

Corporate governance report 2019

Rikshem AB (publ) ("Rikshem" or "the Company") is a Swedish limited company. 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 these trading venues' regulations for issuers.

Rikshem's corporate governance report was prepared in accordance with the Annual Accounts Act for the 2019 fiscal year. The report is included as part of Rikshem's annual report and sustainability report for 2019.

The Swedish Corporate Governance Code. etc.

The Corporate Governance Code, etc. According to Rikshem's ownership directive, the Swedish Code of Corporate Governance (the "Code") serves 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 follows the rules of corporate governance laid down by Swedish law or other regulations.

Shareholders

As of December 31, 2019, 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 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 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 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 AGM on March 28, 2019 in Stockholm. All shares were jointly represented at the AGM by Katarina Romberg, AMF Pensionsförsäkring AB, and Olof Nyström, the Fourth Swedish National Pension Fund. All members of the Board, the CEO and the Company's chief auditor attended the meeting.

The AGM adopted the company's un-amended ownership directive. 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.

The AGM also resolved to re-elect Pernilla Arnrud Melin, Lena Boberg, Liselotte Hjorth, Bo Magnusson, Per-Gunnar Persson and Per Uhlén to the Board of Directors. Andreas Jensen was elected as a new ordinary Board member which means that the number of Board members increased by one and therefore amounted to seven. 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 Anders Oscarsson appointed by AMF Pensionsförsäkring AB and by Olof

Nyström appointed by the Fourth Swedish National Pension Fund 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 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 or AMF Pensionsförsäkring AB.

The AGM also resolved that the Company is to have a Nomination Committee comprising one member appointed by AMF Pensionsförsäkring AB and one member appointed by the Fourth Swedish National Pension Fund. 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.

During the year, the Company held extraordinary general meetings on two occasions. The Extraordinary General Meeting held on August 15, 2019 resolved to adopt revised ownership directives following an annual review. At the Extraordinary General Meeting held in connection with the appointment of the former Board member Per Uhlén as Acting CEO on October 31, 2019, it was de-

cided to relieve Per Uhlén from his duties on the Board of Directors and that the number of Board members would therefore decrease from seven to six.

Board of directors

Board members provide expertise in both property and finance. The company's CEO is not a member of the Board of Directors. As of the Annual General Meeting, there were seven members elected by the Annual General Meeting, but this number was reduced by one member during the year as a result of Per Uhlén taking over as Acting CEO and therefore stepping down from 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 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 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 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 covers everyone who works at the Company, including employees, consultants and temporary employees, and also includes Board members acting on behalf of Rikshem. Work related to equality and diversity issues should result in individuals developing and a work environment marked 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. At the end of 2019, the Board of Directors com-

prised three women and three 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. Beyond this, the Board of Directors 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 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 relating

Board committees

	Elected	Total annual fees ¹	Attendance at meetings			
			Board meetings ²	Remuneration Committee	Audit Committee	Investment Committee
Bo Magnusson, Chairman of the Board	2016	611	13 (14)	4 (4)	7 (7)	–
Pernilla Arnrud Melin ³	2018	No remuneration	14 (14)	–	7 (7)	6 (6)
Lena Boberg ⁴	2016	204	14 (14)	–	–	3 (3)
Liselotte Hjorth ⁵	2016	271	12 (14)	–	7 (7)	3 (3)
Andreas Jensen ⁶	2019	No remuneration	11 (11)	2 (2)	–	6 (6)
Per-Gunnar Persson	2016	274	14 (14)	4 (4)	–	9 (9)
Per Uhlén ⁷	2017	165	11 (11)	2 (2)	–	–

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) Including minuted decisions by correspondence.

3) Joined the Investment Committee in March 2019

4) Stepped down from the Investment Committee in March 2019

5) Stepped down from the Investment Committee in March 2019

6) Elected in March 2019. Joined the Remuneration Committee and the Investment Committee at the same time

7) Left the Board of Directors in November 2019 and was appointed as Acting CEO at the same time. Stepped down from the Remuneration Committee in March 2019. The remuneration pertains only to fees for the Board of Directors and committees.

to the Company's financial structure. The Audit Committee comprised committee chairman Liselotte Hjorth, Bo Magnusson and Pernilla Arnrud Melin.

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. The Investment Committee initially comprised committee chairman Per-Gunnar Persson, Lena Boberg and Liselotte Hjorth. At the 2019 Annual General Meeting, committee members Lena Boberg and Liselotte Hjorth were replaced by Pernilla Arnrud Melin and Andreas Jensen.

The Remuneration Committee shall, among other things, prepare, propose and evaluate targets for the CEO, 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. The Remuneration Committee initially comprised chairman Bo Magnusson, Per-Gunnar Persson and Per Uhlén. At the 2019 Annual General Meeting, committee member Per Uhlén was replaced by Andreas Jensen.

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 Sophia Mattsson-Linnala was replaced by Per Uhlén, who took over as Acting CEO on November 1, 2019. On December 3, 2019, the Board of Directors decided to appoint Anette Frumerie as new CEO. She will take up her position no later than June 4, 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 group initially comprised Sophia Mattsson-Linnala (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, Anna-Karin Eriksson and Christofer Bernebring. During the year, Sophia Mattsson-Linnala stepped down as CEO. The head of the Southern Sweden region, Christofer Bernebring, has also left the Company. When Per Uhlén took over as Acting CEO, he replaced Sophia Mattsson-Linnala in the management group.

Auditor

At the AGM on March 28, 2019, Ernst & Young AB was elected as auditor for the period until the end of the next AGM. Authorized public accountant Mikael Ikonen is the charge 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 2019.

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. During the year, an overall follow-up of the Company's ethical guidelines in the Code of

Conduct and other governing documents was carried out. 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 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 mid-year, 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 controls 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.

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. Internal control is continuously being improved with respect to implementation and is considered suitable for the Company's purposes.