

Vasakronan

Corporate Governance 2021



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.

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.

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 such as a financial policy, decision-making and delegation processes, an anti-corruption policy, an environmental policy and a Code of Conduct
- Green Finance Framework

Governance structure



1 Shareholders through 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 28 April 2021. It was held digitally due to the ongoing pandemic, in accordance with the temporary exemption granted by the Companies Act. 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

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. 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. The goal of the Committee is to propose a composition of Board members that complement each other in order to thereby create the best value for Vasakronan.

The Nomination Committee consists of representative from the owners. The Nomination Committee held four minuted meetings in 2021. No fees were paid to the Nomination Committee.

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 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.

At the Annual General Meeting on 28 April 2021 all Board members were re-elected.

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 and appropriate systems for governance, internal control and risk management. The work of the Board 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 2021

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 statements.

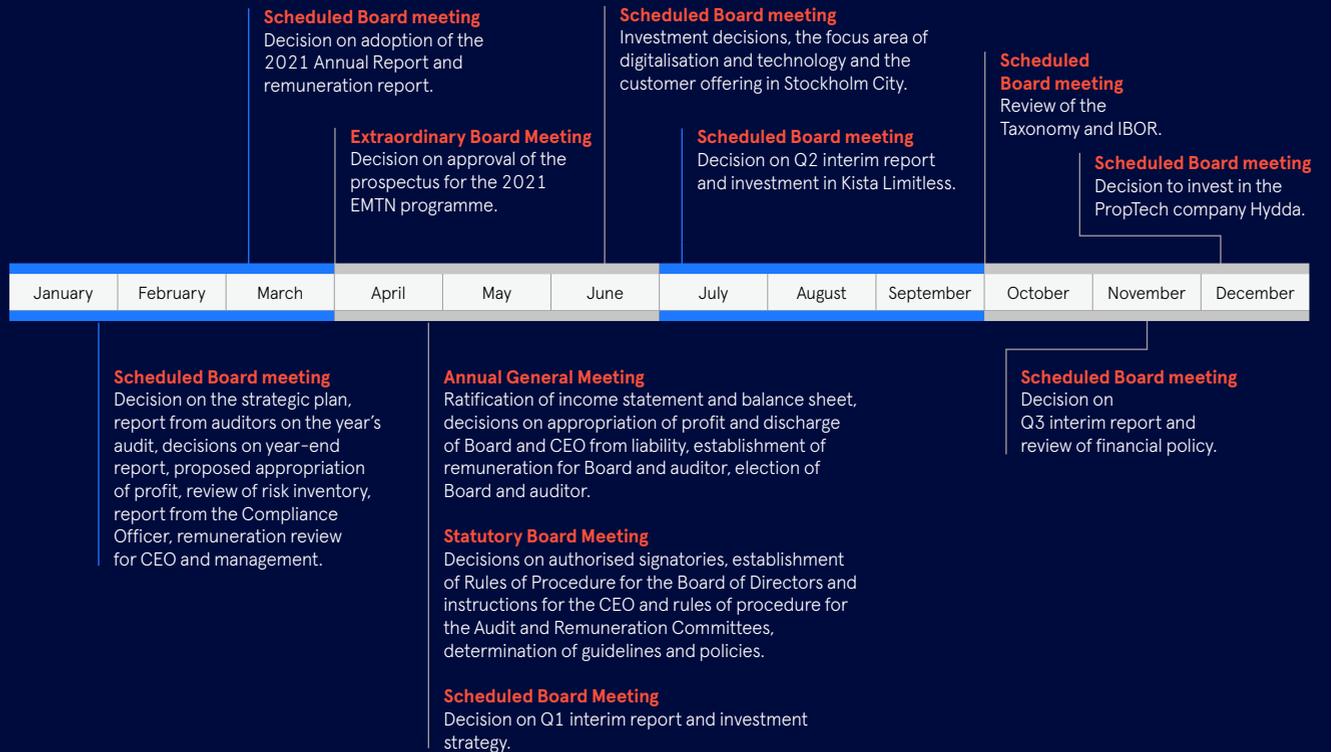
The CEO, CFO, the SVP for Human Resources, the Chief Sustainability Officer and the General Counsel (in the capacity of the secretary of the Board) attended the scheduled meetings. Other persons from the organisation such as regional Senior Vice Presidents and SVPs for Finance and Property Development 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 to the Board on cases that have come in to the company's whistle-blower function.

Issues of strategy and risk management are always high on the Board's agenda. During the past year, focus has been on the economy, Vasakronan's customer offering, investment strategy and technological development. Vasakronan's major ongoing new construction and redevelopment projects were monitored carefully in terms of lettings as well as progress.

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.



In total, the Board held ten scheduled meetings in 2021, one of which was statutory. One extra Board meeting was held during the year.

In addition to the Board meetings, the Board also conducted one strategy conference that was held together with part of 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. An evaluation was conducted in 2021 through online questionnaires for each Board member, managed by the Chairman. The results were then followed up by the Board. 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

Composition of the Board

	Elected	Indep. of company	Indep. of major owners	Board and Committee fees, KSEK	ATTENDANCE		
					Board meetings	Audit Committee	Remuneration Committee
Ann-Sofi Danielsson	2017	Yes	Yes	440	11/11	6/6	
Niklas Ekvall	2016	No	No	No remuneration	11/11		4/4
Ulrika Francke	2018	Yes	Yes	820	11/11	6/6	4/4
Eva Halvarsson	2006	No	No	No remuneration	11/11	6/6	
Kerstin Hessius	2004	No	No	No remuneration	11/11		
Christel Kinning	2014	Yes	Yes	290	10/11		
Kristin Magnusson Bernard	2021	No	No	No remuneration	11/11		
Magnus Meyer	2019	Yes	Yes	290	11/11		
Kia Orback Pettersson	2019	Yes	Yes	290	11/11		

forward new candidates for the Board of Directors and as a basis for developing the Board's work.

Remuneration to the Board

The AGM passes resolutions on remuneration to the Board. Board fees are not paid to members who represent any of the owners. For the period until and including the 2022 General Meeting, the AGM resolved that the Chairman will receive SEK 725,000 and the other independent members SEK 290,000 in fees. For the Audit Committee, it was resolved that a fee to its Chairman of SEK 150,000 and to independent members of SEK 55,000 would be paid, and a fee of SEK 40,000 to the Chairman of the Remuneration Committee.

4 Audit and Remuneration 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 takes place through the Committee studying the auditor's written reporting and the auditor being present at certain Committee meetings.

For 2021, the Audit Committee consisted of Ann-Sofi Danielsson, who was also the Chairman, Eva Halvarsson and Ulrika Francke. All members have the competence in accounting required under the Companies Act.

The Committee held six meetings during the year. The company's auditors attended four of these meetings, two of which pertained to the 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. 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.

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 2021, the Remuneration Committee consisted of Ulrika Francke as Chairman and Niklas Ekvall. During the year, the Committee held four meetings at which issues of remunera-

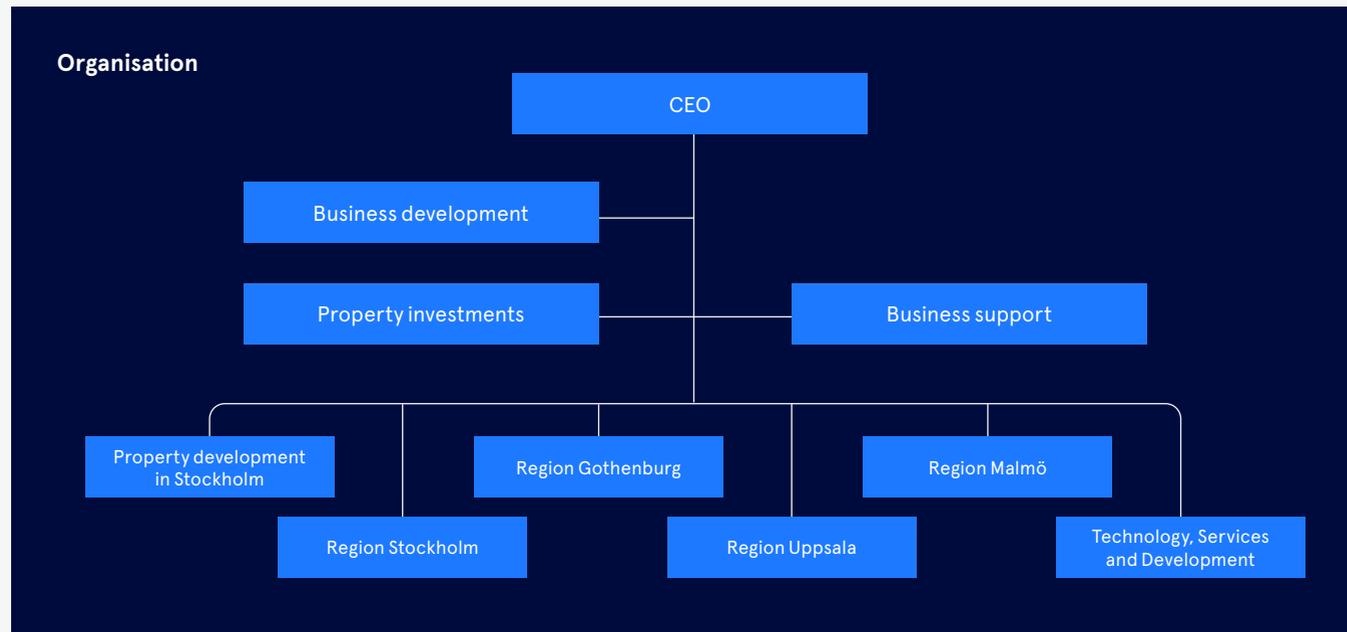
tion for senior executives, pensions and principles for profit-sharing for other employees were primarily discussed. The January meeting addressed the work of the Committee and which issues were priorities. The CEO and the SVP for Human Resources, who is the secretary of the Committee, participated in all the meetings and the company's auditors submitted their report from the review of remuneration for senior executives.

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 2021 AGM, Ernst & Young AB was elected as auditor for the coming year, with Katrine Söderberg as Auditor in



Charge. More information about the auditors can be found on Page 78. Information about the auditors' fees can be found in Note 2.3 on page 103 in the 2021 Annual Report.

6 CEO and Management Team

The CEO is appointed by the Board of Directors and is responsible for operating activities 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.

The CEO has formed a Management Team that, in addition to the CEO in 2021, consisted of eleven directly subordinate Senior Vice Presidents; refer to the presentation on pages 79–80 in the 2021 Annual Report. The Management Team meets regularly in order to handle Group-wide and strategic issues. Seven scheduled meetings were held in 2021. 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 with regard to remuneration for the Management Team, exclusive of remuneration for the CEO, which 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 Chief Sustainability Officer 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 separate action plans. The work on risk management is described in more detail in the 2021 Annual Report on pages 62–68. 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 Chief Legal Officer (CLO), the CFO and the Group Controllers. 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 62 in the 2021 Annual Report. 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. 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 measures 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.

Vasakronan

VASAKRONAN AB

Box 30074, SE-104 25 Stockholm

Street address: Mäster Samuelsgatan 56

Tel. +46 8 566 20 500

WEBBPLATS www.vasakronan.se

ORGANISATIONSNUMMER 556061-4603