

# Corporate governance report 2017

## Rikshem AB (publ)

Rikshem AB (publ) (hereinafter referred to as Rikshem or the company) is a Swedish limited liability company. The Swedish Corporate Governance Code does not comprise 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 statute. The company has bonds issued under its MTN program (Medium Term Note), which are listed on Nasdaq OMX Stockholm, as well as bonds issued under its EMTN program (Euro Medium Term Note), which are listed on the Irish Stock Exchange. Accordingly, the company follows the rules for issuers for each marketplace respectively.

Rikshem's corporate governance report was prepared in accordance with the Annual Accounts Act for the 2017 financial year. The report is included as part of Rikshem's Annual Report for 2017.

## Shareholders

As of December 31, 2017, 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 be constituted by 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 30, 2017 in Stockholm. All shares were jointly represented at the AGM by Arne Lööw and Fredrik Ronvall. All members of the Board of Directors, with the exception of Ulrika Malmberg Livijn, 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, Ebba Hammarström and Per-Gunnar Persson. Per Uhlén was elected as a new ordinary Board member. Bo Magnusson was elected Chairman of the Board. Ulrika Malmberg Livijn 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 and a representative from 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 500,000 would be paid to the Chairman of the Board and SEK 175,000 to other members, that the annual fee for work in established committees 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 1,490,000 per year. The Board then decided that an annual fee of SEK 50,000 would be paid to the chairman of the audit committee and SEK 25,000 to each member of the audit committee, that an annual fee of SEK 50,000 would be paid to the chairman of the investment committee and SEK 25,000 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 AP4 or AMF and that fees may be invoiced provided that this is cost-neutral for the company.

The company held an extraordinary general meeting (EGM) in December 2017 at which the decision was made to discontinue the company's outstanding program for convertible debt instruments. All outstanding convertible debentures, which previously had been acquired by Rikshem's Parent Company, Rikshem Intressenter AB, were settled.

## Board of Directors

The Board of Directors of Rikshem comprises six members elected by the AGM for the period until the end of the 2018 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. According to the rules of procedure, the Chairman is responsible for the evaluation of the Board's work. 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'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 also adopted an equality and diversity policy. This policy encompasses everyone who works at the company, including employees, consultants and temporary employees, and was expanded in 2017 to encompass 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 also been taken into consideration in the nomination of Board members. The Board comprises 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. During the year, the Board used an independent party to evaluate its work through individual discussions with all Board members and the CEO.

## 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 comprises committee chairman Liselotte Hjorth, Bo Magnusson and Ebba Hammarström. The committee held seven meetings in 2017.

In 2017, the investment committee comprised committee chairman Per-Gunnar Persson, Lena Boberg and Liselotte Hjorth. The committee held eight meetings in 2017.

The remuneration committee initially comprised committee chairman Bo Magnusson, Ulrika Malmberg Livijn and Per-Gunnar Persson. In conjunction with the 2017 AGM, Ulrika Malmberg Livijn was replaced on the committee by Per Uhlén. The committee held three meetings in 2017.

## 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, the rules of procedure for the Board, and decision-making and authorization procedures, all 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. At the start of the year, Rikshem's management group comprised Sophia Mattsson-Linnala (CEO), Sven-Göran Svensson (Head of Property Management), Hans Ragnarsson (CFO), Carl Conradi (General Counsel), Jennie Wolmestad (Head of Communication), Karl Vahlund (Head of Transactions), Erik Hävermark (Head of Projects and Property Development), and Catharina Kandel (Acting Head of HR). In connection with an organizational change carried out on June 1, 2017, regional managers Fredrik Edlund, Anna-Karin Eriksson and Christofer Bernebring joined the management group. At the same time, Karl Vahlund, Erik Hävermark and Sven-Göran Svensson stepped down from the management group. Catharina Kandel was hired as Head of HR during the year.

In November, Petter Jurdell assumed the role of Head of Business and Sustainability Development and thus became a member of the management group. In autumn 2017, Anders Lilja, who previously served as Acting CFO and as ordinary CFO since January 2018, replaced Hans Ragnarsson in the management group.

## Auditor

At the AGM on March 30, 2017, Ernst & Young AB was elected as auditor for the period until the end of the next AGM. The auditor in charge is Authorized Public Accountant Magnus Fredmer. 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 Corporate Governance Report and, as of the 2017 annual report, the auditor also expresses an opinion on the company's sustainability report. Magnus Fredmer attended two Board meetings and four audit committee meetings in 2017.

## Internal control over 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 and a review of the governing documents is carried out annual. Rikshem has identified essential business processes designed, among other purposes, to identify and eliminate risks. Risks 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 capitalization rate 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.

The company's auditor reports his/her audit plan and risk assessment, his/her observations from the audit and assessment of the internal control linked to the Group's financial reporting, and its annual report in accordance with prevailing regulations to the audit committee, the Board of Directors and management on an annual basis. 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 has not established a dedicated internal audit function. The company's internal control is considered suitable for the company's purposes.