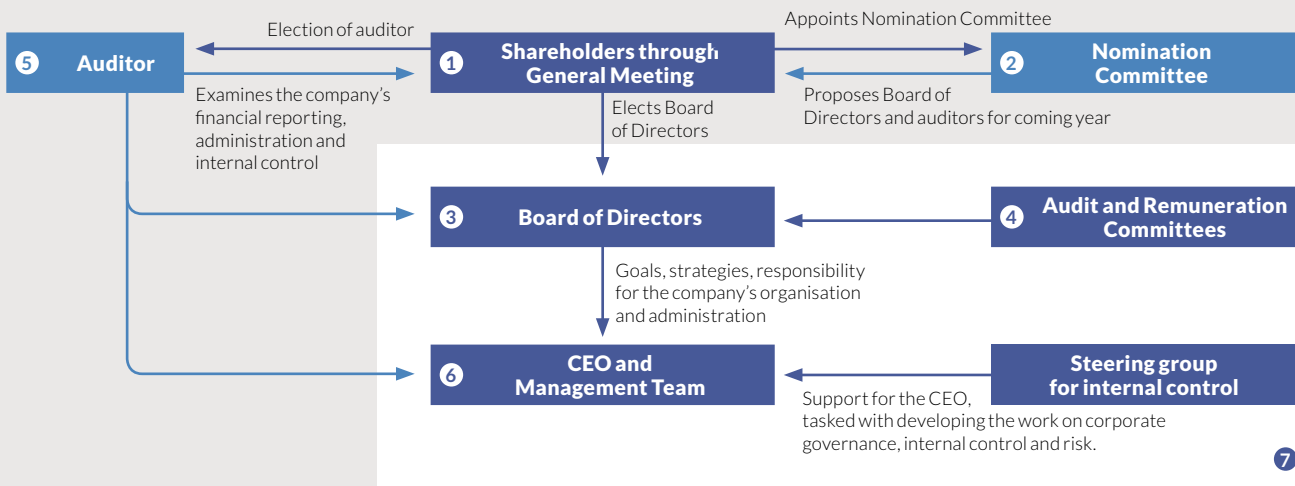
Important internal regulations:

- The Articles of Association
- The Rules of Procedure for the Board of Directors and committees, and the CEO's Instruction
- Internal guidelines and policies that cover all Vasakronan's employees and are characterised by business values such as a financial policy, decision-making and delegation processes, an anti-corruption policy, an environmental policy and a Code of Conduct
- Framework for green financing

Deviations from the Code

As a consequence of its small group of owners, Vasakronan deviates from the Code in two regards: the Nomination Committee's proposals for Board members, and notices of General Meetings and minutes from General Meetings are not published on the company's website. None of the members of the Nomination Committee are independent in relation to the owners.

Governance structure



1 Shareholders and General Meeting

Vasakronan is owned in equal shares by the First, Second, Third and Fourth Swedish national pension funds. Shareholders exercise their influence through participation in the annual general meetings (AGMs), which are the highest decision-making body. Under the Articles of Association, the AGM of shareholders must be held within six months of the end of the financial year. The Companies Act and the Articles of Association regulate what is to be resolved at the AGM. Extraordinary general meetings are held if any of the owners so request, or if the Board of Directors considers there is reason to do so.

The tasks of the AGM include:

- Adopting the income statements and balance sheets for the Parent Company and the Group
- Discharging the Board members and CEO from liability
- Resolving on the proposed distribution of profit
- Resolving on fees for the members of the Board and the committees, as well as the auditors
- Electing Board members, members of the Audit and Remuneration committees, and auditors
- Establishing principles for remuneration and other employment terms and conditions for senior executives

The most recent AGM was held on 7 May 2019 at Vasakronan's head office in Stockholm. All shares were represented and the auditors were present.

2 Nomination Committee

Vasakronan's Nomination Committee comprises representatives of the respective owners and is tasked with presenting proposals ahead of the AGM regarding:

- The number of Board members
- The election of Board members and Chairman of the Board
- The fees for the Board of Directors and members of the Board Committees
- The auditors and auditors' fees.
- The instruction for the Nomination Committee

In the Committee's work on producing proposals for Board members, an equal gender distribution must be taken into account, and that the Board in general should be characterised by diversity based on competence, experience and background. Ahead of its tasks, the Nomination Committee studies the internal evaluation of the work of the Board, the Chairman's account of the work of the Board and the company's strategy, and interviews individual Board members as part of its work. The goal of the Committee is to propose a composition of Board members that complement each other as regards experience, personalities and knowledge, in order to thereby create the best value for Vasakronan. The Nomination Committee held four minuted

meetings in 2019. No fees were paid to the Nomination Committee in 2019.

3 Board of Directors

Composition of the Board

The Articles of Association stipulate that the Board is to comprise at least three and at most ten members, excluding any employee representatives. The owners can, but do not need to be, represented on the Board. In addition to the owner representatives, the ambition of the owners is that the Board of Directors also consist of members who are independent in relation to the company and the owners. The independent members will supplement the Board with specific industry competence. The CEO is not a member of the Board, but is present at all Board meetings.

The AGM on 7 May 2019 elected two new members of the Board: Magnus Meyer and Kia Orback Pettersson. They replaced Rolf Lydahl and Jan-Olof Backman, who both declined re-election. In September, Mikael Angberg was elected to the Board as the owner representative for the First Swedish National Pension Fund. Mikael Angberg succeeds Johan Magnusson, who stepped down from the Board.

Tasks and responsibilities of the Board

The overall task of the Board is to be responsible for organisation and administration of operations, and financial reporting. It also decides on the company's strategy, establishes financial, social, and environmental targets, and is responsible for establishing efficient

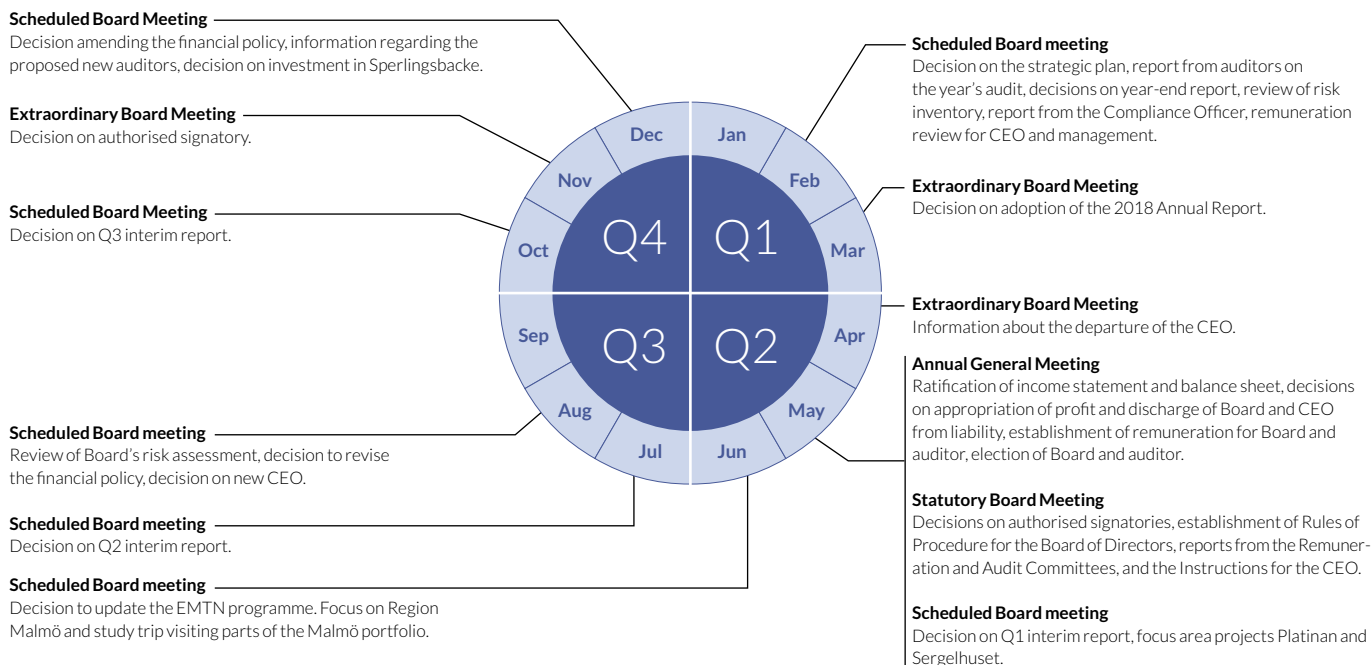
Composition of the Board

	Elected	Indep. of company	Indep. of major owners	Board and Committee fees, KSEK	ATTENDANCE		
					Board meetings	Audit Committee	Remuneration Committee
Ulrika Francke	2018	Yes	Yes	770	11/11	5/5	4/4
Mikael Angberg ¹⁾	2019	No	No	No remuneration	3/3		
Jan-Olof Backman ²⁾	2011	Yes	Yes	133	3/3		
Ann-Sofi Danielsson	2017	Yes	Yes	380	11/11	5/5	
Niklas Ekvall	2016	No	No	No remuneration	11/11		2/2
Eva Halvarsson	2006	No	No	No remuneration	11/11	5/5	
Kerstin Hessius	2004	No	No	No remuneration	9/11		
Christel Kinning	2014	Yes	Yes	280	11/11		
Rolf Lydahl ²⁾	2007	Yes	Yes	164	3/3	2/2	
Magnus Meyer ³⁾	2019	Yes	Yes	140	7/8		
Johan Magnusson ⁴⁾	2008	No	No	No remuneration	8/8		2/2
Kia Orback Pettersson ³⁾	2019	Yes	Yes	140	8/8		

1) Elected September 2019 2) Stepped down May 2019 3) Elected May 2019 4) Stepped down September 2019

Governance structure

Standing items on the Board's agenda comprise market and business conditions, ongoing projects and transactions, market valuations, financing, ongoing disputes and reporting from the Audit and Remuneration Committees. In addition to these items, the following items were addressed at the past year's Board meetings.



and appropriate systems for governance, internal control and risk management. The work is regulated through rules of procedure that are established at the statutory Board meeting every year. These rules include instructions on the Board's areas of responsibility and limitations in relation to the committees and the CEO.

The Chairman of the Board monitors the Board's performance of its tasks. The Chairman also monitors operations in dialogue with the CEO and is responsible for ensuring the other members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman is also responsible for evaluating the work of both the Board and the CEO.

Work of the Board of Directors in 2019

The work of the Board of Directors follows an annual cycle of scheduled meetings on fixed dates, adjusted for such matters as the Board needing to adopt the financial reporting.

The CEO, CFO and General Counsel (in the capacity of the secretary of the Board) attended the scheduled meetings. Other persons from the organisation such as regional Senior Vice Presidents and SVPs for Finance

and Property Development participate as needed, presenting reports on particular cases. Extraordinary Board meetings are held when needed. Primarily in the case of urgent business decisions that require Board approval.

The scheduled Board meetings follow a fixed agenda on which the CEO's information on general operations are a standing point. In cases where committee meetings have been held, the chairpersons of the respective committees report on their work. Vasakronan's Compliance Officer (the company's General Counsel) reports annually to the Board on cases that have come in to the company's whistle-blower function. The external auditors attend the Board meeting where the year-end report is adopted.

Issues of strategy and risk management are always high on the Board's agenda. Over the past year, the primary focus has been on technological developments and developments in retail. Considerable focus was also dedicated to Vasakronan's larger ongoing new construction and redevelopment projects, as well as progress on projects such as new lettings at the properties.

In total, the Board held eight scheduled meetings in 2019, one of which was statu-

tory. Extra Board meetings were also held during the year.

In addition to the Board meetings, the Board also conducted one strategy conference that was held together with the Management Team. For more information, refer to the section CEO and Management Team.

Evaluation of the Board of Directors

According to the Rules of Procedure, the Board of Directors must conduct an annual evaluation of its work. In 2018, this was conducted using a written survey prepared by an external party. This was followed up in 2019 through interviews conducted by the Nomination Committee of each individual Board member. The purpose of the evaluation is to ensure that the Board is focused on the correct area, that the Board has the correct competence and that it is correctly composed. The results of the evaluation are also used as the basis for the Nomination Committee's work with bringing forward new candidates for the Board of Directors and as a basis for improving the Board's work.

Remuneration to the Board

The AGM passes resolutions on remunera-

tion to the Board. Board fees are not paid to members who represent any of the owners. For the period until and including the 2020 General Meeting, the AGM resolved that the Chairman will receive SEK 680,000 and the other independent members SEK 280,000 in fees. For the Audit Committee, it was resolved that a fee to its Chairman of SEK 100,000 and to independent members of SEK 50,000 would be paid, and a fee of SEK 40,000 to the Chairman of the Remuneration Committee.

4 The committees

In order to enhance the efficiency of its work, the Board has established an Audit Committee and a Remuneration Committee. The primary task of these committees is to prepare the decisions of the Board in these two areas.

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of three Board members. The Committee's areas of responsibility are regulated in the rules of procedure established by the Board. The overall responsibilities of the Audit Committee include:

- Preparing the work of the Board on quality assurance of the financial reporting, which in turn includes addressing material accounting issues
- Monitoring the work of company management on internal control, tax management

and risk and corporate governance issues

- Evaluating the audit work and preparing the election of an auditor
- Issuing guidelines concerning the advance approval of non-audit related services performed by the elected external auditor

The Audit Committee receives continual information about the orientation, scope and results of the audit. This take place through the Committee studying the auditor's written reporting and the auditor being present at certain Committee meetings.

For 2019, the Audit Committee consisted of Ann-Sofi Danielsson, who was also the Chairman, Eva Halvarsson and Ulrika Francke. Rolf Lydahl was Chairman of the Audit Committee until the AGM in May 2019, when he stepped down from the Board. All members have the competence in accounting required under the Companies Act.

The Committee held five meetings during the year. The company's auditor was present at two of them to report on the audit. Moreover, the Committee discussed, inter alia, the company's financial statements and the work of the Management Team on risk and internal control as well as the procurement of external auditors. The CEO, the CFO and SVP for Group Control (the secretary of the committee) participated in the meetings. Over the year, the Committee also evaluated its work with the aim of ensuring the right questions

were addressed within the Committee. At least once each year, the Committee meets with the auditor without the participation of company management.

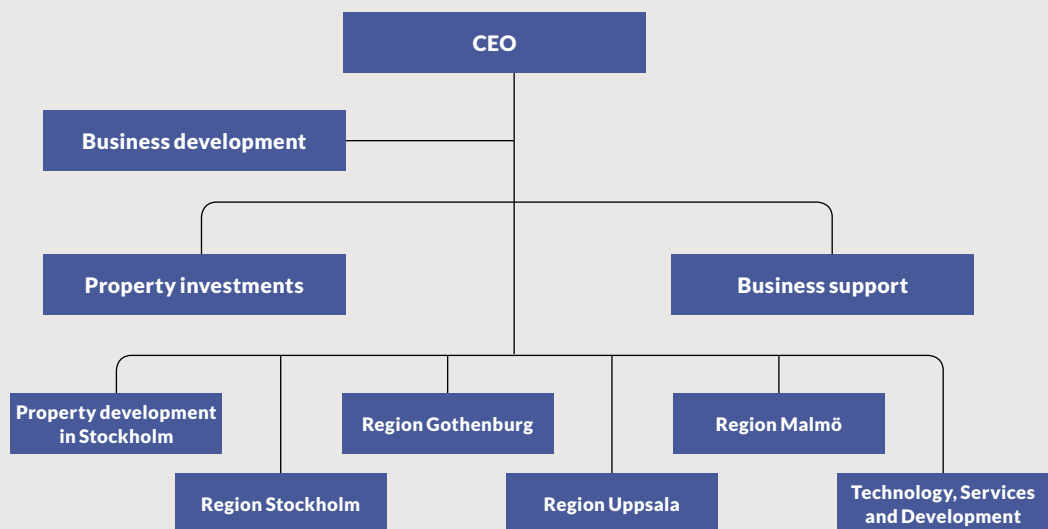
Remuneration Committee

The Board of Directors has appointed a Remuneration Committee consisting of two Board members. The Committee's areas of responsibility are regulated in a rules of procedure established by the Board and consists primarily of:

- Preparing the work of the Board of Directors on remuneration for senior executives and in the profit-sharing programme for other employees
- Monitoring and evaluating compliance with the "Guidelines for Terms of Employment for Senior Executives in state-owned Companies" that Vasakronan is to comply with as regards remuneration and other terms of employment for company management (refer to Point 6 below for more information)

In 2019, the Remuneration Committee consisted of Ulrika Francke as Chairman and Niklas Ekwall. Niklas replaced Johan Magnusson on his departure from the Board. During the year, the Committee held four meetings at which issues of remuneration for senior executives and principles for profit-sharing for other employees were primarily

Organisation



discussed. The January meeting addressed the work of the Committee and which issues were priorities. The CEO and the SVP for Human Resources, who is the secretary of the Committee, participated in all the meetings and the company's auditors submitted their report from the review of remuneration for senior executives at the meeting in May.

5 External audit

In accordance with the Articles of Association, the general meeting must appoint at least one and at most two authorised public accountants with an equal number of deputies. If an auditing company is appointed as auditor, deputies will not be appointed. The auditor is elected for one year at a time. The Board of Directors has decided that the selection of an auditor will be preceded at least once every four years by a procurement to be prepared by the Audit Committee.

In addition to issuing the Auditors' Report, the selected auditor examines the annual accounts, the consolidated financial statements and accounting records, the Board's and the CEO's administration of the company and the annual accounts of the subsidiaries. The auditor also conducts limited assurance engagements of Vasakronan's Sustainability Report and its Impact Report. The audit and the limited assurance engagements are conducted in accordance with the Companies Act, international auditing standards and generally accepted auditing principles in Sweden.

At the 2019 AGM, PricewaterhouseCoopers was elected as auditor for the coming year, with Helena Ehrenborg as Auditor in Charge. In addition, Daniel Algotsson was elected as auditor. More information about the auditors can be found on page 108. Information about the auditors' fees can be found in Note 2.3 on page 81.

6 CEO and Management Team

The CEO is appointed by the Board of Directors and is responsible for daily operations in Vasakronan, in accordance with the Board's instructions established each year. The CEO is responsible for keeping the Board continually updated on operations and ensures that the Board is provided with the necessary basis for decisions in order to take well-founded decisions. Fredrik Wirdenius was the CEO of Vasakronan until 1 November 2019, when

he was succeeded by Johanna Skogestig, previously Head of Real Estate Investments at the company.

The CEO has formed a Management Team that, in addition to the CEO in 2019, consisted of twelve directly subordinate Senior Vice Presidents; refer to the presentation on Page 109. The Management Team meets regularly in order to handle Group-wide and strategic issues. 11 meetings were held in 2019. At four of them, the interim reports and operational monitoring were discussed, and two were longer strategy meetings. One strategy meeting is held in the spring, and focuses on the trends and operating environment factors that impact the company. The other strategy meeting is held in the autumn, and the strategic portion of the business plan is developed with focus areas and key issues for operations.

The principles of remuneration for the CEO and the Management Team are decided by the AGM. Salaries and other benefits for the Management Team, including the CEO, consist only of fixed salaries with no variable remuneration. Vasakronan applies the Government's "Guidelines for Terms of Employment for Senior Executives in state-owned Companies" as regards remuneration and other terms of employment for company management. The company can, however, deviate from the guidelines if there is reason to do so. Vasakronan deviates from the Government's guidelines in two aspects. The CEO's period of notice totals twelve months instead of the six indicated by the guidelines, and remuneration for the Management Team, exclusive of remuneration for the CEO, is not reported at the individual level in the Annual Report.

Vasakronan's operations are organised in four regions, with a separate unit for property development in Stockholm. Technology, Services and Development is organised separately, with central support functions and local staffing. As support for the organisation, there are central units for property investments and business support, which included finance, communications and IT, legal and HR. A Head of Sustainability has been appointed to govern and monitor the company's work on sustainability topics.

7 Governance and control

The Board of Directors is responsible for the company having satisfactory and relevant risk management and internal control. The

purpose is to ensure that operations are pursued efficiently and sustainably, that external reporting maintains a good level of quality, and that applicable laws and regulations are observed.

Planning, governance and monitoring of operations follows the organisational structure, with a clear delegation of responsibilities and authorisations. The business planning conducted every year creates clear, well-supported plans for how operations are to be pursued in all sections of the company.

Vasakronan's business planning process starts with the Management Team's strategy days in the spring and concludes with the Board of Directors deciding on the strategy plan at its December meeting. In between, business plans are developed for both underlying units and for the company as a whole. The plans formulate both short- and long-term financial, environmental and social goals. The business plan is thereafter monitored continually during the subsequent year.

A risk inventory and risk assessment are conducted every year in conjunction with business planning. The material risks identified are managed in the business plans for the units. The work on risk management is described in more detail on pages 98–101. A framework of guidelines, policies and instructions established by the Board of Directors and the CEO govern the organisation and its employees for the purpose of ensuring long-term value creation. The framework is to be followed by all employees, and monitoring is conducted continuously.

As support for the CEO, a special steering group has been established in order to develop the work on corporate governance, internal control and risk. In addition to the CEO, the group consists of the General Counsel, the CFO and the SVP for Group Control. The work in the group is conducted in close collaboration with the Audit Committee, which is responsible for monitoring the quality of internal control. Since existing structures for evaluation and monitoring have so far been deemed sufficient to provide a basis for evaluation by the Board, no separate unit for internal auditing has been established. The decision is, however, taken up annually for re-examination.

Internal control of financial reporting

This report was prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code, and is limited to describing how internal control regarding financial reporting is organised. Vasakronan's goals for internal control regarding financial reporting are to make it relevant and efficient, that is results in reliable reports, and that it ensures that relevant laws and regulations are observed. The report contains no statements on how well internal control functioned during the past financial year, and it has not been audited by the company's auditors.

Control environment

The basis for internal control in Vasakronan consists of a control environment with a clear organisation, clear decision-making paths and a clear allocation of responsibilities. Vasakronan's Board of Directors has overall responsibility for internal control of financial reporting. The Board annually ratifies a number of steering documents such as the Rules of Procedure for the Board of Directors, instructions for the CEO, and financial policy in order to establish and clarify the allocation of responsibilities and authorisations in the organisation. The Board has also appointed an Audit Committee with particular responsibility for preparing quality assurance by the Board of the financial reporting as well as monitoring the work of company management on internal control. The control environment also encompasses the culture and values that both the Board and company management communicate and work from as conveyed by such documents as Vasakronan's Code of Conduct, which is ratified yearly by the Board of Directors. A whistle-blower function has been established to which the company's employees or other stakeholders can turn with suspicions of improper conduct or crime. A Compliance Officer (Vasakronan's General Counsel) is tasked with managing issues of improper conduct and deficient compliance with regulations in the company. Reporting to the Board of Directors takes place annually.

Based on the steering documents that concern accounting and financial reporting, the CEO is responsible for formulating internal processes and for establishing policies and instructions.

The CFO is responsible for guidelines for financial reporting and ensuring that they are prepared in accordance with applicable accounting standards, and the legal and listing requirements in force.

Risk assessment

As part of business and operations planning, Vasakronan annually conducts an overall risk evaluation. Risks in all the company's key processes are then evaluated based on likelihood and impact. For more detailed information on the company's risk evaluation process, refer to page 98. In addition, risks are continually assessed based on the company's income statement and balance sheet, where every item is evaluated based on its existence, appraisal and completeness.

Risks linked to tax, legal issues or other non-current transactions are evaluated regularly for preventive purposes. These risks are described separately on pages 99–101 in the Annual Report. Risks are built on management's best assessment of impact and likelihood. The risks in the financial reporting are routinely discussed with the company's auditors.

Control activities

Control activities are formulated based on the findings of risk assessments. At Vasakronan, there are controls built into all key processes through standardised system solutions, documented and well-established routines and a clear allocation of responsibilities in a centralised financial function. Control activities comprise a mix of preventive and monitoring functions, which can be both manual and automatic.

The financial reporting process is constantly reviewed. The finance function has a clear responsibility for adapting the process as needed to ensure quality in the reporting

and that laws and external requirements are observed.

Information and communication

Employees' understanding of Vasakronan's risk situations is an important part of the work of internal control. Awareness of the risks in the financial reporting is created through discussion and dialogue with employees being a natural element both in annual business and operations planning and in routine work.

This communication is facilitated by a centralised finance function, with which employees are in close contact on a daily basis. Guidelines and instruction of essential importance for financial reporting are routinely updated and communicated to the employees concerned. All the routine descriptions and tools needed are available on Vasakronan's intranet together with Group-wide policies and instructions.

Monitoring of internal control

The Board of Directors of Vasakronan has overall responsibility for monitoring internal control. The Audit Committee has particular responsibility for preparing quality assurance by the Board of the financial reporting. Monitoring of the financial reporting takes place continually through the controls and analyses performed by the Board of Directors, the Audit Committee, management and the finance function. These controls and analyses also capture the need for measures or proposals for improvements. Monitoring also takes place through the audit performed by the company's external auditors. The observations from this audit are reported to the Board of Directors, the Audit Committee and company management as well as to the employees concerned.

The company's external auditors regularly report back on the results of their audit to the CFO and to the Audit Committee.