



Corporate Governance Report

Sound corporate governance is the foundation for a trusting relationship with shareholders and other key stakeholders. 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.

Chairman of the Board's comment

This time a year ago, we could look back on a period of accelerated repositioning of Castellum's real estate portfolio, which culminated in the acquisition of Norrporten in April 2016.

In times of urbanization, technology-driven changes in customer behavior, and new business models, we – as Castellum's Board of Directors – have the responsibility to inspire management and other employees to a high pace of business where we see change as a possibility. The real estate industry is by definition local. Compared with most other products and services in the business world, it has historically been protected by barriers to entry, a traditional view on supply and product, and international competition. However, our customers – the tenants – reflect a cross-section of society and operate in a fast-paced world of dissolved value chains, business models and patterns of behaviour. Some customers are growing fast, whereas others are busy optimizing and streamlining their operations. For many, a series of transformational shifts occur in parallel. Castellum's task is to understand and contribute to the success of our customers – regardless of their everyday business lives and strategic challenges.

Transformation for a future-proof real estate portfolio

A few years ago, we came to the agreed-upon conclusion that Castellum's real estate portfolio was not future-proof to the necessary extent, to assure creation of healthy and sustainable growth in shareholder value over longer periods. We've now reached a position where our portfolio is very well adapted, featuring locations and products where Sweden and Denmark are growing.

Our transformation has been striking. During the four-year period until the start of 2017:

- Acquisitions amounting to SEK 35 billion were made – adding approximately as much as the entire portfolio was worth at the beginning of the period,
- Assets totaling SEK 12 billion were sold,
- Properties adding up to SEK 8 billion were enhanced through project development.

Keeping this pace, we entered 2017 with a property value of SEK 71 billion. The recently completed year of 2017 was characterized by continued high activity, and property values amounts to SEK 81 billion. Through its size, Castellum has become an increasingly complex business. The demands on the Board in terms of time and commitment are increasing at the same rate. During the year we've had 11 Board meetings, 4 meetings in the Audit and Finance Committee and 4 meetings in the Remuneration Committee.



A more efficient Castellum

Consolidation and integration have been key motives in 2017. Following major portfolio changes and business acquisitions, it has been important to look over organizational structure, staffing and governance models to ensure future growth, cost-effectiveness and continued sound risk management. Castellum's Executive Group Management pushed for a change in those areas that offered economies of scale. Improved quality through coordination has been centralized, while the local decision-making power close to customers has been strengthened. A new business system was implemented both on time and on budget. This is an achievement in itself, and more so during a period of profound change. The complex legal structure – characteristic of real estate companies where individual properties are often owned by separate corporate bodies – was simplified through a fusion and merger process. This was the final element of the Castellum-Norrporten integration. The Audit and Finance Committee closely followed and evaluated this process of change. Another important area for the Committee was project management and control, which our auditors also reviewed. Project development can offer higher returns, but also other risks, than property management.

Investments create tomorrow's Castellum

The Board makes all the decisions on acquisitions, investment in project development, and sales over > SEKm 50 are standing items on the agenda for all Board meetings. We encourage and support Executive Group Management in looking for business opportunities, but we also to have the courage to say 'no' to business deals as well as property sales that generate solid shorter-term cash flow but pose an increased risk in the long run. Investment activities constitute the single most important balancing act for the Board to deal with – the equation between desired return and risk level.

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GRESB
REAL ESTATE
Sector Leader 2017

Over the past few years, our ambition has been to increase the flow of investments developed by Castellum. In that spirit, Castellum entered the stage as one of Sweden's leading real estate developers with a project portfolio the size of SEK 4.8 billion. We can and want to build next-generation societies and have become a partner to municipalities and other community-building stakeholders who value a long-term focus combined with investment capacity and financial strength.

The portfolio relocation and the accelerated business pace, combined with the power in gathering all our activities under one brand – Castellum – has resulted in a position where Castellum is approached and given the opportunity to consider more and more business propositions. These can refer to individual properties or portfolios as well as to major strategic initiatives. In a European and Nordic industry undergoing consolidation, this position creates great opportunities.

Overall, the Board handled 24 investment issues during the year.

An innovation culture requires long-term talent supply

The business pace and innovation culture also offer positive development opportunities for our employees. Hence, we're laying the foundation for the company's long-term talent supply and multi-level succession planning – both for specialists and leaders. These are issues that the Board discusses on a regular basis and where we see the potential for further professionalization. During the year – in accordance with the “grandmother principle” – we've also participated in the CEO's recruitment of two new regional CEOs.

Evaluation of Board work

The Board has been evaluated during the year; this time with the aid of an external expert and the same advisor as two years ago. The purpose is twofold.

First, the evaluation and its conclusions formed a valuable starting point for the work of the Election Committee prior to the AGM in 2018. Castellum has a widespread ownership structure with many international shareholders, and never before have any owners representatives participated in Castellum's Election Committee. Three institutions – two Dutch and one Swedish, all representing long-term pension capital – were given a flying start for analysis and discussion through the extensive evaluation supplemented by individual talks with Board members.

Second, and crucial from my own perspective, this type of evaluation offers a diagnosis of how we as a board act in absolute terms, but also how we rank in relation to other boards in a number of dimensions. In short, we have well-functioning board activities and processes where individual members, representing many more dimensions in addition to gender diversity, prioritize Castellum and happily

contribute with their commitment and time beyond what is expected in their role as board members. We often have different approaches and I'm particularly pleased with testimonies of the open discussion climate. I'm convinced that this leads to better informed decisions. It also makes the Chairman's role – with the associated task of reconciling viewpoints into clear guidelines for Group management – more challenging, but also much more inspiring.

Utilizing the evaluation and Board discussions as a basis, we set objectives for the Board assignment which are then followed up during the year. The positive outcome of the external evaluation in relation to an average for other boards also reflects the excellent tandem work with CEO Henrik Saxborn and his co-workers. The Board of Directors and Executive Group Management have – as they should – different roles, but we have the common task of creating long-term shareholder value for Castellum's owners. We play on the same team. However, management's main task is executive whereas the Board's tasks include executing assigned control tasks, while – equally important – challenging and supporting management in business-related development issues in short-term and even more important long-term.

Continued world-class sustainability work

Let me conclude by returning to the main topic of these pages in last year's Annual Report, namely Sustainability. Responsible business practices are deeply rooted in Castellum's DNA, and the first measurable targets were set as early as 1995. Over the years, the number of target areas have increased, and during the past year, the board decided on a sustainability strategy with measurable targets extending to 2030. The strategy is based on the UN's global sustainability goals and forms an integral part of Castellum operations.

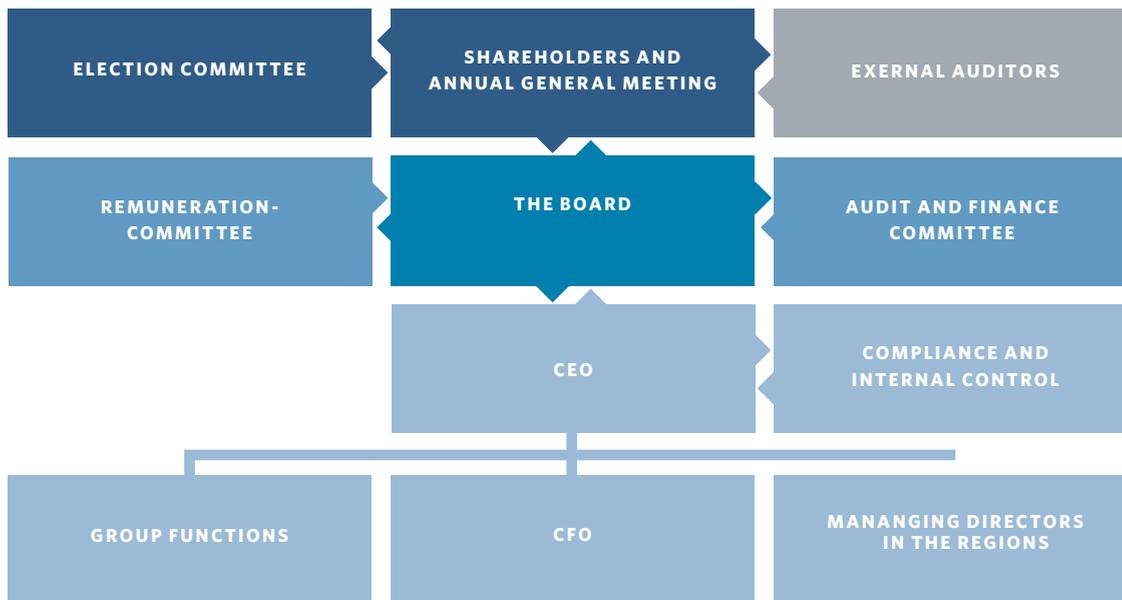
In 2017, just as in 2016, Castellum received confirmation in the form of several international awards. We're especially proud of being the only Nordic company in our sector, and one of only seven Swedish listed companies, to be included in the Dow Jones Sustainability Index. Read more on page 7.

In summary, Castellum has taken on leadership in the construction and real estate sector not only in Sweden but on the global arena – a position that we are determined to defend by continuous improvements and raised targets. Sustainability aspects are constantly present and topical in Castellum's boardroom. Our conviction is that business practices directed towards sustainability goals create increased profitability, both short-term and long-term. In short: it's a shortcut to our financial goals and consequently, to shareholder value.

Stockholm January 2018

Charlotte Strömberg
Chairman of the Board

Overall structure for Corporate Governance



MAJOR EXTERNAL REGULATIONS

- Swedish Companies Act
- Rules for issuers at Nasdaq Stockholm
- Swedish Code of Corporate Governance
- IFRS standards
- EU's accounting regulation
- Global Compact

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, Code of conduct for suppliers 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 Aktieföretag 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.

The 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, and through self-regulation. The Swedish Code for Corporate Governance (the Code) is important for corporate governance in Swedish listed companies.

The Code is managed by the Swedish Corporate Governance Board and is found at 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 fulfill strategies and create long-term value.

According to Board appraisal, Castellum has followed the Code in all respects during 2017 and has no deviation to report or explain.

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 traded on Nasdaq Stockholm Large Cap. At year-end 2017, Castellum had approx. 38,000 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 136,600,583 distributed among 273,201,166 shares with a par value of SEK 0.50. Each share, 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, including the appointment of a Board of Directors and auditors.

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 shareholder 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.

ANNUAL GENERAL MEETING 2018

For the AGM on March 22, 2018 the Board of Directors proposes;

- a dividend of SEK 5.30 per share, distributed to the shareholders in two equal payments of SEK 2.65 per share. The first record day for distribution is proposed to be March 26, 2018 and the second record day for distribution is proposed to be September 24, 2018.

The election committee proposes for the AGM;

- re-election of the present Board members Mrs. Charlotte Strömberg, Mr. Per Berggren, Mrs. Anna-Karin Hatt, Mr. Christer Jacobson, Mrs. Christina Karlsson Kazeem, Mrs. Nina Linander and Mr. Johan Skoglund, as members of the Board of Directors. Mrs. Charlotte Strömberg is proposed to be re-elected 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 of Directors: SEK 850,000,
 - to each of the other members of the Board of Directors: SEK 370,000,
 - member of the Remuneration Committee, including the Chairman: SEK 50,000,
 - Chairman of the Audit and Finance Committee: SEK 150,000,
 - to each of the other members of the Board of Directors' Audit and Finance Committee: SEK 75,000.

The proposed total remuneration to the members of the Board of Directors, including remuneration for committee work, accordingly amounts to SEK 3,520,000.

- electing Deloitte as auditor. Deloitte has announced that the current authorised auditor in the company, Hans Warén, will be the main responsible auditor at Deloitte,
- for AGM to decide on appointing a new Election Committee for the AGM 2019 and for the Chairman of the Board of Directors to contact the three largest ownership registered or otherwise known shareholders as per the last share trading day in August 2018 and invite them each to appoint one member, and that the three members appointed constitute, together with the Chairman of the Board of Directors, the Election Committee. The Election Committee appoints a Chairman amongst its members.

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.

Annual General Meeting 2017

The latest AGM was held on March 23, 2017, in RunAn, Chalmers Kårhus, Chalmersplatsen 1, in Gothenburg. At the AGM, 601 shareholders were represented, representing 51.5% of the total number of shares and 51.5% of the votes. All members of the Board and the company's auditors and deputy auditor were present at the AGM. The AGM adopted the financial reports for 2016 and discharged the Board of Directors and the Chief Executive Officer from liability regarding operations for 2016.

At the AGM on March 23, 2017, the following was decided upon;

- a dividend of SEK 5.00 per share for the fiscal year 2016, divided into two equal payouts (March and September, respectively) of SEK 2.50 per share,
- amendment of articles of association,
- that remuneration to the members of the Board of Directors shall be SEK 3,215,000, of which SEK 825,000 should be allocated to the Chairman of the Board of Directors and SEK 350,000 to each other Board member. 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 is to be SEK 100,000 and SEK 50,000 to the remaining members,
- re-election of current Board members Charlotte Strömberg, Per Berggren, Anna-Karin Hatt, Christer Jacobson, Nina Linander, Johan Skoglund and Christina Karlsson Kazeem. Charlotte Strömberg was re-elected as Chairman of the Board of Directors,
- election of Deloitte as auditor. Certified Public Auditor Hans Warén is Castellum's chief auditor,
- approval of the proposed guidelines for remuneration to members of the executive management,
- authorization for the Board to decide upon adjustment the company's capital structure for transference of company-owned shares as payment or financing of real property investments – as well as to resolve the acquisition and transfer of company-owned shares.

Minutes of the Annual General Meeting held on March 23, 2017, are available on Castellum's website.

Election Committee

The 2017 Annual General Meeting decided that an Election Committee should be appointed for

the 2018 AGM in order to present: proposals for the number of members of the Board of Directors; election of members to 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 2019 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. The Chairman 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 2018 AGM consists of Vincent Fokke, representing Stichting Pensioenfonds ABP; Torbjörn Olsson, representing Sjätte AP-fonden; Hans Op 't Veld, representing PGGM; and Charlotte Strömberg, Chairman of the Board of Directors of Castellum. Torbjörn Olsson is Chairman of the Election Committee.

Together, the members of the Election Committee represented approx. 14% of the total number of shares and votes in the company when its constitution was announced on September 20, 2017.

All members of the Election Committee have carefully considered and concluded that there is no conflict of interest in accepting the assignment as member of the Election Committee of Castellum. Six recorded meetings have been held by the Election Committee. In addition, the Election Committee has maintained contact via telephone and email.

The Election Committee has received a presentation from the Chairman of the Board concerning the results of the evaluation of the Board of Directors, and has thereto conducted interviews with a number of Board of Directors. The Election Committee has further taken note of the Audit and Finance Committee's recommendation to the Board of Directors regarding election of auditor.

The Election Committee has considered all tasks stated in the Code under the responsibility of the Election Committee. The Election Committee has discussed and considered, inter alia,

- to what extent the current Board of Directors fulfills the requirements that will be imposed on the Board of Directors as a result of Castellum's business and development phase,

- the size of the Board of Directors,
- the various areas of competence that 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,
- questions relating to election of auditor and the auditor's fee,
- the model applied for the constellation of a new Election Committee for the Annual General Meeting in 2019.

The Election Committee has considered that the gender balance is to be maintained in the Board of Directors and that the Board is to be characterized by diversity and breadth regarding competence, experience and background. The Election Committee has applied rule 4.1 in the Swedish Corporate Governance Code as diversity policy when preparing the proposal regarding election of members of the Board of Directors. Finally, in order for the company to fulfill its information obligation to the shareholders, the Election Committee has informed the company on how the Election Committee has performed its tasks and on the proposals that the Election Committee presents.

The Election Committee considers that the members of the Board of Directors of Castellum are competent and have extensive experience regarding real estate matters in a broad sense, sustainability matters, infrastructure matters and city planning, capital market matters and financing matters, customer service and evolving customer behaviors, trend analysis, digital conversion, insight in transformation trends at both private and public players, as well as communication and marketing and board work in general. Therefore, the Election Committee considers that the current Board members together constitute a Board of Directors, demonstrating versatility and competence, experience and background required with respect to Castellum's business, development phase and other circumstances. The Election Committee's proposal implies that four out of seven Board members of the company will be women. Considering the above, the Election Committee proposes that all current members of the Board of Directors are to be re-elected.

Auditors

The auditor is appointed by the AGM and is an independent reviewer of Castellum's accounting and corporate governance report, sustainability report and report on green MTNs and also reviews the Board and the CEO. Castellum's auditor Deloitte was elected by the AGM for a period of one year, until the end of the 2018 AGM. The company's chief auditor is certified auditor

Hans Warén.

Remuneration to auditors

Thousand SEK	2017	2016	2015
Audit assignment	2,978	1,820	2,003
Audit business in addition to the audit assignment	932	1,781	365
Other consulting	170	65	106
Total	4,080	3,666	2,474
of which Deloitte	4,080	3,516	2,324
of which EY	-	150	150

The Board

The shareholders appoint the Board at each Annual General Meeting. The Board has the overall responsibility for Castellum strategy and organization and manages Castellum 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 2017, 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 to 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, Articles of Association, 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:

- preparing business decisions and supporting management,
- developing and monitoring the company's overall strategies,
- 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,
- examining the auditors' conclusions of the audit, the audit report and the way in which the audit contributed to the reliability of the financial reporting, as well as examining the auditors'

CASTELLUM'S AUDITOR



HANS WARÉN

Born 1964

Authorized Public Accountant at Deloitte is Castellum's main responsible Auditor. Deloitte was elected as Auditors for a one year period until the end of the Annual General Meeting 2018.

REMUNERATION COMMITTEE

Remuneration Committee consists of three members. Chairman Charlotte Strömberg, Per Berggren and Anna-Karin Hatt.

Main tasks for the Remuneration Committee:

- Guidelines for remuneration principles
- Remuneration to the Executive Management
- Incentive program
- Evaluation of the CEO
- Preparation of recruitments to the executive management and succession matters
- Preparation of matters regarding talent pool and broadening of management within the group
- Targets regarding gender equality and diversity matters

AUDIT AND FINANCE COMMITTEE

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

Main tasks of the Audit and Finance Committee:

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

review of the half-year report,

- 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.

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 is presented below.

The Board of Directors - rules of procedure

Rules of procedure for the Board of Directors 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 as well as 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, whereas the Chairman of the Audit and Finance Committee shall not be the Chairman of the Board, it shall be another Board member, 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 2017

In 2017, 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 where annual accounts, 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

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.



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 of Castellum, Chairman of the Remuneration Committee and member of 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 assignment: Director of Bonnier Holding AB, Clas Ohlson AB (publ), Ratos AB (publ), Sofina S.A. and Skanska AB (publ). Member of the Swedish Securities Council.

Shareholdings: 17,000



PER BERGGREN
BOARD MEMBER SINCE 2007

Born 1959, Master of Science KTH and economic education from Stockholm University.

Board member of Castellum and member of the Remuneration Committee.

Previous positions: CEO of Hemsö, CEO of Jernhusen AB, Division manager of Fabege AB (publ), CEO of Drott Kontor AB and Property manager of Skanska Fastigheter Stockholm AB.

Board assignment: Board member of Fasticon Kompetens Holding AB, Slättö Förvaltning AB and SSM Holding AB.

Shareholdings: 4,500



ANNA-KARIN HATT
BOARD MEMBER SINCE 2015

Born 1972, degree in political science from the University of Gothenburg. CEO in Almega AB. Board member of Castellum and member of the Remuneration Committee.

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: Board member of Almega AB, TRR Trygghetsrådet, Trygghetsfonden TSL and research institute Ratio and member of Advisory Council for Swedish higher education authority.

Shareholdings: 1,325



CHRISTER JACOBSON
BOARD MEMBER SINCE 2006

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

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

Other assignments: Director of Global Challenges Foundation.

Shareholdings: 70,429



CHRISTINA KARLSSON KAZEEM
BOARD MEMBER SINCE 2016

Born 1965, Master of Science KTH. CEO of Hilanders AB, which is part of the H&H communication group.

Board member of Castellum.

Previous positions: Market communication manager at Niscayah Group and leading positions in Razorfish AB and Creuna AB. Worked with city planning and development at the Traffic and Public Transport Authority and Property Management Administration at the City of Stockholm.

Other assignments: Chairman of the Board of Tomorrow China which is part of the H&H communication group.

Shareholdings: 350



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 of Castellum and chairman of the Audit and Finance Committee.

Previous positions: Founder and partner of Stanton Chase International AB, manager Group Finance at AB Electrolux (publ), leading positions at Vattenfall AB and different positions in corporate finance at different investment banks in London.

Other assignments: Chairman of the board of Awa Holding AB. Director of Industrivärden AB (publ), Skanska AB (publ), Telia Company AB (publ) and OneMed AB.

Shareholdings: 12,000



JOHAN SKOGLUND
BOARD MEMBER SINCE 2010

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

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

Previous positions: Experience since 1986 from JM AB (publ) in various positions.

Other assignments: Director of Infranord AB, Mentor Sverige and The Confederation of Swedish Enterprise.

Shareholdings: 5,000

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

The information above refers to the situation at the end of January 2018. 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	905	11 of 11	4 of 4	4 of 4	Yes
Per Berggren	380	11 of 11	4 of 4		Yes
Anna-Karin Hatt	380	11 of 11	4 of 4		Yes
Christer Jacobson	350	11 of 11			Yes
Christina Karlsson Kazeem	350	11 of 11			Yes
Nina Linander	450	11 of 11		4 of 4	Yes
Johan Skoglund	400	11 of 11		4 of 4	Yes

BOARD WORK IN 2017

The Board's main tasks are both to act as a control body and to provide support for Executive Management. The controlling task means ensuring that Castellum acts for the long term: responsibly, with a mindset toward sustainability, as well as seeing to it that operations run efficiently in accordance with laws, regulations and good business practice.

During the year, the main focus of the Board's activities was:

• Customer focus

During the year, the Board has learned how the company works to ensure that a clear customer focus permeates the business. For example, study visits have been conducted, visiting Castellum customers to understand how flexible solutions are created according to customers' specific wishes for creating successful workplaces.

• Digitalization within the framework of Castellum Next20

The Board has been involved in discussions about the opportunities that technology-based business development brings to the real estate industry. As a result, Castellum launched the industry's first development lab, Castellum Next20. Furthermore, the Board is still involved in trendspotting, follow-up and evaluation of the opportunities offered by new technology, new consumption patterns and new behaviours.

• Continued focus on Sustainability and adoption of a new sustainability strategy

For many years, including 2017, sustainability efforts have been high on the Board's agenda. During the year, the Board has been involved in, and pushed, the development of the company's new sustainability strategy, which extends to 2030 and is based on the UN's global goals. The new strategy consists of ambitious goals, such as net-zero carbon dioxide emissions by 2030.

considered at the December meeting.

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 every Board meeting generally concludes with an executive session, without the presence of Executive Group Management.

The Board also holds meetings with the auditors without the presence of corporate management.

Regular matters dealt with by the Board during 2017 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 meetings and visits to the regions. In addition to the above, the work of the Board in 2017 focused on the integration of Norrporten, acquired in 2016, the implementation of the transformed corporate structure, further development of business systems that enable faster and deeper analysis for decision support, efficiency measures, succession and recruitment issues and technology-based business development within the framework of Castellum Next20 initiative.

With the help of the same outside consultant who assisted in the comprehensive board evaluation from autumn of 2015, the Board has evaluated its work during the autumn of 2017. The evaluation showed an open and constructive Board climate and a well-functioning decision-making process. The outcome of the evaluation showed a positive development in relation to the good results that the 2015 board evaluation discovered.

The evaluation has been presented and submitted to the Election Committee and discussed by the Board. The evaluation covers topics such as working climate, working procedures in the business process, crisis management, follow-up and control systems, access to and need for special board qualifications, succession arrangements, 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.

The board evaluation follows the Code guidelines for board evaluations.

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

Remuneration Committee

The Board's Remuneration Committee contin-

uously 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 recruitments for Group Management and succession issues regarding Group Management, as well as prepare questions regarding talent supply and management spread within the Group,
- discuss management by objectives regarding gender equality and diversity issues,
- 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, which is also done by an external expert, where both Board and those reporting directly have been interviewed.

The Remuneration Committee will meet at least twice a year. During 2017, the Committee held four 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, the preparing of parameters for the individually targeted factors in the annual performance-based incentive program, as well as HR and succession issues.

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:

- Monitor financial reporting and make recommendations and suggestions to ensure the reliability of the financial reporting,
- Monitor, with respect to financial reporting, the effectiveness of internal controls, any internal audits 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,
- Inform the Board about the result of the audit and how it contributed to the reliability of financial reporting,
- Keep informed about the findings of the Supervisory Board of Public Accountants' control of the auditors,
- Review and monitor the auditor's impartiality and independence, and evaluate auditing activities, as well as informing the Election Committee of the evaluation outcome,
- Take note of the auditors' report pursuant to Article 11 of the Audit Ordinance and, if needed, take appropriate action in response to it,
- Issue guidelines for services other than auditing provided by auditors and, where appropriate, approve of such services in accordance with these guidelines,
- Prepare matters regarding procurement of audit and other services from the auditors,
- Assist the Election Committee in nominating auditors and determining their remuneration; the Committee is then to monitor that the auditors' term of office does not exceed the applicable rules; procure audit and provide a reasoned recommendation in accordance with what is stated in Article 16 of the Audit Ordinance.

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 auditors, no one from corporate management is to be present. In 2017, the Audit and Finance Committee met four times. Examples of the issues dealt with at meetings involved: review of the decision-making process for investments, 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 and their impartiality and independence – development of policies and feed-

back from the Whistleblower-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 to 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, the HR Director, The Corporate Communications Director and well as the Managing Directors of the four regions. Executive Group Management has joint responsibility for delivering on Group-wide goals and strategies, and meetings mostly cover issues pertaining to overall operations. Executive Management held 11 meetings in 2017.

In 2017, Executive Management focused on the integration of Norrporten, acquired in 2016, on streamlining measures, and continued development of the real estate portfolio – with particular focus on the project portfolio – as well as technology-based business development within the framework of the Castellum Next20 initiative. Executive Management also worked on the new Group structure implemented in 2016, which entailed that the six subsidiaries and Norrporten should form four regions under one common brand. The transformation also means that the Finance Department has moved to head office and that a common corporate finance system has been implemented.

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

Remuneration for senior executives

The 2017 AGM decided on the following remuneration guidelines for senior executives: Castellum is to uphold competitive remunera-

tion levels and attractive terms of employment to recruit and maintain excellent management with the competence and capacity to achieve set objectives. The Board of Directors considers and evaluates the remuneration as a whole, consisting of fixed remuneration, pension terms, variable remuneration and non-monetary benefits. 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. The received remuneration according to an incentive program is to be paid as salary and includes payment for vacation. Such remuneration is not to be a pension qualifying income. 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 for 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 is not to 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 termi-

nation 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 2017 AGM.

The proposed guidelines for remuneration for senior executives, which will be put forward at the AGM on March 22, 2018, are in principle unchanged compared with those put forward to the AGM in 2017.

The incentive program for senior executives in respect of 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 11.

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 104-106.

Castellum has a whistleblower function, which is accessed via all Group websites and via the Group's Intranet. The service represents an early warning system for reporting deviations from Castellum's values and business ethics guidelines. All incoming cases to the whistleblower function are sent to the appointed official within Castellum, as well as to the chairman of the Audit and Finance Committee.

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



HENRIK SAXBORN
CHIEF EXECUTIVE OFFICER
CASTELLUM AB

Born 1964, Master of Science.
Extensive experience from construction business, management and acquisition of properties, i.e. as CEO for a property management company. Former Chairman of CMB, Chalmers University of Technology.

Other assignments: Board member of BRIS and EPRA.

Employed in Castellum since 2006.

Shareholdings: 65,833



ULRIKA DANIELSSON
CHIEF FINANCIAL OFFICER
CASTELLUM AB

Born 1972, Master of Business Administration and Economics.

Varied experience within the Financial and controlling function.

Other assignments: Board member of Alligator Bioscience AB (publ).

Employed since 1998, Finance Director since 2006 and CFO 2014.

Shareholdings: 18,400



PER GAWELIN
MANAGING DIRECTOR
REGION CENTRAL AT CASTELLUM

Born 1978, Business Economics, Upper Secondary School.

Varied experience from the real estate industry and leadership experience as captain and player in Örebro SK Football Club.

Employed since 2006 and Managing Director Region Central at Castellum since 2018.

Shareholdings: 0

Per Gawelin assumed his duties as Managing Director Region Central in Castellum from January 1, 2018.



MARIETTE HILMERSSON
MANAGING DIRECTOR
REGION WEST AT CASTELLUM

Born 1971, Bachelor of Laws, LL.M.

Extensive experience from management positions in the real estate business. Most recently as Managing Director and CEO of Förvaltnings AB Framtiden.

Employed and Managing Director Region West at Castellum since 2018.

Shareholdings: 0

Mariette Hilmersson assumed her duties as Managing Director Region West in Castellum from February 1, 2018.



ANDERS NILSSON
MANAGING DIRECTOR
REGION STOCKHOLM-NORTH
AT CASTELLUM

Born 1967, Master of Science.

More than 20 years experience from the real estate business.

Employed since 1993 and Managing Director at Castellum since 2006.

Shareholdings: 16,500



ERIKA OLSÉN
CHIEF INVESTMENT OFFICER (CIO)
CASTELLUM AB

Born 1976, Master of Science.

Long experience from both international and Swedish transaction markets. Partner of Tenzing and Associate Director of JLL in London.

Other assignments: Board member of Genova Property Group AB.

Employed as CIO of Castellum since 2015.

Shareholdings: 3,000



OLA ORSMARK
MANAGING DIRECTOR
REGION ÖRESUND AT CASTELLUM

Born 1971, Master of Science.

Long experience from the real estate business, most recently as Business Area Manager at Jernhusen.

Employed and Managing Director at Castellum since 2014.

Shareholdings: 4,050



INGALILL ÖSTMAN
CORPORATE COMMUNICATIONS
DIRECTOR CASTELLUM AB

Born 1956, Master of Science.

Broad experience from management positions within global industrial companies and extensive experience in external and internal communication, market communication and IR, including SVP Communications & Government Relations at SKF and SVP Head of Corporate Communications ABB Sweden.

Other assignments: Board member of Allgon AB (publ) and Ovako AB. Board member and member of the Audit Committee of Länsförsäkringar Gothenburg and Bohuslän.

Employed as Corporate Communications Director of Castellum since 2017.

Shareholdings: 0

CECILIA FASTH
MANAGING DIRECTOR REGION WEST
AT CASTELLUM

Born 1973, Master of Science.

National and international experience from the construction and property sector since 1996.

Other assignments: Board member in AB Fagerhult, Hultafors Group AB and CMB, Chalmers University of Technology.

Employed and Managing Director at Castellum since 2014.

Shareholdings: 5,250

Cecilia Fasth decided to leave Castellum at her own request in December 2017.

CLAES LARSSON
MANAGING DIRECTOR
REGION CENTRAL AT CASTELLUM

Born 1957, Master of Science.

Long and varied experience from building construction companies as Team Manager/District Manager.

Employed and Managing Director at Castellum since 2002.

Shareholdings: 40,900

Claes Larsson decided to leave Castellum at his own request in December 2017.

ANNE THELIN-EHRLING
HR DIRECTOR
CASTELLUM AB

Born 1961, Bachelor of science in Behavioral Sciences.

Broad experience in strategic and operational HR, in customer, sales and service industry and real estate. Has worked in SAS and Stronghold Invest AB

Employed as HR Director at Castellum since 2016.

Shareholdings: 300

Anne Thelin-Ehrling decided to leave Castellum at her own request on February 2, 2018. She was replaced by Olof Gertz who has been appointed acting HR Director from February 2, 2018.

The information above refers to the situation at the end of January 2018. Shareholdings include personal holdings and those of spouse, minors or children living at home and associated companies and holding through capital assurance.

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 internal control activities 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 more than 675 properties, as well as cost centres, which are managed by four regional companies. 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, once a year, the Board of Directors and the Audit Committee review internal control as well as operational risk and how they are handled – for the latter, see The Risks and Opportunities section on page 89. Possible risks are identified and an internal risk grading is conducted where each risk is assessed, both from an impact and probability perspective. The important risks Castellum has identified in financial reporting are errors in accounting and valuation of properties, interest-bearing liabilities, taxes and VAT, occupational injury 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 function, and consolidated accounts prior to publication. The auditors review the half-year report January–June.

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 Crisis management
- Guidelines for information security, insurance and electricity trading
- Accounting manual, HR manual, Manager manual
- Finance instructions
- Continuity plan

Information and communication

Castellum retains 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 operational success. Castellum's Code of Conduct determines day-to-day work activities and Castellum supports – and has signed – the United Nations Global Compact principles

concerning human rights, labour-law issues, the environment and corruption. The objective is to make sound and proper business decisions in all respects, as well as sustaining high business morality, good business ethics, responsibility awareness and impartiality. The purpose of Castellum's Code of Conduct is to offer good quality and service, to follow laws and regulations, to avoid discriminating against anyone and to create an optimal and safe working environment.

One cornerstone for Castellum's company culture has been the decentralized organization, which creates responsible and committed employees – each of whom is a business collaborator.

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 the assumption of social responsibility by contributing to the development of the cities wherein Castellum operates. Our efforts also involve ensuring a healthy working environment for 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

GROUP POLICIES ISSUED BY THE BOARD

	Aim
Financial policy	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.
Communication policy	Ensures that all Group communication is accurate and provided in a professional manner, with optimal timing. The policy covers both internal and external communications.
Insider policy	Ensures ethical activities in the capital market through description of trade and reporting requirements.
Sustainability policy	Provides guidelines for how the Group's sustainability activities will be pursued. The efforts will contribute to sustainable development and consists of measurable goals and constitute an integral and natural part of Castellum's operations, which are based on participation and engagement.
Code of Conduct	Provides guidelines for how the Group's sustainability activities will be pursued. The efforts will contribute to sustainable development, consists of measurable targets and constitute an integral and natural part of Castellum's operations, which are based on participation and engagement.
Code of Conduct for suppliers	Corresponding guidelines to ensure that business operations are run in a responsible manner, with the objective that all business decisions are sound and healthy.
Crisis Management	Provides guidelines for the Group about how to act and communicate in a crisis.

the Sustainability Policy, Code of Conduct and the Code of Conduct for Suppliers. Castellum reports on sustainability efforts in accordance with the GRI Standards. Reports on sustainability activities are regularly provided for the Castellum Board.

Monitoring

Regular follow-ups take place at many levels within 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.

Need for internal audit

Castellum has a decentralized and transparent organization. The economy and finance functions are managed from the head office, which means that procedures and processes will remain

coherent. However, the move also provides opportunities for the various functions to monitor each other's processes – a form of self-evaluation. All to increase and improve internal controls. Quarterly follow-ups of income statements and balance sheets are made by the business units and the company. Clear documentation through policies and instructions, along with regular follow-ups and regular discussions with the auditors, continuously ensure that the efforts of improving processes remain efficient and effective. Management and reporting are monitored by auditors twice a year and reported to both the Audit and Finance Committee and the Board. In addition, there is a "whistleblower" function on the Group's website. In all, the conclusion is that a separate internal audit function is uncalled for.

Whistleblower

Castellum's whistleblowing service, "*Help us to do right,*" can be reached through the Group's web page and 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.