

Corporate governance report 2018

Rikshem AB (publ) (hereinafter referred to as Rikshem or the company) is a Swedish limited liability company. The Swedish Corporate Governance Code does not encompass Rikshem and Rikshem does not apply the code, or any other corporate governance code and thus follows the rules of corporate governance provided by law or other statutes. The company has bonds issued under its MTN program, which are listed on Nasdaq OMX Stockholm (Stockholm Stock Exchange), as well as bonds issued under its Euro Medium Term Note (EMTN) program, which are listed on Euronext Dublin (Irish Stock Exchange). Accordingly, the company follows the rules for issuers for each marketplace.

Rikshem's corporate governance report was prepared in accordance with the Annual Accounts Act for the 2018 financial year. The report is included as part of Rikshem's annual report for 2018.

Shareholders

As of 31 December 2018, Rikshem's share capital amounted to SEK 99,727,900, distributed over 997,279 shares with one vote each. All of Rikshem's shares are owned by Rikshem Intressenter AB, corporate registration number 556806-2466.

Rikshem Intressenter AB is owned by the Fourth Swedish National Pension Fund (AP4) and AMF Pensionsförsäkring AB (AMF), each of which owns 50 percent.

Articles of Association

In addition to legislation, the Articles of Association also constitute a key document in respect of the governance of the company. Rikshem's Articles of Association state the name of the company to be Rikshem AB (publ) and that the company is publicly traded and has its head office in Stockholm. The aim of the company's business operations is to directly or indirectly, through wholly or jointly owned companies or via purchased services, own, develop and manage real estate and pursue related activities, including the provision of property-related services. The Board is to comprise at least three and no more than ten members with zero to ten alternates.

General meetings of shareholders

Shareholders have the right to make decisions about Rikshem's affairs at general meetings of shareholders. At general meetings, each voting-qualified person is entitled to vote, without restriction, for the full number of shares represented. The annual general meeting (AGM) is to be held in Stockholm no later than June 30 each year.

Rikshem held its AGM on March 28, 2018 in Stockholm. All shares were jointly represented at the AGM by Arne Lööv, the Fourth Swedish National Pension Fund (AP4), and Fredrik Ronvall, AMF Pensionsförsäkring AB (AMF). All members of the Board of Directors, with the exception of Per Uhlén, and the company's auditor attended the meeting.

The AGM adopted the company's ownership directive. The ownership directive addresses such matters as the return target, risk management and capital structure, the rate of investment and dividend policy, ethics and sustainability, general corporate governance principles, the Board of Directors, auditors, coordination between the Board and the owners, and financial reporting.

The AGM also resolved to re-elect Lena Boberg, Liselotte Hjorth, Bo Magnusson, Per-Gunnar Persson and Per Uhlén. Pernilla Arnrud Melin was elected as a new ordinary Board member. Bo Magnusson was elected Chairman of the Board. Ebba Hammarström stepped down from the Board of Directors in connection with the AGM. The resolution on the appointment of Board members was preceded by work by a representative of AMF Pensionsförsäkring AB (AMF) and a representative from the Fourth Swedish National Pension Fund (AP4) who, as part of their work, considered the Board's long-term composition, diversity and structure.

The AGM also resolved that annual fees in an amount of SEK 520,000 would be paid to the Chairman of the Board and SEK 185,000 to other members, that the annual fee for work in established commit-

tees may not exceed SEK 290,000 to be distributed according to decisions by the Board, and that the total fee to the Board including committee fees may not exceed SEK 1,550,000 per year. The Board then decided that an annual fee of SEK 60,000 would be paid to the chairman of the audit committee and SEK 30,000 to each member of the audit committee, that an annual fee of SEK 60,000 would be paid to the chairman of the investment committee and SEK 30,000 to each member of the investment committee, and that an annual fee of SEK 20,000 would be paid to the chairman of the remuneration committee and SEK 10,000 to each member of the remuneration committee.

The AGM resolved that fees for Board and committee work would not be paid to the members of the Board who are employees of the Fourth Swedish National Pension Fund (AP4) or AMF Pensionsförsäkring AB (AMF).

The AGM also resolved that the company is to have nomination committee for the 2019 AGM comprising one member appointed by AMF Pensionsförsäkring AB (AMF) and one member appointed by the Fourth Swedish National Pension Fund (AP4). The nomination committee is to prepare proposals concerning Board members, the Chairman of the Board and Board fees, including the distribution between the Chairman and the other members of the Board, as well as fees for committee work.

Board of Directors

The Board of Directors of Rikshem comprises six members elected by the AGM for the period until the end of the 2019 AGM. The Board members possess knowledge of properties as well as financial expertise. The company's CEO is not a member of the Board.

The work of the Board of Directors is governed by, inter alia, the Swedish Companies Act, the Articles of Association and the Board's rules of procedure approved annually by the Board for its work.

Under the Swedish Companies Act, the Board of Directors is ultimately responsible

for Rikshem's organization and management. The Board of Directors' rules of procedure, which are approved annually at the statutory Board meeting, describe the forms of the work to be carried out by the Board in respect of Board meetings, minutes, the duties of the Chairman and the CEO, etc. The rules of procedure also include regulations regarding how the conditions of employment for people in executive positions are to be determined. Rikshem's General Counsel serves as Board secretary.

The Board has adopted an annual plan for its work, with meetings scheduled at set times that take into consideration the fact that the Board must publish financial reports at certain times.

The Board held ten meetings in 2018. The Board's work during the year included customary processing of proposals concerning interim reports, the year-end report and annual report, adopting the budget and business plan, making decisions on financing matters, the purchase and sale of properties and investments in the existing portfolio, and amending or adopting central governing documents.

The ownership directive states that Rikshem is to endeavor to achieve diversity, with gender balance in all occupational groups constituting a key parameter. The company has adopted an equality and diversity policy. This policy encompasses everyone who works at the company, including employees, consultants and temporary employees, and thus also includes Board members acting on behalf of Rikshem. Work related to equality and diversity issues should result in individual development and a work environment characterized by mutual respect among employees, including Board members in the manner mentioned above. Diversity has been taken into consideration in the nomination of Board members. The Board comprises three women and three men.

In accordance with the ownership directive and the Board's rules of procedure state, the Board is to carry out an annual evaluation of its own work. The Board eval-

uated its work during the year under the supervision of the Chairman, who conducted individual discussions with the various Board members.

Board committees

The ownership directive states that a committee is to be established to address issues related to risk management, internal control and financial reporting. Beyond this, the Board itself assesses the need for any additional committees. The Board has established an audit committee, a remuneration committee and an investment committee from within its ranks. The Board has adopted rules of procedure for each committee.

The audit committee initially comprised committee chairman Liselotte Hjorth, Bo Magnusson and Ebba Hammarström. In conjunction with the 2018 AGM, Ebba Hammarström was replaced on the committee by Pernilla Arrrud Melin. The committee held seven meetings in 2018.

The investment committee comprises committee chairman Per-Gunnar Persson, Lena Boberg and Liselotte Hjorth. The committee held eight meetings in 2018.

The remuneration committee comprises committee chairman Bo Magnusson, Per-Gunnar Persson and Per Uhlén. The committee held three meetings in 2018.

CEO and management group

The CEO is responsible for the day-to-day administration, taking into account the directions and instructions established by the Board of Directors and presented in, for example, the CEO's instructions and the decision-making and authorization procedures, both of which are adopted by the Board.

The CEO has established a management group, which reports directly to the CEO. The management group holds regular meetings to address Group-wide and strategic issues. Rikshem's management comprised: Sophia Mattsson-Linnala (CEO), Anders Lilja (CFO), Carl Conradi (General Counsel), Jennie Wolmestad (Head of Communication), Petter Jurdell

(Head of Business and Sustainability Development), Catharina Kandel (Head of HR) and the regional managers Fredrik Edlund, Anna-Karin Eriksson and Christofer Bernebring.

Auditor

At the AGM on March 28, 2018, Ernst & Young AB was elected as auditor for the period until the end of the next AGM. In conjunction with the 2018 AGM, Authorized Public Accountant Mikael Ikonen replaced Magnus Fredmer as auditor in charge. The auditor reviews the company's annual report, consolidated financial statements and accounting records as well as of the administration of the Board of Directors and the CEO, and submits an auditor's report. The audit is conducted in accordance with the Swedish Companies Act, international auditing standards and generally accepted auditing standards in Sweden. The auditor expresses an opinion based on the Swedish Corporate Governance Code and, as of the 2017 annual report, the auditor also expresses an opinion on the company's sustainability report. The auditor in charge attended two Board meetings and four audit committee meetings in 2018.

Internal control of financial reporting

Under the Swedish Companies Act, the Board is responsible for internal control. Internal control is based on documented policies, guidelines, instructions, the allocation of responsibilities and duties such as the Board's rules of procedure, committee rules of procedure, the CEO's instructions, decision-making and authorization procedures, the finance policy and other documents, all of which seek to ensure a clear allocation of responsibilities for the effective management of the operation's risks and high-quality financial reporting. Compliance with the company's governing documents is followed up and evaluated continuously. During the year, an overall follow-up of the companies ethical guidelines in the Code of Conduct and other

governing documents was carried out. A review of the governing documents is carried out annually. Rikshem has identified essential business processes designed, among other purposes, to identify and reduce risks or to mitigate the consequences of the company's risks. Risks and opportunities are also identified and managed in the business planning and budget processes for each department and the company as a whole. Furthermore, an assessment is made of the financial risks on the basis of the statement of income and balance sheet, where items are evaluated based on risk and materiality. In financial reporting, control activities are based on risk assessments and are integrated into the company's processes, which are evaluated on an ongoing basis. The process in which estimates and assumptions have a major impact on the carrying amounts of

assets and liabilities is the process for the valuation of investment properties. Accordingly, special attention is paid to ensuring that financial reporting in this regard does not contain material errors. To quality-assure the internal valuations and internal valuation process, all properties are valued at year-end by external authorized property appraisers with recognized, relevant qualifications. A minimum of two independent valuation institutions are engaged to establish the fair value of the properties. However, individual properties are only valued by one valuation institution. At mid-year, the assumptions regarding cost of capital and yield requirement for investment properties are checked with external appraisers. This process takes place in accordance with the company's policy for the valuation of investment properties.

Each year, the company's auditor reports his or her observations from the review and assessment of the internal control linked to the Group's financial statements to the Board and the management group. The six-month interim report is reviewed by the auditor.

A communication policy has been established for internal and external disclosures of information that regulates the type of information the company must provide to the market and how that information is to be disclosed.

Rikshem does not have a dedicated internal audit function. The company's internal control is continuously improved with respect to implementation and is considered suitable for the company's purposes.