

Sound corporate governance is the foundation for a company to be managed sustainably and responsibly – as well as efficiently and effectively. It requires compliance with legislation, rules and good practice, but also has to be tailored to Castellum's business operations. Verifying compliance is one of the Board's main tasks. The other task is to be a hands-on, close-to-the source powerhouse that both challenges and supports management.

# Corporate Governance Report

## Charlotte Strömberg, Chairman of the Board at Castellum AB:

The following pages describe how Castellum is organized and managed according to a structured and well-tested model. The model is based on laws, regulations and good practice, but tailored to Castellum's business operations within this obvious framework. "Neatness and order" – including a clear division of labour, policy documents, processes and monitoring – have formed a common thread in Castellum's history from its very beginnings, in the wake of the real estate and financial crisis of the early 1990s. A primary Board task – as monitoring body – becomes a matter of perfecting and adapting to a changing world rather than carrying out drastic interventions. Even so, I'll return to a couple of issues in this area that the Board devoted extra attention to during the past year.

### Long-term responsibility

Before that, I'd like to devote some time to the Board's second main task – to be a hands-on, close-to-the source powerhouse that both challenges and supports management. Our common primary task is to create sustainable shareholder value. It means assuming long-term responsibility for managing the capital entrusted to us by the shareholders to achieve a solid and growing return.

In some circles, there is talk of quarterly capitalism and the pressure on executive management to deliver according to the short-term forecasts made by analysts. In this scenario, boards can play a key role as counterweights, by consistently drawing out the perspective and taking responsibility for legitimate expectations of sustainable and growing long-term earnings. This requires courage.

The real estate industry has traits that make it appear sluggish, for better or worse. Contracts and agreements with our customers – the tenants – extend over several years. This lowers operational risk, particularly for Castellum, where we've consciously built up a diversified portfolio of 600 properties and 4,500 leases with overlapping maturities. Conversely, the structure means that it may take time and patience to implement desired changes.

Property acquisitions and sales also demand creativity and foresight. Compared with other asset markets – such as the stock and capital markets – the market is less liquid and based on close matching of specific interests between buyer and seller.

### Future-proof cash flows

With the goal of creating growth in cash flow over time, Castellum's Board and Executive Group Management actively work to future-proof our real estate portfolio. This is about having the right products in locations where communities are growing the most, as well as identifying where the reverse may be true in five-to-ten years' time. In this latter scenario, there's a risk of obsolete products. Coupled to the above-described sluggishness, it is crucial to constantly adjust well in advance. Easy to say, but a challenging task in practice.

In recent years, the Board and Executive Group Management have developed a strategy to both counter and take advantage of future changes in the surrounding world. During the past 15 months, this implementation has become noticeable. We have begun to relocate, with stepped-up activity in the portfolio. We've left areas and properties that provide a high return today but indicate lower expected growth, and we have shifted up through investments with a lower initial return but better growth. For the first time since 2003, we also reached an occupancy rate of over 90%. Towards the end of the year, we emerged – with awareness, and still aiming for the long-term perspective – from a lower-growth period of income from property management to a noticeable spurt in income-growth pace. We've dared to act long-term at the expense of short-term growth. The 2015 stock market ratings were recorded in a risk-friendly environment, and during the year, we posted lower development than several of our listed colleagues who delivered higher growth coupled with higher financial leverage.

However, we are sticking to the combination of low operational risk and controlled financial risk that has been Castellum's promise to the stock market since listing in 1997. Paired with a clear dividend policy, we can propose a dividend increase to the AGM for the 17th consecutive year. Of course, we remain spurred on by competition and look forward to advancing our positions – continuously improving and customizing our business – for the benefit of both tenants and shareholders.

### A desire for new solutions

From a Board perspective, we enjoy the privilege of not being absorbed by everyday operations. Focusing on today's customer – today – is a Castellum hallmark. During the year, Castellum employees have solved many problems and created

**"The Board can play a key role as counterweight to quarterly capitalism by consistently drawing out the perspective and taking responsibility for managing the capital entrusted to us by shareholders to achieve a solid and growing return."**

new possibilities for our tenants. A retained and satisfied customer drives our profitability. It constitutes a major strength to have our customers spread the message. Therefore, we're particularly pleased that nine out of ten tenants are happy to recommend us as landlord and partner.

Whoever stands still – filled with complacency – will be left in the dust of competitors. It is therefore crucial how and where we should place our efforts when work and leisure are increasingly interwoven. New technology and digitalization have ushered in new behaviours, decision-making and preferences. One of the highlights of the Board year consequently occurred at the spring strategy meeting. We gathered Executive Group Management and the Board together, to head out onto thin ice and make predictions for the future. An inspiring and provocative discussion leader helped us ponder several necessary and fun initiatives. As urban developers and one of the largest suppliers of commercial properties to Sweden's growth regions, we can – and want to – contribute to the development of society. I'm convinced that Castellum can take a leading role and promote the transformation of "old" industries as well as the emergence of new ones.

With 600 properties and a cross section of Swedish society housed in our facilities, we possess both the will and the ability to test new solutions and drive innovation processes in conjunction with our customers and their clients. As in the past, our recipe for success is spelled local presence and personal commitment, spiced by the possibilities of technology.

#### **Well-composed financing structure**

The current revamping of our real estate portfolio is clearly creating value and ultimately increasing cash flow. However, the Board's close focus on business strategies should not overshadow respect for that vital commodity – capital. Access to financing is a real estate company's biggest risk. Conversely, a well-composed financing structure constitutes a competitive advantage that guarantees agility taking in future business opportunities.

Therefore, I would like to particularly highlight the agile and active work of the company's financing function, which contributes to supporting business operations while curbing risk-taking. Castellum owns properties totalling SEK 42 billion. Binding credit agreements and setting limits for capital market financing for a total of SEK 30 billion dictate daily monitoring activities. Making major changes to the portfolio calls for careful preparation and evaluation. Properties for SEK 9 billion (gross) were turned over, which also entailed subsequent mortgage management.

During the year, loan commitments totalling SEK 18 billion were renegotiated with attractive terms. Bonds for SEK 3.5 billion were issued.

At year-end, the loan-to-value ratio amounted to 49% – considered modest by our business-sector standards. This creates breathing room for continued net investments when solid returns are indicated.

I have thereby highlighted one of the areas that rivets the Board's supervisory attention. In 2015, a more comprehensive analysis of financing issues and associated risks was completed by the Audit and Finance Committee, resulting in a reworked and refined Finance Policy approved by the Board.

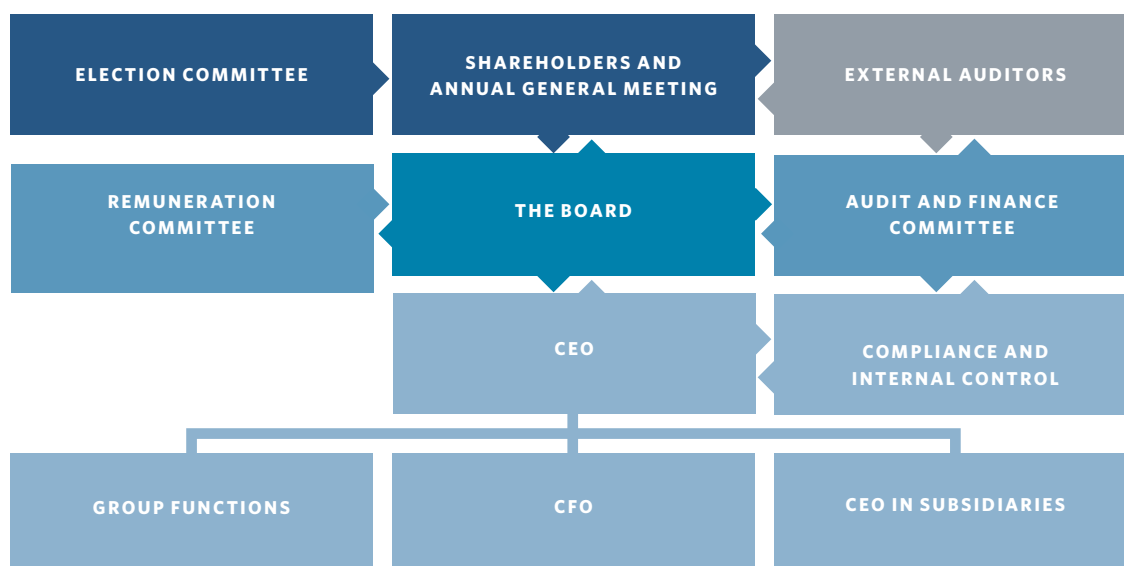
A final point on the governance theme from the past year's agenda was the specific formulation of our further hopes from suppliers and other partners, aside from commercial undertakings. Through our Code of Conduct, Castellum sets out guidelines for how our own and employee behaviour should always be characterized by high ethics and responsibility. Moreover, we would like to assume greater responsibility by promoting ecologically, socially and economically sustainable business outside our own walls. Ultimately, some measure of influence can be achieved by avoiding partners who do not share Castellum's view of corporate responsibility. Concerted efforts to encourage suppliers to sign Castellum's Code of Conduct have now begun, and this is a task that will develop gradually.

Finally, I look forward to another business-intensive year with Castellum. Our executive team members have high ambition levels, and their change-ready stance is supported by an engaged, and active Board, dedicated to driving success. My colleagues on the Board represent broad diversity in terms of background, skills, experience and personality. This ensures that a wide range of possible perspectives will be factored into all discussions and decisions, with the common goal of sustainable growth in shareholder value.

Stockholm January 2016

Charlotte Strömberg  
*Chairman of the Board at Castellum*

## Overall structure for Corporate Governance



### Swedish Code for Corporate Governance

Corporate governance covers the various means of decision making by which the shareholders – directly and indirectly – control the company. Corporate governance has evolved through laws, recommendations and statements, the Code (Swedish Code for Corporate Governance) and through self-regulation. It is based upon the comply-or-explain principle, meaning that all rules do not always have to be followed and there is no crime in deviating from one or more particular rules of the Code if there are motives and explanations. The Swedish Code for Corporate Governance (the Code) is conducted by the Swedish Corporate Governance Board and is found at [www.bolagsstyrning.se](http://www.bolagsstyrning.se), where the Swedish model for corporate governance is also described.

The model above describes the overall structure of corporate governance at Castellum AB (publ).

### Observance of the Code

Castellum applies the Code with the purpose of creating favourable preconditions for taking on the role of active and responsible ownership. It is crucial that the company acts responsibly to fulfil strategies and create long-term value.

According to Board appraisal, Castellum has followed the Code in all respects during 2015 and has no deviation to report.

### Shareholders and Annual General Meeting

Castellum AB (publ) is a Swedish public company governed by the Swedish Companies Act, the Nasdaq Stockholm rules for issuers, the Swedish Code of Corporate Governance and the articles of association.

The Castellum share is listed on the Nasdaq Stockholm Large Cap. At year-end 2015, Castellum had approx. 19,100 shareholders. Of the total share capital, 50% was owned primarily by Swedish

institutions, funds and private persons and 50% was owned by foreign investors. Castellum has no directly registered shareholder with holdings exceeding 10%.

The share capital amounts to SEK 86,003,354 distributed among 172,006,708 shares with a par value of SEK 0.50. Each share, except the company's own repurchased 8,006,708 shares, entitles the holder to one vote and carries an equal right to a share in Castellum's capital. There are no warrants, convertible bonds or similar securities which may lead to additional shares in the company.

### Annual General Meeting

The AGM is Castellum's supreme decision-making body, where shareholders have the right to make decisions about the Group's affairs.

The AGM is held in Gothenburg during the first half-year after the end of the financial year. The Annual General Meeting elects the Board of Directors and the company's auditors as well as making decisions on changes in the articles of association and on changes in the share capital.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and has to provide notice of participation in the manner prescribed. Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Castellum Board to do so well in advance of the meeting, via an address provided on the Group's website.

Decisions at the meeting are usually taken on the basis of a simple majority. However, regarding certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger proportion of the votes of the shares represented and votes cast at the AGM.

### MAJOR EXTERNAL REGULATIONS

- Swedish Companies Act
- Rules for issuers at Nasdaq Stockholm
- Swedish Code of Corporate Governance
- IFRS standards

### IMPORTANT INTERNAL REGULATIONS

- Articles of Association
- Board of Directors' rules of procedures
- Resolutions procedure
- Policy regarding the composition of Board, signers for the company, authorization
- Rules of procedure in the subsidiary boards
- Policies for communication, finance, insider, sustainability, Code of Conduct and Crisis Management.
- Manuals and guidelines for important parts of the business
- Processes for internal control and risk management

### ARTICLES OF ASSOCIATION

The name of the company is Castellum Aktiebolag and the company is a public limited company. The registered office of the Board is in Gothenburg.

The objective of the company's activities is to acquire, administer, develop and sell real estate and securities – directly or indirectly – through wholly or partially owned companies – and to carry out other activities compatible with these. Changes in Castellum's articles of association are made in accordance with the regulations in the Companies Act. The articles of association, which also include information on share capital, number of Board members and auditors as well as rules for summons and agenda for the Annual General Meeting are available as a whole on the company's website.



## ANNUAL GENERAL MEETING 2016

For the AGM on March 17, 2016 the Board of Directors proposes:

- a dividend of SEK 4.90 per share and March 21 2016 as record day
- guidelines for remuneration to Executive Management,
- a renewed incentive program for Executive Management,
- a renewed mandate for the Board to decide on purchase or transfer of the company's own shares.

The election committee proposes for the AGM:

- re-election of the present Board members Charlotte Strömberg, Per Berggren, Anna-Karin Hatt, Nina Linander, Christer Jacobson and Johan Skoglund, as members of the Board of Directors. Christina Karlsson Kazeem is proposed for election as a new member of the Board of Directors. Charlotte Strömberg is proposed for re-election as Chairman of the Board of Directors.
- that remuneration to the Board of Directors is proposed to be the following.
  - The Chairman of the Board SEK 720,000,
  - other members of the Board: SEK 315,000,
  - member of the Board of Directors' Remuneration Committee, including the Chairman: SEK 30,000 ,
  - Chairman of the Board of Directors' Audit and Finance Committee: SEK 50,000,
  - other members of the Board of Directors' Audit and Finance Committee: SEK 35,000.

The proposed total remuneration to the members of the Board of Directors, including remuneration for committee work, accordingly amounts to SEK 2,820,000 (SEK 2,650,000 previous year) provided that the number of committee members remains unchanged,

- for the AGM to decide on appointing an Election Committee for the 2017 AGM and for the Chairman to contact the three largest registered or otherwise-known shareholders at the end of the last day of share trade in August 2016 and invite each of them to appoint one member to the Election Committee. Further, that the three appointed members, together with the Chairman of the Board of Directors, are to constitute the Election Committee. The Election Committee appoints a chairman amongst its members. The names of the members of the Election Committee will be made public no later than six months before the next AGM.

## Annual General Meeting 2015

The latest AGM was held on March 19, 2015 in RunAn, Chalmers Kårhus, Chalmersplatsen 1, Göteborg. At the AGM, 495 shareholders were represented, representing 42,3% of the total number of shares and 44.4% of the votes. All members of the board and the company's auditors and the deputy auditor were present at the AGM.

The AGM adopted the financial reports for 2014 and discharged the board of directors and the chief executive officer from liability regarding operations for 2014.

On the AGM on March 19, 2015 the board of directors decided;

- a dividend of SEK 4.60 per share for the fiscal year 2014,
- that remuneration to the members of the Board of Directors shall be SEK 2,650,000, of which SEK 640,000 should be allocated to the Chairman of the board of directors and SEK 300,000 to each other members of the Board. Remuneration for work in the Remuneration Committee should be SEK 30,000 to each member, Chairman included. Remuneration to the chairman of the Audit and Finance Committee shall be SEK 50,000 and SEK 35,000 to the members,
- re-election of present Board members Charlotte Strömberg, Per Berggren, Christer Jacobson, Jan Åke Jonsson, Nina Linander and Johan Skoglund. Anna-Karin Hatt was elected as new member of the board. Charlotte Strömberg was re-elected as Chairman of the Board of Directors,
- to approve the Board's proposed guidelines for remuneration to members of the executive management,
- to authorize the Board in order to adjust the company's capital structure and be able to transfer company-owned shares as a payment or financing of real property investments to resolve on the acquisition and transfer of company-owned shares.

Minutes of the annual general meeting held on March 19, 2015 are available on the company's web site.

## Election Committee

The 2015 Annual General Meeting decided that an Election Committee should be appointed for the 2016 AGM in order to present: proposals for the number of members of the Board of Directors; election of members of the Board of Directors, including Chairman; remuneration to members of the Board of Directors; as well as a model for appointing a new Election Committee for the 2017 AGM.

The Election Committee's proposals are publicly announced no later than on the date of

notification of the AGM. Shareholders may contact the Election Committee with proposals for nomination.

The Election Committee is appointed according to the AGM's decision that the Election Committee should be established by the Chairman of the Board of Directors, who will contact the three largest registered owners, or otherwise known shareholders as per the last share trading day in August and invite them each to appoint one member. The three appointed members, along with the Chairman of the Board of Directors, constitute the Election Committee. The Election Committee appoints a chairman from among its members.

The Election Committee for the 2016 AGM consists of Rutger van der Lubbe, representing Stichting Pensioenfonds ABP; Johan Strandberg, representing SEB Fonder; Björn Franzon, representing the Szombatfalvy family and Stiftelsen Global Challenges Foundation; and Charlotte Strömberg, Chairman of the Board of Directors of Castellum. Johan Strandberg is Chairman of the Election Committee.

## Election Committee AGM 2016

		Share of votes
Representative	Representing	August 31, 2015
Rutger van der Lubbe	Stichting Pensioenfonds ABP	approx. 6.6%
Johan Strandberg	SEB Fonder	approx. 5.1%
Björn Franzon	Familjen Szombatfalvy samt Global Challenges Foundation	approx 4.5%
Charlotte Strömberg Chairman of the board in Castellum AB (publ)		

All members of the Election Committee have carefully considered and ascertained that there is no conflict of interest in accepting the mandate of being a member of Castellum's Election Committee. Prior to the 2016 AGM, the Election Committee has held 4 meetings with recorded minutes. All relevant issues that need to be addressed to comply with the Swedish Code for corporate governance have been dealt with. Among various issues, the Election Committee has discussed and considered:

- to what extent the current Board of Directors fulfils the requirements that will be imposed on the Board of Directors as a result of Castellum's operations and development phase,
- how many people should constitute the Board of Directors,
- which areas of expertise are, and should be, represented on the Board of Directors,
- the composition of the Board of Directors with respect to experience, gender and background,
- remuneration to the members of the Board of Directors,
- which model should be used for appointing a new Election Committee for the 2017 AGM.

The Election Committee has received a detailed review of the outcome of the comprehensive evaluation of the Board of Directors. The review was conducted by a company specializing in board evaluations. Furthermore, the Election Committee has conducted a recruitment process which included contacts with a recruitment consultant, the drawing up of a set of requirements for the recruitment of members of the Board as well as meetings with candidates for the Castellum Board of Directors. Moreover, in connection with the Board evaluation review, the recruitment process and committee work in general, the Election Committee has continuously focused on how gender balance in the Board is to be maintained.

In order to assess a proposed Board member's independence in relation to Castellum and its executive management as well as to the larger shareholders in Castellum, the Election Committee has gathered information on proposed members for the Board of Directors. The Election Committee has assessed that all proposed Board members are to be considered as independent in relation to Castellum, its executive management and to the larger shareholders in Castellum. Finally, the Election Committee has informed the company about its activities and which proposals the Committee has decided to put forward.

The Election Committee's proposals to the AGM are shown on the previous page. The proposed Board of Directors are considered to possess the required versatility, broad competence, experience and background relevant for Castellum operations, development phase and mixed range of circumstances. The Election Committee's proposals mean that four of seven Board members are women, including the Chairman. The maintenance of a gender balance on the Board has been a crucial condition for the work of the Election Committee.

### External auditors

The external auditors are appointed by the AGM and responsible to the shareholders at the AGM. They are independent reviewers of Castellum's accounting and corporate governance report and also review the Board and the CEO.

Castellum's auditors are elected by the AGM for a period of three years. The present period began in 2014, and the next election will therefore take place at the AGM in 2017. The company's

### Remuneration to auditors

thousand SEK	2015	2014	2013
Audit assignment	2,003	1,908	2,535
Audit business in addition to the audit assignment	365	68	236
Tax consulting	-	76	1,075
Other consulting	106	232	739
<b>Total</b>	<b>2,474</b>	<b>2,284</b>	<b>4,585</b>
of which Deloitte	2,324	2,134	-
of which KPMG	-	-	4,349
of which EY	150	150	236

auditors are Hans Warén, who works at Deloitte; Magnus Fredmer, who works at EY; and deputy auditor Fredrik Walméus, who works at Deloitte. All are certified public accountants.

### The Board

The shareholders appoint the Board at each Annual General Meeting. The Board has the overall responsibility for Castellum's strategy and organization and manages Castellum's affairs on behalf of the shareholders. According to the articles of association, Castellum's Board will consist of no less than four and no more than eight members. Board members are elected at the AGM and will hold office from their appointment until the conclusion of the first AGM following their appointment.

For 2015, the Board was made up of seven regular members. The Board works according to a set of procedural rules containing instructions on the allocation of work between the Board and the CEO. No Board member is entitled to remuneration upon leaving the assignment.

New Board members receive an introduction of the company and its operations and take the stock exchange's training program according to agreement with the stock exchange. The Board receives regular information of regulatory changes and issues concerning the operations and board responsibilities for a listed company.

For Board decisions, the rules of the Companies Act apply, stating that at least half of the Board members present and more than one third of the total number of Board members must vote in order for a decision to be made. On equal count the Chairman has the deciding vote.

The Board's work is governed by the Swedish Companies Act, the Code and the Board's rules of procedure.

### Board of Directors - responsibility

According to the Swedish Companies Act and the Board of Directors rules of procedure, the Board is responsible for:

- outlining overall, long-term strategies and objectives, budgets and business plans,
- establishing guidelines to ensure that the company's operations create value in the long term,
- reviewing and establishing the accounts,
- making decisions on issues regarding investments and sales,
- capital structure and distribution policy,
- developing the Group's policies,
- ensuring that control systems exist for monitoring that policies and guidelines are observed,
- ensuring that there are systems for monitoring and controlling the company's operations and risks,
- significant changes in Castellum's organization and operations,
- appointing the company's Chief Executive Officer and setting remuneration and other terms of employment benefits for the CEO.

### CASTELLUM'S AUDITORS



**HANS WARÉN**

Born 1964  
Company's auditor  
since 2014



**MAGNUS FREDMER**

Born 1964  
Company's auditor  
since 2011



**FREDRIK WALMÉUS**

Born 1971  
Company's deputy  
auditor since 2014

Each member is to act independently and with integrity and ensure that the interest of the company and all shareholders is protected.

A description of the Board's year follows below.

### The Board of Directors – rules of procedure

The Board of Directors rules of procedure are set annually. The rules of procedure describe the work of the Board and the distribution of responsibility between the Board and the Chief Executive Officer. The rules of procedure also state which topics should be dealt with at each Board meeting and give instructions regarding financial reporting to the Board of Directors.

The rules of procedure also prescribe that the Board will have an auditing and finance committee and a remuneration committee. The committees review and prepare recommendations to the Board on various matters. Members of the committees are appointed yearly. The Chairman of the Remuneration Committee should be the Chairman of the Board of Directors, and the Chairman of the Audit and Finance Committee is appointed by the Board.

### The Chairman of the Board of Directors

The Chairman of the Board of Directors is responsible for making sure that the members of the Board regularly receive required information from the Chief Executive Officer. This is in order to follow up on the company's financial position, results, liquidity, financial planning and development. The Chairman of the Board of Directors is also obliged to fulfil decisions made by the Annual General Meeting regarding establishment of an election committee and to participate in the work of the committee.

### The Board of Directors – activities during 2015

In 2015, Castellum's Board held 11 meetings, of which one was the Board meeting following election. According to the prevailing procedural rules, the Board is to hold at least seven scheduled board meetings each calendar year, of which one is a Board meeting following election.

Board meetings are held in connection with the publication of the company's reports, specifically: the Annual Report, proposed appropriation of profits and issues relating to the AGM are dealt with in January; interim reports are discussed in April, July and October; strategy is examined in June and the budget for the following year is considered at the meeting in December.

At each of the scheduled board meetings, matters of significance for the company, such as investments, sales of properties and funding are covered. Further, the Board is informed on the current business situation in the rental and real estate markets as well as in the credit and stock markets. Issues about safety, incident reports and customer-related issues are managed regularly by the Board, and at each board meeting, an executive session is conducted without anyone from corporate management present. The Board also has meetings with the auditors without the presence of corporate management. Regular matters dealt with by the Board during 2015 included company-wide policies, an overall strategy plan, procedural rules for the Board, capital structure and funding needs, sustainability efforts, the business model and organizational issues, as well as the company's insurance situation. In addition, the Board devoted several meetings to enhancing their knowledge of operations through themed

## THE BOARD'S YEAR

Issues, in addition to current state of operations, prospects, investments, sales, financing, reports from committee chairmen about the committee work as well as working environment questions, customer-related questions and reporting of incidents.

THE BOARD'S YEAR											
Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>Board Meeting</b> <ul style="list-style-type: none"> <li>Net income for the year</li> <li>Annual Report incl. Sustainability Report</li> <li>Documents for AGM</li> <li>Proposed distribution of profits</li> <li>Rules of procedure and review policy documents</li> <li>Individual meeting auditors</li> </ul>		<b>Board Meeting</b> <ul style="list-style-type: none"> <li>Preparations for the AGM</li> </ul> <b>Board Meeting following election</b> <ul style="list-style-type: none"> <li>Signatory appointed</li> <li>Composition of the committees is decided</li> </ul>	<b>Board Meeting</b> <ul style="list-style-type: none"> <li>Interim Report (Q1)</li> <li>Decision logg</li> <li>Monitoring investments and rental plans</li> </ul>		<b>Board Meeting</b> <ul style="list-style-type: none"> <li>Strategy</li> <li>Review financial and operational risks in the business</li> </ul>	<b>Board Meeting</b> <ul style="list-style-type: none"> <li>Interim Report (Q2)</li> </ul>		<b>Board Meeting</b> <ul style="list-style-type: none"> <li>Interim Report (Q3)</li> <li>Decision logg</li> <li>Insurance review</li> <li>Monitoring investments and rental plans</li> </ul>	<b>Board Meeting</b> <ul style="list-style-type: none"> <li>Business plans</li> <li>Evaluation of the Board and CEO</li> <li>Visit subsidiaries</li> </ul>		
<b>Audit and Finance Committee</b> <ul style="list-style-type: none"> <li>Financial position</li> <li>Discussion with the auditors about financial statement</li> <li>Audit plan</li> <li>Incident reporting</li> <li>Whistle-blower</li> <li>Review disputes</li> <li>Evaluation of the committees work</li> </ul>		<b>Annual General Meeting</b>	<b>Audit and Finance Committee</b> <ul style="list-style-type: none"> <li>Financial position</li> <li>Risk management</li> <li>Internal control</li> <li>Incident reporting</li> <li>Whistle-blower</li> <li>Evaluation of the audit work</li> <li>Review and evaluation of strategic objectives</li> </ul>		<b>Remuneration Committee</b> <ul style="list-style-type: none"> <li>Review of incentive program</li> <li>Review of remuneration principles for executive management</li> </ul>			<b>Audit and Finance Committee</b> <ul style="list-style-type: none"> <li>Financial position</li> <li>Review financial reporting process</li> <li>Review compliance of policies</li> <li>Incident reporting</li> <li>Whistle-blower</li> </ul>		<b>Audit and Finance Committee</b> <ul style="list-style-type: none"> <li>Financial position</li> <li>Review financial reporting</li> <li>Incident reporting</li> <li>Whistle-blower</li> <li>Review changed regulations</li> <li>Discussions with the auditors about the half-year report and internal control</li> </ul>	
								<b>Remuneration Committee</b> <ul style="list-style-type: none"> <li>Guidelines remuneration principles</li> <li>Preparing outcome incitament</li> <li>Preparing evaluation CEO</li> </ul>			



# Board of Directors



**CHARLOTTE STRÖMBERG**  
CHAIRMAN OF THE BOARD SINCE 2012

Born 1959, Master of Business administration and Economics, Stockholm School of Economics.

Chairman of the Board in Castellum, Chairman of the Remuneration Committee and member of the Audit and Finance Committee

**Previous positions:** CEO for the nordic business at Jones Lang LaSalle, leading positions in investment banking at Carnegie Investment Bank and Alfred Berg (ABN AMRO).

**Board assignments:** Member of Swedish Securities Council and Director in Bonnier Holding AB, Intrum Justitia AB (publ), Karolinska Institutet, Ratos AB (publ), Rezidor Hotel Group AB (publ) and Skanska AB (publ).

**Shareholding in Castellum:** 10,000



**PER BERGGREN**  
BOARD MEMBER SINCE 2007

Born 1959, Master of Science KTH and economic education from Stockholm University. CEO of Hemsö Fastighets AB.

Board member in Castellum, member of the Remuneration Committee.

**Previous positions:** CEO of Jernhusen AB, division manager in Faberge AB (publ), CEO of Drott Kontor AB and property manager in Skanska Fastigheter Stockholm AB.

**Board assignments:** Board member in BRIS and Slättö Förvaltning AB.

**Shareholding in Castellum:** 3,000



**ANNA-KARIN HATT**  
BOARD MEMBER SINCE 2015

Born 1972, degree in political science from the University of Gothenburg. CEO in Almega AB.

Board member in Castellum.

**Previous positions:** Minister for Information Technology and Energy in the Swedish government, State Secretary at the Prime Minister's office, second deputy Chairman of the Centre Party and Chief of Staff of the Centre Party's executive staff, MD for Didaktus Skolor AB and deputy MD of Kind & Partners AB.

**Other assignments:** Director in Almega AB, TRR Trygghetsrådet and Trygghetsfonden TSL.

**Shareholding in Castellum:** 857



**CHRISTER JACOBSON**  
BOARD MEMBER SINCE 2006

Born 1946, Master of Business Administration and Economics DHS. Own operations in Bergsrådet Kapital AB.

Board member in Castellum.

**Previous positions:** Stock commentator and market manager at Affärsvärlden and Head of Analysis and CEO of the Alfred Berg-group.

**Board assignments:** Director in Global Challenges Foundation and Viscogel AB.

**Shareholding in Castellum:** 45,000



**JAN ÅKE JONSSON**  
BOARD MEMBER SINCE 2012

Born 1951, education in computing and business administration from Högre Tekniska Läroverket in Linköping and Uppsala University.

Board member in Castellum, member of the Remuneration Committee.

**Previous positions:** CEO at Saab Automobile AB and different operational management positions in Saab Automobil and General Motors.

**Board assignments:** Chairman of the board of directors of Polstiernan Industri AB and Datachassi AB. Board member of Opus Group AB (publ) and Väst kustens Affärsänglar AB.

**Shareholding in Castellum:** 2,000



**NINA LINANDER**  
BOARD MEMBER SINCE 2014

Born 1959, Master of Business administration and Economics, Stockholm School of Economics and MBA from IMD, Lausanne, Schweiz.

Board member in Castellum, Chairman of the Audit and Finance Committee

**Previous positions:** Founder and partner of Stanton Chase International AB, manager group Finance at AB Electrolux (publ), management positions in Vattenfall AB and experience from corporate finance at various investment banks in London.

**Board assignments:** Director in Awapatent AB, Industrivärden AB (publ), Skanska AB (publ), Specialfastigheter Sverige AB and TeliaSonera AB (publ).

**Shareholding in Castellum:** 8,000



**JOHAN SKOGLUND**  
BOARD MEMBER SINCE 2010

Born 1962, Master of Science KTH and the program of Master of Science Stockholm School of Economics. CEO JM AB (publ).

Board member in Castellum, member of the Audit and Finance Committee.

**Previous positions:** Has experience since 1986 from JM AB (publ) in different positions

**Board assignments:** Director of JM AB (publ), Mentor Sverige and Infranord AB.

**Shareholding in Castellum:** 3,000

**Johan Ljungberg**, lawyer at Mannheimer and Swartling, is the Secretary of the Board.

The information above refers to the situation at the end of January 2016. Shareholdings include Member's own holdings and those of spouse, minors or children living at home and associated companies and holdings through capital assurance.

Board of Directors	Remunerations, thousand SEK	Board meetings	Attendance meetings		Independent
			Remuneration Committee	Audit and Finance Committee	
Charlotte Strömberg	705	11 of 11	2 of 2	4 of 4	Yes
Per Berggren	330	11 of 11	2 of 2		Yes
Marianne Dicander Alexandersson (resigned March 2015)	-	2 of 2			Yes
Anna-Karin Hatt (elected in March 2015)	300	9 of 9			Yes
Christer Jacobson	300	11 of 11			Yes
Jan Åke Jonsson	330	11 of 11	2 of 2		Yes
Nina Linander	350	11 of 11		4 of 4	Yes
Johan Skoglund	335	11 of 11		4 of 4	Yes



## THE BOARD

The board consists of 7 members

## REMUNERATION COMMITTEE

Remuneration Committee consists of three members. Chairman Charlotte Strömberg, Per Berggren and Jan Åke Jonsson.

Main tasks of the Remuneration Committee:

- Guidelines for remuneration principles
- Remuneration to the Executive Management
- Incentive program
- Evaluation of the CEO

## AUDIT AND FINANCE COMMITTEE

Audit and Finance Committee consists of three members. Chairman Nina Linander and the members Charlotte Strömberg and Johan Skoglund.

Main tasks of the Audit and Finance Committee:

- Financial reporting
- Financing and capital structure
- Risk management and compliance
- The observance of regulations
- Audit
- Policies
- Specialization in business related areas
- Internal control

meetings and visits to the subsidiaries.

During 2015, the Board carried out a comprehensive external evaluation of its work, utilizing a company that specializes in board evaluations. The evaluation demonstrated an open and constructive climate and a well-functioning decision-making process.

The evaluation has been handed over to the Election Committee and the Board for discussion.

The evaluation covers topics such as working climate, working procedures in the business process, crisis management, follow-up and control systems, morals, ethics and communication.

The evaluation and related discussion serve as a basis for the continuous development of the Board's work and ensure that the Board can make decisions which are as well-informed as possible.

No other compensation than remuneration for work on the Board and committees has been paid.

## Remuneration Committee

The Board's Remuneration Committee continuously evaluates the remuneration to executive management in view of current market conditions. The Committee prepares matters for decisions by the Board. The members of the Remuneration Committee are appointed once a year.

The Remuneration Committee consists of three Board members, including the Chairman of the Board, who is Chairman of the Remuneration Committee. The Committee's rules of procedure are drawn from the Board of Directors' rules of procedure and are established annually. The Remuneration Committee's functions are to:

- Prepare and propose guidelines for remuneration principles, remuneration and employment terms for the CEO and other senior executives. The guidelines for remuneration are to be submitted to the Board which, in turn, will work out remuneration suggestions to be decided upon at the Annual General Meeting,
- Monitor and evaluate ongoing incentive plans – completed during the year – for flexible remuneration to Executive Group Management. The results of the Remuneration Committee's evaluation of remuneration to senior executives are presented on the company's website,
- Annually evaluate the work of the CEO.

The Remuneration Committee will meet at least twice a year. During 2015, the Committee held two meetings. Issues addressed at the meetings included the review of the remuneration of the CEO and other senior executives, decisions about changes in the remuneration of members of executive management, evaluation and follow-up of existing incentive programs, as well as HR and succession issues. In 2015, the Remuneration Committee also received a comprehensive external evaluation of the CEO's efforts. They developed parameter proposals for the individually

targeted factors regarding the annual performance-based incentive program. The Remuneration committee also accessed the CEO's evaluation of Executive Group Management.

## Audit and Finance Committee

The Board's Audit and Finance Committee monitors financial and auditing matters and submits them to the Board for decision. The Chairman and members of the Committee are appointed annually.

The Audit and Finance Committee consists of three members, and the Committee's rules of procedure partly consist of the Board of Directors' rules of procedure, which are established annually. The Audit and Finance Committee's functions are to:

- Review and monitor financial reports in order to monitor the effectiveness of internal audit and risk management,
- Monitor work on capital structure and other funding issues and prepare funding issues for decisions by the Board,
- Monitor the efforts concerning business risks and compliance, and ensure that appropriate systems for control and monitoring exist,
- Submit an annual report on internal control and ensure that the corporate governance report describes the Board's measures to ascertain that the internal control works,
- Keep informed about the Annual Report and consolidated accounts,
- Review and monitor the auditor's impartiality and independence, and evaluate auditing activities, as well as informing the Election Committee of the evaluation outcome,
- Assist the Committee in preparing proposals for auditors and compensation to them.

The Audit and Finance Committee will meet at least four times a year, and of these, the Group's auditors will attend at least twice. On one of the occasions when the Audit and Finance Committee meets with the auditors, no one from corporate management is to be present. In 2015, the Audit and Finance Committee met four times. Examples of the issues dealt with at meetings involved: capital structure and financing issues; financial reporting, including a review of future regulations and their possible consequences for Castellum; internal control and risk management, as well as the work of the auditors. This last includes auditor impartiality and independence – development of policies and feedback from the Whistle-blowing-service. Business-related issues were also thoroughly investigated.

During the year, the Audit and Finance Committee has also held a private meeting with the compliance officer without the presence of management.

## CEO and Executive Group Management

The Chief Executive Officer is responsible for the company's day-to-day management and for leading operations according to the guidelines and directives submitted by the Board of Directors. The CEO also provides the Board with information and the necessary documentation for decision-making. The CEO leads the work of Executive Group Management and makes decisions after consulting its members.

### The Chief Executive Officer

The Chief Executive Officer reports at Board meetings and assures that members of the Board regularly receive the information required to follow the company's and the Group's financial position, results, liquidity and development.

### Executive Group Management

Executive Group Management consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer and the Head of Business Development of Castellum AB as well as the six Managing Directors of the subsidiary companies. Each member of Executive Group Management has his or her own area of responsibility, and meetings mostly cover issues pertaining to overall operations. Executive Management held nine meetings in 2015.

In 2015, Erika Olsén took up a new position as Chief Investment Officer (CIO) at Castellum, with responsibility for overall investment strategy and major transactions.

The Chief Executive Officer and the Chief Financial Officer join the Managing Director of each subsidiary to constitute the Board for each local subsidiary.

### Guidelines for remuneration for senior executives

The 2015 AGM decided on the following remuneration guidelines for senior executives:

Castellum is to uphold competitive remuneration levels and attractive terms of employment to recruit and maintain excellent management with the competence and capacity to achieve set objectives. A fixed salary will be paid for work performed in a satisfactory manner. In addition, flexible remuneration under an incentive plan may also be offered. The formulation is based on the objective of interconnecting the executive team's interests with shareholder interests, in that senior management members are also shareholders in Castellum. This also entails an increased proportion of executive remuneration being directly linked to the Group's development. Flexible remuneration, which generally cannot exceed the fixed salary, is determined by the extent to which previously set objectives are achieved for growth in property management per share and share price development. It is also determined by how individually targeted factors have developed. Flexible remuneration

is paid as non-pensionable salary. Executives who receive flexible remuneration in accordance with the incentive program are committed to acquiring Castellum shares for at least half the amount of flexible remuneration after tax.

The pension terms of executive management are to be set according to general market practice and will be based on pension plans with fixed payments.

Upon termination by the Company, such period of notice shall not exceed six months for the Chief Executive Officer and twelve months for other executives. During the notice period full salary and other employment benefits are paid, with deduction for salary and remuneration received from other employment or business during the notice period. Such deduction will not be made in respect of the Managing Director. A severance pay, corresponding to twelve fixed monthly salaries, will be paid to the Managing Director upon termination by the company. Such severance pay will not be reduced due to other income received by the Managing Director.

Castellum has followed the guidelines decided by the 2015 AGM.

The proposed guidelines for remuneration for senior executives, which will be put forward at the AGM on March 17, 2016, are in principle unchanged compared with those put forward to the AGM in 2015.

Proposals for a renewed incentive program for senior executives – in principle, an extension of the previous program – will be presented at the AGM on March 17, 2016. The incentive program for the annual profit-based bonus is to be applicable during 2017–2019; for the share-price-based bonus the effective period is June 1, 2017, to May 31, 2020.

For further information regarding remuneration for Executive Group Management, see note 10.

### Compliance and internal control

Castellum has a Compliance Officer who monitors compliance, i.e., ensures that laws, regulations and internal rules are complied with. The Group's corporate lawyer is Compliance officer.

Castellum's internal control is based on the established "COSO" framework, which consists of the following components: control environment, risk assessment, control activities, information, communication and monitoring. Castellum's internal control is described on pages 89–91.

Castellum has a whistle-blower function, which is accessed via all web sites of the Group and via the Group's Intranet. The service represents an early warning system for reporting deviations from Castellum's values and business ethics guidelines.

The Compliance Officer supports business activities by identifying and following up business risks. The Compliance Officer regularly reports risks and compliance to the CEO, as well as to the Audit and Finance Committee.

Executive Group Management consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer and the Head of Business Development of Castellum AB as well as the six Managing Directors of the subsidiary companies.

# Executive Group Management



**HENRIK SAXBORN**  
 CHIEF EXECUTIVE OFFICER  
 CASTELLUM AB

Born 1964, Master of Science.  
 Multi-dimensional experience from construction business, management and acquisition of properties, i.e. as CEO for a property management company.  
**Other assignments:** member of EPRA Management Board and Director at CMB, Chalmers.

Employed since 2006.

**Shareholdings:** 38,542



**ULRIKA DANIELSSON**  
 CHIEF FINANCIAL OFFICER  
 CASTELLUM AB

Born 1972, Master of Business Administration and Economics.  
 Varied experience within the financial and controlling function.  
 Employed since 1998, Finance Director since 2006 and CFO since 2014.

**Shareholdings:** 12,600



**TAGE CHRISTOFFERSSON**  
 HEAD OF BUSINESS DEVELOPMENT  
 CASTELLUM AB

Born 1952, upper secondary school and real estate/economy at KTH  
 Has been working in the real estate business since 1976.  
 Employed since 1994 and Managing Director of Eklandia since 1995 and Head of Business Development at Castellum AB since 2013.

**Shareholdings:** 59,500



**CECILIA FASTH**  
 MANAGING DIRECTOR  
 EKLANDIA FASTIGHETS AB

Born 1973, Master of Science  
 National and international experience from the construction and property sector since 1996.

Employed and Managing Director of Eklandia since 2014.

**Shareholdings:** 3,000



**CLAES JUNEVELDT**  
 MANAGING DIRECTOR  
 FASTIGHETS AB CORALLEN

Born 1960, Master of Science  
 Solid experience from building construction as team manager/district manager.

Employed and Managing Director of Corallen since 2005.

**Shareholdings:** 16,220



**CLAES LARSSON**  
 MANAGING DIRECTOR  
 ASPHOLMEN FASTIGHETER AB

Born 1957, Master of Science  
 Long and varied experience from building construction as team manager/district manager.

Employed and Managing Director of Aspholmen since 2002.

**Shareholdings:** 30,600



**ANDERS NILSSON**  
 MANAGING DIRECTOR  
 FASTIGHETS AB BROSTADEN

Born 1967, Master of Science  
 More than 20 years experience from the real estate business.  
 Employed since 1993 and Managing Director of Brostaden since 2006.

**Shareholdings:** 13,234



**ERIKA OLSÉN**  
 CHIEF INVESTMENT OFFICER (CIO)

Born 1976, Master of Science KTH  
 Long experience from both international and Swedish real estate markets. Partner of Tenzing and Associate Director of JLL in London.  
 Employed since 2015.

**Shareholdings:** 2,000



**OLA ORSMARK**  
 MANAGING DIRECTOR  
 FASTIGHETS AB BRIGGEN

Born 1971, Master of Science  
 Fully experienced from the real estate business, most recently as Business Area Manager at Jernhusen.  
 Employed and Managing Director of Briggen since 2014.

**Shareholdings:** 750



**CHRISTER SUNDBERG**  
 MANAGING DIRECTOR  
 HARRY SJÖGREN AB

Born 1955, Master of Science  
 More than 30 years experience from banks and real estate companies.

Employed and Managing Director of Harry Sjögren since 1993.

**Shareholdings:** 54,955

The information above refers to the situation at the end of January 2016. Shareholdings include personal holdings and those of spouse, minors or children living at home and associated companies and holding through capital assurance. CEO has no significant shares or ownership in companies with whom Castellum has significant business relations.

# Compliance and internal control

According to the Swedish Companies Act and the Swedish Code for Corporate Governance, the Board of Directors is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act and the Code for corporate governance and is therefore limited to internal control regarding financial reporting.

Internal control in Castellum follows an established framework, Internal Control – Integrated Framework, “COSO”, comprising the following five components: control environment, risk assessment, control activities, information-and-communication, and monitoring. A schematic description of the internal control is shown below.

## Control environment

The basis for internal control of financial reporting comprises a control environment, which consists of various parts that form Castellum’s management culture and values. The fundamentals for Castellum’s internal control comprise the following: a decentralized small-scale organization with approx. 600 properties, as well as cost centres, which are managed by six Subsidiaries. The decision-making processes, authorizations and responsibilities which have been drawn up and communicated in documents such as the Board of Directors’ rules of procedure, rules for decision making, rules for authorization, accounting and reporting manuals, internal policies and manuals, etc., are also important for internal control. Documents in use are updated regularly to reflect changes in legislation, accounting standards or listing requirements etc.

## Risk assessment

At Castellum, risk management is built into our processes and various methods are used to evaluate and limit risks. We secure that the risks Castellum is exposed to are managed in accordance with set policies and guidelines. In accordance with the rules of procedure, the Board of Directors, and the Audit Committee, review internal control once a year. Identified risks are assessed and measures are set to reduce these risks. The important risks Castellum has identified in financial reporting are errors in accounting and valuation of properties, interest-bearing liabilities, taxes and VAT, as well as the risk of fraud, loss or embezzlement of assets.

## Control activities

The risks identified in financial reporting are addressed by the company’s control structure, resulting in a number of control measures. The control measures aim to prevent, discover and correct errors and deviations. They comprise analytical reviews on many levels in the organization: comparisons of income statement items; reconciliation of accounts; follow-up and reconciliation of Board decisions and policies set by the Board; authorization and reporting of business transactions; structure for proxy and authorization; authorized signatory; compliance-officer activities; group-wide definitions; templates and tools for reporting as well as accounting and valuation principles.

Castellum subsidiaries have their own financial functions, which take part in the planning and follow-up of financial results for their units. The

## CASTELLUM'S INTERNAL CONTROL ENVIRONMENT



### INTERNAL CONTROL IS GOVERNED BY:

- Board of Directors rules of procedures
- Audit and Finance Committee's rules and procedures
- Rules for decision making
- Instructions for authorization
- Accounting manuals
- Reporting manuals
- Finance policy, communication policy, insider policy, sustainability policy, Code of Conduct, Code of Conduct for suppliers and partners and Crisis management
- Guidelines for information security, insurance and electricity trading
- Accounting manual, HR manual, Manager manual
- Finance instructions
- Continuity plan



regular self-analysis of unit financial reporting and the analysis made at Group level constitute an important part of internal control. This ensures that financial reporting does not contain any significant errors.

Board reviews the interim and annual reports before publishing.

#### **Information and communication**

Castellum has processes for information and communication that aim to ensure the effective and correct distribution of information regarding financial reporting. This demands that all areas of the operation communicate and share relevant and important information. Policies and guidelines regarding financial reporting as well as updates and changes are made available and clearly communicated to the personnel concerned. Executive management, as well as the Board of Directors regularly receive financial information about the subsidiaries with comments on financial results and risks. The Board of Directors also receives additional information regarding risk management, internal control and financial reporting from the auditors through the Audit and Finance Committee. In order to ensure that the external distribution of information is correct and complete, we have both a policy for communicating with the stock market and an information security policy.

#### **Company culture**

That Castellum's operations are conducted in a responsible way is a prerequisite for the company's long-term successful business. The objective is to make sound and proper business decisions in all respects, high business morality, good business ethics, responsibility awareness and impartiality. The base of Castellum's code of conduct is to offer good quality and service, to follow laws and regulations, not to discriminate against anyone and to create good working environment and safety.

Cornerstones for Castellum's company culture have been: The decentralized organization, which creates responsibility and committed employees, where each single colleague is a business collaborator. The geographical proximity to customers, community, suppliers and other parties involved creates a responsibility to act correctly and businesslike.

In Castellum's flat organization each employee has an important role and new ideas are valued. A high level of competence is available within the organization.

#### **Long-term value creation**

Long-term value creation requires that operations are run with a sustainability focus. Sustainability work involves both environmental considerations such as reduced use of resources and close control of the property portfolio, as well as assumption of social responsibility by contributing to the development of the communities where Castellum operates. Our efforts also involve ensuring a healthy working environment for

#### **GROUP POLICIES ISSUED BY THE BOARD**

	<b>Aim</b>
<b>Financial policy</b>	Establishes overall objectives and guidelines for financial risk and how financial operations will be run. The financial policy also specifies how responsibility for the financial operations will be distributed and how financial risks will be reported and monitored. The financial policy includes instructions for how operational activities will be run.
<b>Communication policy</b>	Ensures that all Group communication is accurate and provided in a professional manner, with optimal timing. The policy covers both internal and external communications.
<b>Insider policy</b>	Ensures ethical activities in the capital market through description of trade and reporting requirements.
<b>Sustainability policy</b>	Provides guidelines for how the Group's sustainability activities will be pursued. The efforts will contribute to sustainable development and constitute an integral and natural part of Castellum's operations, which are based on participation and engagement.
<b>Code of Conduct</b>	Offers guidelines to ensure that business operations are run in a responsible manner, with the objective that all business decisions are sound and healthy. The Code of Conduct will govern the Group's actions in relation to employees, contractors, customers, suppliers and other stakeholders.
<b>Code of Conduct for suppliers and partners</b>	Corresponding guidelines to ensure that business operations are run in a responsible manner, with the objective that all business decisions are sound and healthy.
<b>Crisis Management</b>	Provides guidelines for the Group about how to act and communicate in a crisis.

employees. Sustainability activities are carried out in collaboration with customers and other stakeholders – a requirement for success. Guidelines for how value-creating sustainability activities are conducted are found in the Sustainability Policy, Code of Conduct and the Code of Conduct for Suppliers and Partners. Castellum reports on sustainability efforts in accordance with the GRI G4. Reports on sustainability activities are regularly provided for the Castellum Board.

### Monitoring

Regular follow-ups take place on many levels in the Group, on both property-level and subsidiary-level as well as Group level. The Board of Directors, which also makes up the Audit and Finance Committee, regularly evaluates the information provided by Executive Group Management and the auditors. The company's auditors also report in person directly to the Audit and Finance Committee at least twice a year regarding their auditing observations and their assessment of internal control. In addition, the Audit and Finance Committee conducts an annual review of the risk assessments and agreed-upon measures. Monitoring by the Audit and Finance Committee and the Board of Directors is of particular importance for the development of internal control and for ensuring that timely measures are taken for potentially emerging shortcomings and suggestions.

### The need for internal audits

Castellum features a small-scale organization with 40–60 employees in each subsidiary. Together, these units manage approx. 600 properties, i.e., cost centres. About 20 people work at the parent company, Castellum. All real estate management is run by the subsidiaries, while financial management is taken care of by the parent company. This means that Castellum AB is not a profit centre. It places the financial function of the parent company in the twin roles of a controlling function for the subsidiaries and a compliance-officer function for the Treasury Department. The Finance Director in the parent company also reports directly to the Audit and Finance Committee, without other management in attendance. In addition, a “whistleblowing-service” can be accessed through the Group’s web pages. In all, this structure provides a rationale for the assessment that there is no need for a special internal auditing unit.

### Whistle-blower

Castellum’s whistle-blowing-service, “Help us to do right”, can be reached by all the web pages in the Group and through the Group’s Intranet. The whistleblowing-service is an early warning system which provides both employees as well as external partners the possibility to anonymously report a concern about something that is not in line with Castellum’s corporate values and business ethics. The service is administered by an external partner to ensure anonymity and professionalism.



Jens, Camilla and Henrik at Harry Sjögren AB

## Proposed Distribution of Profits

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The following funds are at the Annual General Meeting disposal:

Retained profits	SEK 3,716,445,222
Net income for the year	SEK 895,541,576
	<hr/>
	SEK 4,611,986,798

The Board of Directors propose that the retained profits be appropriated as follows:

Dividend to shareholders, SEK 4.90 per share	SEK 803,600,000
Carried forward to the new accounts	SEK 3,808,386,798
	<hr/>
	SEK 4,611,986,798

The company has 172,006,708 registered shares, of which 8,006,708 are currently the company's own repurchased shares and are not entitled to dividends.

The total dividend payment proposed above of SEK 803,600,000 can be changed if the number of the company's own repurchased shares changes before the record date for the dividend.

# Statement regarding Proposed Distribution of Profit

## Reasons

The group's equity has been calculated in accordance with IFRS standards, approved by the EU, as well as in accordance with Swedish law by application of the recommendation RFR 1 (Supplementary Accounting Rules for groups) by the Swedish Financial Reporting Board. The equity of the parent company has been calculated in accordance with Swedish law and by application of the recommendation RFR 2 (Accounting for Legal Entities) of the Swedish Financial Reporting Board.

The proposed distribution constitutes 52% of the group's income from property management, which is in line with the expressed objective to distribute at least 50% of the group's income from property management, having considered investment plans, consolidation needs, liquidity and overall position. The group's net income after value and tax changes amounted to SEKm 2,881. The distribution policy is based on the group's income from property management, and as a result non-affecting cash flow increases and/or decreases in value of the group's properties and on interest and currency derivatives, do not normally affect the distribution. Such non-affecting cash flow profit or loss, have neither been taken into account in previous year's resolutions regarding distribution of profit.

The Board of Directors concludes that the company's restricted equity is fully covered after the proposed distribution.

The Board of Directors also concludes that the proposed distribution to the shareholders is justified considering the parameters in section 17 subsection 3, second and third paragraphs of the Swedish Companies Act (the nature, scope and risks of the business as well as consolidation needs, liquidity and overall position). Accordingly, the Board of Directors would like to emphasise the following.

## The nature, scope and risks of the business

The Board of Directors estimates that the equity of the company as well as of the group will, after the proposed distribution, be sufficient in relation to the nature, scope and risks of the business. The Board of Directors has in this context considered, inter alia, the historical development of the company and the group, budgeted development, investment plans and the economic situation.

## Consolidation needs, liquidity and overall position

### Consolidation needs

The Board of Directors has made a general estimation of the financial position of the company and the group, and the possibilities to fulfil their obligations. The proposed dividend constitutes 17% of the company's equity and 5% of the group's equity. The group's loan to value ratio and interest coverage ratio 2015 amounted to 49% and 351% respectively. The expressed objective for the group's capital structure, implying a loan to value ratio which not permanently exceeds 55% and an interest coverage ratio of at least 200%, will be maintained after the proposed dividend. The capital structure of the company and the group is sound considering the prevailing conditions of the real property business. In light of the above, the Board of Directors concludes that the company and the group have all the necessary requirements to manage future business risks and also to carry potential losses. Planned investments have been considered when deciding on the proposed dividend.

### Liquidity

The proposed dividend will not affect the company's or the group's ability to meet their payment obligations in a timely manner. The company and the group have good access to liquidity reserves through short-term as well as long-term credits. The credits may be utilised at short notice, implying that the company and the group are prepared to handle liquidity fluctuations as well as possible unexpected events.

### Overall position

The Board of Directors has considered all other known conditions, which might affect the financial position of the company and the group, which have not been considered within the scope of the considerations above. In this respect, no circumstances have been found that indicate that the proposed dividend would not be justified.

### Evaluation to actual value

Derivatives instruments and other financial instruments have been valued to the actual value in accordance with section 4 subsection 14 a of the Swedish Annual Accounts Act. The valuation has presented an undervalue of SEKm 871 after tax, which has affected the equity by the mentioned amount.

Gothenburg January 20, 2016

The Board



## Signing of the Annual Report

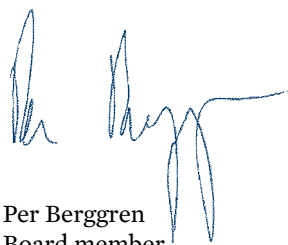
As far as we know the Annual Report is prepared in accordance with generally accepted accounting principles. The Annual Report give a true and fair view of the company's financial position and results, and the directors' report give a true and fair overview of the development of the company's operations, financial position and results, and describes the significant risks and factors of uncertainty facing the company.

The consolidated accounts have been prepared in accordance with the international accounting standards covered in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The consolidated accounts give a true and fair view of the group's financial position and results, and the directors' report for the consolidated accounts give a true and fair overview of the development of the group's operations, financial position and results and as well as the significant risks and factors of uncertainty facing the companies within the group.

Gothenburg February 1, 2016



Charlotte Strömberg  
Chairman of the Board



Per Berggren  
Board member



Anna-Karin Hatt  
Board member



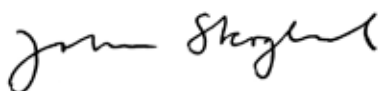
Christer Jacobson  
Board member



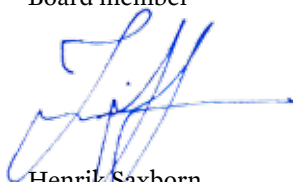
Jan Åke Jonsson  
Board member



Nina Linander  
Board member



Johan Skoglund  
Board member



Henrik Saxborn  
Chief Executive Officer

Our Audit Report regarding this Annual Report was submitted on February 1, 2016



Hans Warén  
Authorized Public Accountant



Magnus Fredmer  
Authorized Public Accountant

# Auditors report

To the Annual Meeting of the shareholders of Castellum AB (publ), corp. id. 556475-5550

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Castellum AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4–116.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A

corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Castellum AB (publ) for the year 2015.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Gothenburg February 1, 2016



Hans Warén  
Authorized Public Accountant



Magnus Fredmer  
Authorized Public Accountant