

Corporate Governance 2022



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 the following ways: 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. Neither the Nomination Committee members nor the Nomination Committee instruction nor the Nomination Committee's proposals for board members are presented on the website. The information is made available to the Board, which includes representatives of all shareholders, via a separate web platform.

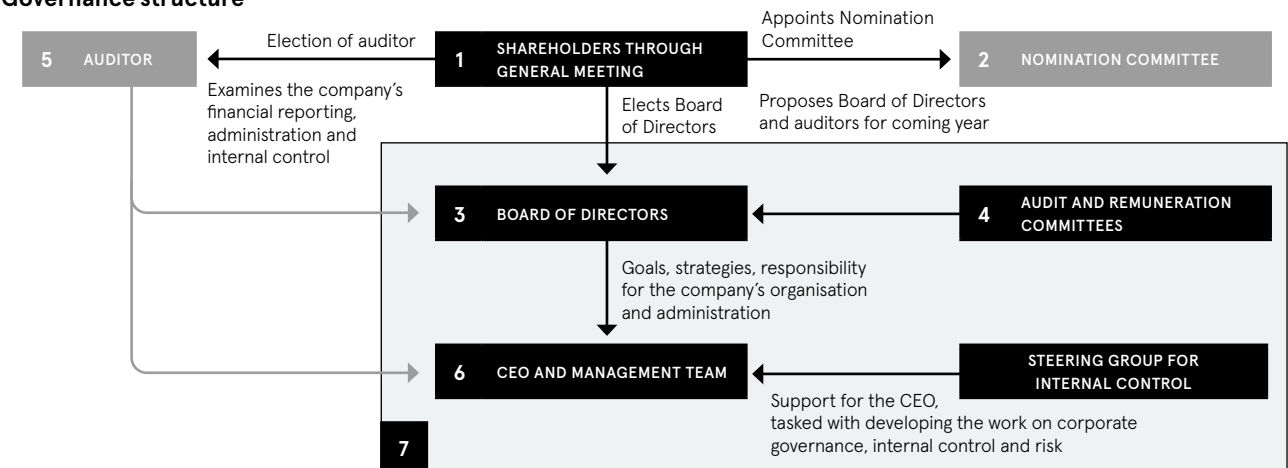
Selected important external regulations:

- The Swedish Companies Act
- Accounting policies, legislation and recommendations
- GRI Standards
- 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
- Planning and Building Act (PBA), and BBR requirements
- Boverket's Building Regulations (BBR)
- UN Guiding Principles on Business and Human Rights

Selected 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 for employees and suppliers
- Green Finance Framework
- Policy for financial counterparties

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 27 April 2022. All shares and votes 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 representatives from the owners. The Nomination Committee held four minuted meetings in 2022. 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, along with

at most five 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.

The AGM on 27 April 2022 elected two new members of the Board: Pablo Bernengo and Hannes Hasselrot. They replaced Kerstin Hessius and Christel Kinning, who declined re-election.

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 overarching goals for the company, 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.

Governance structure

Standing items on the Board's agenda comprise the report from the CEO, incl. 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.

<div><div><div><div><div></div><div>Scheduled Board meeting Decision on adoption of the Annual Report and remuneration report.</div></div><div><div>Extraordinary Board Meeting Decision on approval of the prospectus for the 2022 EMTN programme.</div></div></div><div><div><div>Scheduled Board Meeting Focus Gothenburg.</div><div>Scheduled Board Meeting Decision on Q2 interim report, investment decisions.</div></div><div><div>Scheduled Board meeting Final report on Magasin X and Platinan, investment decision.</div><div>Scheduled Board Meeting Decision on adjustment of the financial policy, focus on sustainability, investment decisions.</div></div></div></div></div>											
January	February	March	April	May	June	July	August	September	October	November	December
<div><div>Scheduled Board Meeting Decision on the strategic plan, incl. goals for 2022, evaluation of the work of the Board, report from auditors on the year's audit, decisions on year-end report, proposed appropriation of profit, report from the Compliance Officer, remuneration review for CEO and management, focus on sustainability (EU Taxonomy).</div></div>			<div><div>Annual General Meeting Ratification of income statement and balance sheet, decisions on appropriation of profit and discharge of Board and CEO from liability, establishment of remuneration for Board and auditor, election of Board and auditor.</div><div>Statutory Board Meeting Decisions on authorised signatories, establishment of Rules of Procedure for the Board of Directors and instructions for the CEO and rules of procedure for the Audit and Remuneration Committees, determination of guidelines and policies.</div><div>Scheduled Board Meeting Decision on Q1 interim report and review of financing and investment strategy.</div></div>							<div><div>Scheduled Board meeting Decision on Q3 interim report.</div></div>	

Composition of the Board

	Elected	Indep. of company	Indep. of major owners	Board and Committee fees, KSEK	ATTENDANCE		
					Board meetings	Audit Committee	Remuneration Committee
Pablo Bernengo ¹	2022	No	No	No remuneration	7/7		
Ann-Sofi Danielsson	2017	Yes	Yes	447	11/11	6/6	
Niklas Ekvall	2016	No	No	No remuneration	10/11		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	
Hannes Hasselrot ¹	2022	Yes	Yes	150	7/7		
Kerstin Hessius ²	2004	No	No	No remuneration	3/4		
Christel Kinning ²	2014	Yes	Yes	145	4/4		
Kristin Magnusson Bernard	2021	No	No	No remuneration	10/11		
Magnus Meyer	2019	Yes	Yes	295	11/11		
Kia Orback Pettersson	2019	Yes	Yes	295	11/11		

1) Elected May 2022. 2) Stepped down May 2022.

Work of the Board of Directors in 2022

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 and General Counsel (in the capacity of the secretary of the Board) attended the scheduled meetings. Other persons from the organisation such as the Chief Investment & Projects Officer, Chief Sustainability Officer, Group Treasurer and Chief Human Resources Officer have participated as needed, presenting reports on particular cases. Extraordinary Board meetings are held when needed.

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. Each meeting also addresses whether there is any potential conflict of interest in relation to any of the issues to be discussed at the meeting.

Issues of strategy and risk management are always high on the Board's agenda. Over the past year, the primary focus has been on questions pertaining to the capital markets, property investments and lettings. In addition, sustainability is always high on the Board's agenda.

In total, the Board held ten scheduled meetings in 2022, 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 2022 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 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 2023 General Meeting, the AGM resolved that the Chairman will receive SEK 750,000 and the other independent members SEK 300,000 in fees. For the Audit Committee, it was resolved that a fee to its Chairman of SEK 155,000 and to independent members of SEK 58,000 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 and include:

- Preparing the work of the Board on quality assurance of the financial reporting, including the sustainability reporting, which in turn comprises 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 2022, 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, sustainability reporting 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.

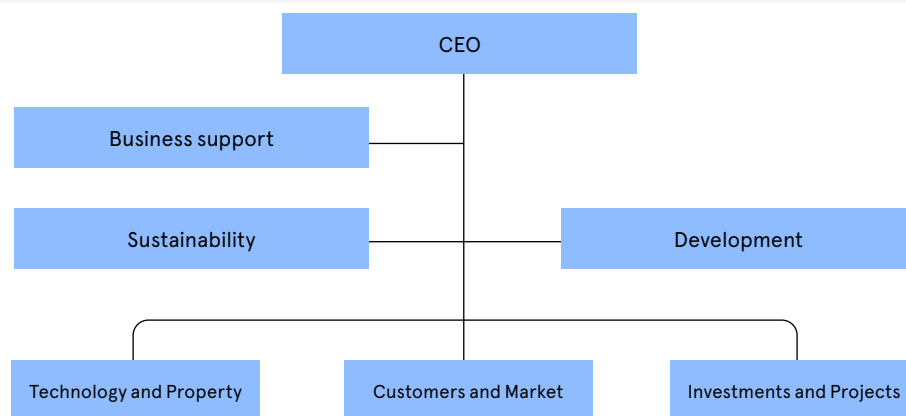
Remuneration Committee

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 2022, the Remuneration Committee consisted of Ulrika Francke as Chairman and Niklas Ekvall. During the year, the Committee held six meetings, of which three were per capsulam, at which issues of remuneration for senior executives, pensions and principles for profit-sharing for other employees were primarily discussed. The CEO and the Chief Human Resources Officer, 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.

Organisation



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 the Sustainability Report and the 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 2022 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 80. Information about the auditors' fees can be found in Note 2.3 on page 108.

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 at the end of 2022, consisted of eight directly subordinate managers; refer to the presentation on pages 81–82. The Management Team meets regularly in order to handle Group-wide and strategic issues. Six scheduled meetings were held in 2022. 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.

In autumn 2022, the CEO also formed a business management team comprising, in addition to the CEO, the CFO the Chief Marketing Officer, Chief Technology Officer, Chief Investment & Projects Officer and Chief Information & Development Officer. The business management team meets on a monthly basis to discuss business-centric issues.

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.

From 1 October 2022, Vasakronan is organised as three units: Customers and Market, Technology and Properties, and Investments and Projects. As support for the organisation, there are central units for business support, which include accounting and finance, communications and, legal and HR. One development unit is responsible for the company's central development initiatives. 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 on pages 83–90. 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.

SUSTAINABILITY GOVERNANCE

Vasakronan's sustainability governance aims to ensure an effective organisation that develops the company's work and responsibility. The UN's 17 Sustainable Development Goals (SDGs) comprise important starting points, as do the company's own long-term goals.

Work of the Board of Directors with sustainability topics

Each year, Vasakronan's Board of Directors adopts a sustainability policy and codes of conduct. It also holds ongoing discussions, and follows up sustainability work and target achievement. The Board, together with management, bears ultimate responsibility for adopting Vasakronan's sustainability goals. The company's risk analysis is reported to the Board each year, which means that sustainability risks, including risks pertaining to the climate and to human rights, as well as opportunities and actions are also reviewed. Together with the CEO, the Board approves Vasakronan's Sustainability Report each year in conjunction with its signing. The Board has no

separate committee for sustainability topics. Significant deviations from and actions linked to Vasakronan's sustainability policies and codes of conduct are reported to the Board as they arise. During the year, no significant deviations linked to sustainability policies and codes of conduct were reported to the Board. In addition to continuous work with sustainability, the Board received training on sustainability topics linked to Vasakronan's operations on two occasions in 2022, in conjunction with the strategy conference and at the last scheduled Board meeting of the year.

Management's work with sustainability topics

Vasakronan's CEO bears ultimate responsibility for ensuring operations are conducted sustainably, with clear delegation to the Chief Sustainability Officer to drive and develop sustainability initiatives for the entire company. The CEO and Management Team annually approve the materiality review when it is updated and monitor compliance with all sustainability policies as well the fulfilment of sustainability targets.

Governance of work with sustainability

All operations at Vasakronan are encompassed by the sustainability ambitions and the work is governed in the same manner as the rest of the business with the help of a management system consisting of shared policies, guidelines, long-term and short-term goals, and annual business plans. Vasakronan is guided by the precautionary principle, which is integrated into Vasakronan's environmental policy and environmental management system, established in accordance with ISO 14001. Work builds on committed and knowledgeable employees who receive ongoing training in sustainability

topics. All new employees receive training in sustainability as well as the company's policies and codes of conduct.

In 2022, Vasakronan has not been fined in any form, neither related to breaches of environmental legislation nor other legislation.

The starting point for sustainability work

Vasakronan is a responsible actor in the development of society and will contribute to sustainable development. Vasakronan views the precautionary principle and society's requirements in the form of laws and regulations as minimum requirements. Well-functioning work with sustainability requires that Vasakronan:

- Acts in accordance with the UN Global Compact; and
- Contributes to the UN SDGs and the Paris Agreement.
- Follow Vasakronan's Code of Conduct and supplier code of conduct. All Vasakronan's employees and business partners must understand and comply with the respective codes of conduct.
- Continuously raise skills in sustainability through training and communication on sustainability topics.
- Regularly monitor, report and improve the company's work with sustainability.

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 84. 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.

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