

Corporate governance report 2020

Rikshem AB (publ) ("Rikshem" or "the Company") is a Swedish limited company.

Rikshem's Corporate Governance Report was prepared in accordance with the Swedish Annual Accounts Act for the 2020 fiscal year. The report is included as part of Rikshem's Annual Report and Sustainability Report for 2020.

The corporate governance code, etc.

According to Rikshem's ownership directives, the Swedish Corporate Governance Code (the "Code") shall serve as a guide for corporate governance. The Company therefore mainly applies the Code but deviates from certain provisions as a result of the Company's ownership structure and the fact that the Company's shares are not listed.

Rikshem is not formally covered by the Code (or any other corporate governance code) as a result of the Company not having shares admitted to trading on a regulated market in Sweden, but following the rules on corporate governance set out in the 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). The Company therefore complies with the respective trading venue's regulations for issuers.

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.

Shareholders

As of December 31, 2020, 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 jointly owned by the Fourth Swedish National Pension Fund (AP4) and AMF Pensionsförsäkring AB, 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, among other things, the name of the Company to be Rikshem AB (publ) and that the Company is publicly listed and is headquartered 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 of Directors is to comprise no less than three and no more than ten members with zero to ten deputy members.

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 Annual General Meeting on May 4, 2020, in Stockholm. At the AGM, all Rikshem Intressenter AB's shares were represented by Katarina Romberg, AMF Pensionsförsäkring AB, and Jenny Askfelt Ruud, Fourth Swedish National Pension Fund (AP4), jointly. The Board of Directors (with the exception of Lena Boberg), Acting CEO, incoming CEO and the Company's auditor-in-charge attended the meeting.

At the Annual General Meeting, it was confirmed that the revised ownership directive was adopted at the extraordinary general meeting on February 14, 2020, and that this would continue to be valid. The ownership directive addresses issues such 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.

At the Annual General Meeting, it was also resolved on a proposal from the Nomination Committee to re-elect Pernilla Arnrud Melin, Liselotte Hjorth, Bo Magnusson, Andreas Jensen and Per-Gunnar Persson to the Board. Ulrica Messing and Per Uhlén were elected as new ordinary members, which meant that the number of members was increased by one member and therefore amounted to seven. Lena Boberg had declined re-election and left the Board at the AGM. Bo Magnusson was elected Chairman of the Board. The resolution on the appointment of Board members was preceded by work by a Nomination Committee comprising Katarina Romberg appointed by AMF Pensionsförsäkring AB and by Olof Nyström appointed by 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 amounting to SEK 575,000 would be paid to the Chairman of the Board of Directors and SEK 200,000 to other members, that the annual fee for work in established committees may not exceed SEK 300,000 per year to be distributed according to decisions by the Board of Directors, and that the total fee to the Board of Directors including committee fees may not exceed SEK 1,675,000 per year. The Board of Directors then decided that an annual fee of SEK 70,000 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 70,000 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 members of the Board who are employees of the Fourth Swedish National Pension Fund (AP4) or AMF Pensionsförsäkring AB.

The meeting decided that the Company should have a Nomination Com-

mittee. An instruction for the Nomination Committee was also adopted by the AGM. According to the instruction, the Nomination Committee shall consist of one member who shall be appointed by AMF Pensionsförsäkring AB and one member who shall be appointed by the Fourth Swedish National Pension Fund (AP4) and by the Chairman of the Board, who does not have the right to vote in matters concerning proposals to the Chairman of the Board and the Chairman's fee. 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. The Nomination Committee shall also, following a recommendation from the Audit Committee, propose auditors and auditors' fees.

At an extraordinary general meeting on February 14, 2020, it was decided to adopt revised ownership directives. These express, for example, the owners' long-term goals to be able to decide on annual dividends amounting to a maximum of 50% of the previous fiscal year's cash flow from operating activities from the Company, provided that the Company's key performance indicators are met.

Board of Directors

The number of members at the beginning of the year was six members elected by the AGM, but increased by one member to seven members. Board members provide expertise in both

property and finance. The Company's CEO is not a member of the Board of Directors.

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 chief legal officer serves as Board secretary.

The Board of Directors 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 work of the Board of Directors 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 and investments in properties, and amending central governing documents.

The instructions for the Nomination Committee, which were adopted at the

Annual General Meeting, state that Rikshem's Diversity and Equality Policy must be taken into account when nominating Board members. Since the 2020 AGM, the Board of Directors has consisted of three women and four men.

The ownership directive and the Board's rules of procedure state that the Board is to carry out an annual evaluation of its own work. According to the rules of procedure, the Chairman is responsible for carrying out the evaluation. The evaluation has been carried out by the Chairman conducting individual discussions with the Board members. The evaluation has been reported to the Nomination Committee and reviewed by the Board of Directors.

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. The Board has therefore established an Audit Committee. In addition, the Board itself assesses the need for additional committees and has established a Remuneration Committee and an Investment Committee. The Board of Directors has adopted rules of procedure for each committee. The CEO is a regular reporter in the committees.

The Audit Committee shall, for example, monitor the Company's financial reporting, prepare the Annual Report and interim reports, review and monitor the impartiality and independence of the auditor, prepare governing documents that fall within the remit of the committee, and prepare strategic issues

	Elected	Total annual fees, TSEK ¹	Attendance at meetings			
			Board meetings ³	Remuneration Committee	Audit Committee	Investment Committee
Bo Magnusson, Chairman of the Board	2016	625	14 (14)	4 (4)	6 (6)	–
Pernilla Arnrud Melin	2018	No remuneration	14 (14)	–	3 (3)	6 (6)
Lena Boberg ⁴	2016	68	5 (6)	–	–	–
Liselotte Hjorth	2016	270	14 (14)	–	6 (6)	–
Andreas Jensen	2019	No remuneration	11 (14)	4 (4)	–	6 (6)
Ulrica Messing ⁵	2020	151	8 (8)	–	3 (3)	–
Per-Gunnar Persson	2016	280	14 (14)	4 (4)	–	6 (6)
Per Uhlén ⁶	2020	132	8 (8)	–	–	–

1) The AGM decides on the total annual fees paid to members of the Board for the work they carry out. Fees for the work in committees are determined by the Board of Directors within the framework decided by the AGM. The fees are recognized as an expense and paid in 12 equal monthly instalments

2) The figure in brackets refers to possible Board meetings for the period, i.e., where appropriate from the time the Board member was elected or to the time the Board member left the Board.

3) Including protocol-based decisions by correspondence.

4) Resigned from the Board of directors in connection with the 2020 AGM.

5) Elected in May 2020. Joined the Audit Committee simultaneously.

6) Elected to the Board in May 2020 and also stepped down as Acting CEO. Reported remuneration only refers to fees for Board work.

relating to the Company's financial structure. The Audit Committee comprised committee Chairman Liselotte Hjorth, Bo Magnusson and Pernilla Arnrud Melin. In conjunction with the 2020 AGM, Pernilla Arnrud Melin was replaced by Ulrica Messing as a member of the committee.

In accordance with its rules of procedure, the Investment Committee shall, for example, decide on acquisitions, sales and investments that fall within the committee's mandate. It shall also be a preparatory body for decisions by the Board of Directors on matters concerning acquisitions, sales and investments that go beyond the mandate and shall prepare governing documents that fall within the committee's remit. In 2020, the Investment Committee consisted of Per-Gunnar Persson, Chairman, Pernilla Arnrud Melin and Andreas Jensen.

The Remuneration Committee shall, among other things prepare proposals for and evaluate principles for remuneration and other terms of employment for the CEO and other senior executives (remuneration policy), prepare questions regarding variable salary schemes, monitor remuneration structures and remuneration levels in the Company, and prepare governing documents that fall within the Committee's remit. During the year, the Remuneration Committee consisted of Bo Magnusson, Chairman, Andreas Jensen and Per-Gunnar Persson.

CEO and management group, etc.

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 of Directors.

During the year Acting CEO Per Uhlén was replaced by Anette Frumerie, who took up the position of CEO on May 5, 2020.

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 team initially consisted of Per Uhlén, Acting CEO, Anders Lilja, CFO, Carl Conradi, General Counsel, Jennie Wolmestad, Head of Communications, Petter Jurdell, Head of Business and Sustainability Development, and Catharina Kandel, Head

of HR and Regional Managers Fredrik Edlund and Anna-Karin Eriksson. Per Uhlén left his post as Acting CEO during the year. In connection with Anette Frumerie taking up the post of CEO, she has replaced Per Uhlén in the management group. Due to the fact that the Company has carried out a reorganization during the year, which means, for example, that the management organization is no longer divided into regions, Anna-Karin Eriksson has left the management group.

Auditor

At the AGM on March 4, 2020, Ernst & Young AB was elected as auditor for the period until the end of the next AGM. Authorized public accountant Mikael Ikonen is the chief auditor. The auditor reviews, among other things, 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 on the Corporate Governance Report and the Company's Sustainability Report. The auditor in charge attended three Board meetings and four Audit Committee meetings in 2020.

Internal control of financial reporting

Under the Swedish Companies Act, the Board of Directors 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 financial 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. A review of the governing documents is carried out annually. Compliance with the Company's governing documents is monitored and evaluated continuously. The Company conducts an annual review of policies and other governing documents.

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 opportuni-

ties 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 income statement 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 relevant and recognized 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 midyear, the assumptions regarding cost of capital and yield requirement for investment properties are checked with external appraisers. The property valuation is carried out in accordance with the Company's policy for 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 of Directors and the management group. The six-month interim report is reviewed by the Company's auditor.

Internal control is continuously being improved with respect to implementation and is considered suitable for the Company's purposes. Rikshem shall annually consider whether a special function for internal auditing is to be established and has decided during the year not to establish such a function.