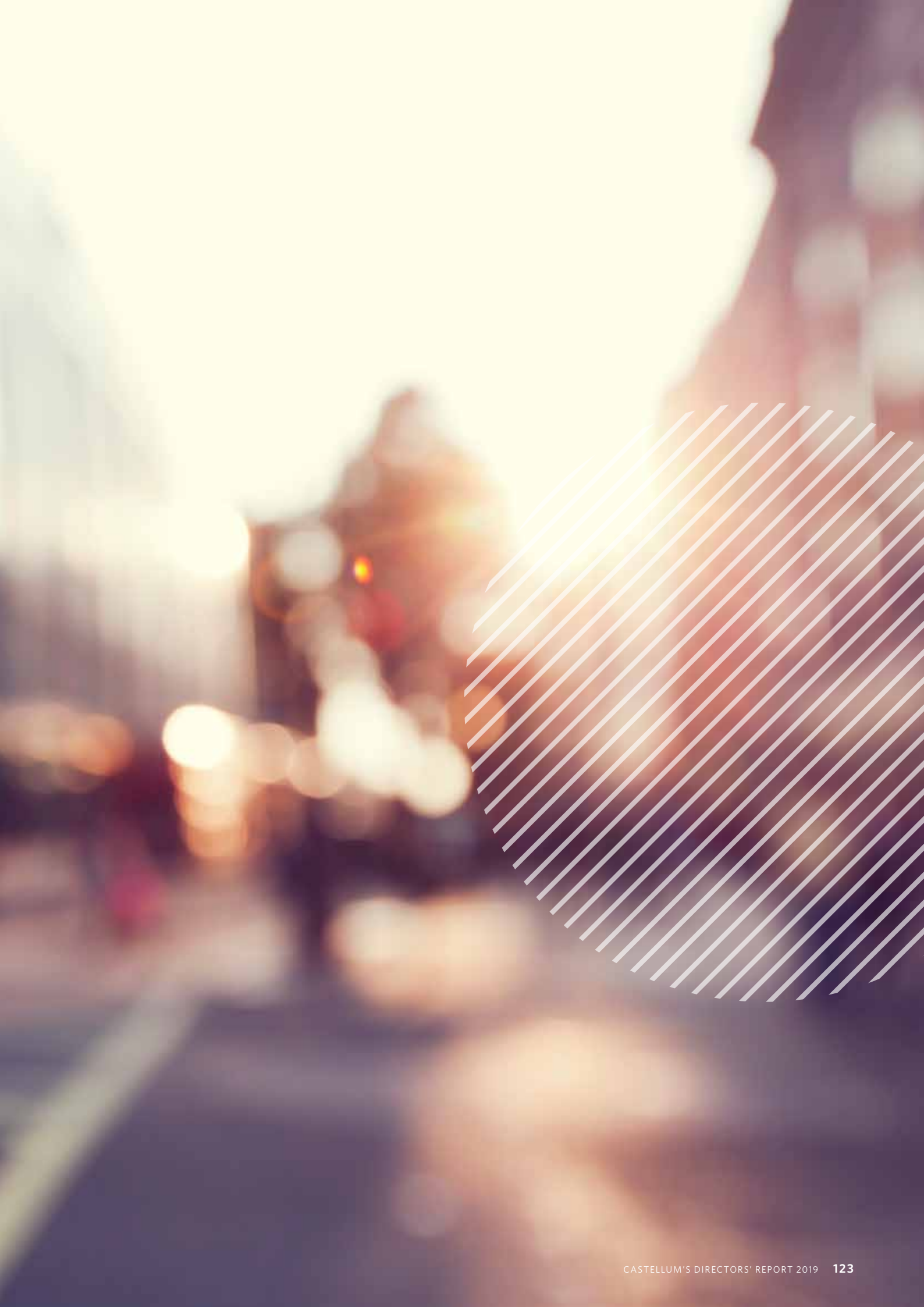


# Corporate Governance report

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Sound corporate governance is the foundation of a trusting relationship with shareholders and other key stakeholders in the company's business environment. Governance is an important component in managing Castellum sustainably and responsibly – all in accordance with the applicable laws, other rules and best practices, and customized based on Castellum's operations. This Corporate Governance Report starts off with the Chairman's comment, followed by information on the structure of corporate governance, shareholders and the Annual General Meeting, the Nomination Committee, the auditor, the Board of Directors and committee work, Executive Management, and compliance and internal control.



## Looking steadily ahead

Quickly looking back, we can state that once again Castellum has gone through a year marked by a healthy level of activity and continued business development, with the creation of long-term sustainable shareholder value as our guiding light. The business world has continued to offer favorable conditions, with low financing costs and strong growth – especially in the cities where Castellum has chosen to work – and strong demand for quality products that have further reduced required investment yields that are already very low. Strong capital flows from Swedish and international investors – in the latter case also encouraged by a weak Swedish krona – are moving to a Swedish property market with strong fundamentals. The total yield on Nasdaq Stockholm rose 35.0%, while the Castellum share yielded 38.9%.

### A powerfully strengthened financial position

True to form, the Board is proposing an increase in the dividend – the 22nd in a row. Provided the AGM approves, a cash dividend of SEK 6.50 per share will be paid to you, the shareholders, during the year. This corresponds to nearly 55% of the income from property management. Over the last few years, Castellum has been robust in strengthening its financial position and expanding its access to capital on competitive terms. The Board thus sees strong possibilities for continued profitable investments in operations, paired with a competitive dividend.

### A motor for future value creation

The year was marked by additional investments in Project Development, with our sights set on achieving a high-quality portfolio spread evenly across the years. We are convinced that we are building a motor for future value creation that will be reflected in rising net asset values. Investment issues and monitoring outcomes are the main tasks of Castellum's Board of Directors. During the year, we also took the opportunity to visit major areas of development such as the Nyhamnen district in Malmö – where construction of properties for the Swedish National Courts Administration and E.On, with an aggregate volume of SEK 2.4 billion, is ready to begin – and Sövestad airport, which offers extensive development opportunities. Getting out of the boardroom, and meeting customers and other partners as well as a broader section of employees in conjunction with these visits, provided the Board with the opportunity to better encourage and support business development. In return, our presence and our interest sent important signals to the people we met. Castellum is a long-term, financially robust partner that builds and improves communities in the cities where we operate.

In parallel, Property Management acts as a locomotive and over the year contributed an excellent development of income from property management through daily customer contact and continual efficiency enhancements. The strongest contributors

have been a forward-looking approach in renegotiating and optimizing operations and active management of the debt portfolio.

### Looking steadily ahead

To increase its ability to accomplish its goals, the organization was strengthened – in particular through two key recruitments to Executive Management – during the year. Castellum's capacity for competence development, talent supply and succession planning is evaluated and encouraged as part of the work of the Remuneration Committee. These are crucial success factors in a business environment where the struggle is over attracting the right employees and continuing the development of Castellum's business model, in which we envision new income streams supplementing the traditional rental incomes.

*“We are building a motor for future value creation.”*

Looking back has its uses, but the most important task of the Board is to keep its gaze steady on the road ahead, with the goal of delivering growth in value to our shareholders over the long term. Together with Executive Management, the Board is devoting a great deal of attention to our business environment and to Castellum's positioning from a longer perspective. Changed customer needs and preferences could constitute a threat. But we are firmly resolved to stay at the leading edge and turn changes to our advantage.

### Strategic initiatives

I would like to highlight two strategic initiatives from the past year that will carry Castellum far into the future.

The first consists of our resolute entry into the growing market for co-working through the acquisition of United Spaces in January. We are living in exciting times, where we can now offer new and existing customers a menu for their supply of premises in the form of membership in flexible spaces as well as shorter contract models and long, stable agreements. We expect our customers both large and small will see their supply of premises with new eyes; there will be parallel demand for rapidity and variation in combination with fixed points as hubs for the purpose of brand positioning.

We are extremely satisfied with United Spaces' performance after its first year in the Castellum family. Its operations produced a small surplus despite strong expansion toward new meeting places and brought new market rents to Castellum's property operations as well as to external landlords. Proof of United Spaces' attractive position came quickly in the early autumn, in the form of a prestigious assignment to develop

co-working for Geely's major investment in an open-plan innovation center in the Lindholmen district of Gothenburg.

The second strategic initiative covers the acquisition of Sæve airport, a development area encompassing more than 3 million square meters of land close to the Nordic region's largest harbor, industries, national transportation links and the city of Gothenburg. The acquisition was completed in December 2018 and finalized in December 2019. In addition to the obvious potential in logistics, we are seeing a great deal of interest from the business community, academia and public sector actors in creating the Nordic region's largest hub for development in future technology, with a focus on sustainable transportation and mobility. The area will offer development opportunities of SEK 10 billion or more over the coming ten-year period.

These two examples of future initiatives reflect Castellum's focus and innovative power in the selected office and warehouse/logistics property segments.

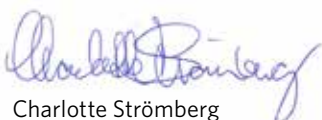
#### **The map is being redrawn – a new decade with a new orientation**

In conclusion, I would like to share an activity that brought the Board of Directors and Executive Management together in a joint exercise this autumn. I have already mentioned changed customer behavior and supply chains broken open – in the form of co-working operators, for example – that are capturing customer relationships and redrawing the map for traditional property companies. New technology offers close, personalized relationships in real time with large groups of people.

In order to challenge the way we think about customers and offerings, to broaden our perspective and burst the boundaries of our thinking, we enlisted the help of a few highly skilled people who counsel leading Swedish and global companies on fast-moving consumer goods and services. They served by turns as provocateurs and catalysts. Our discussions were both inspiring and pleasurable. An issue as simple as identifying who our customers or consumers of services are (now and in the future) – the signatories who sign the lease with us and/or the people who work in our buildings on a daily basis. Perhaps we're seeing a shift from B2B via B2B2C to B2C before us, which broadens our view of offerings? The Executive Management brings the work on continued development and incorporates it into daily operations.

That said, my colleagues on the Board and I are looking forward to offering you, our shareholders, an investment in the Castellum share that remains profitable and exciting.

Gothenburg February 3, 2020



Charlotte Strömberg  
Chairman of the Board



HEAR CHARLOTTE STRÖMBERG SPEAK  
MORE ABOUT BOARD WORK IN 2019,  
VISIT OUR DIGITAL ANNUAL REPORT AT  
[CASTELLUM.SE/AR2019](https://castellum.se/ar2019)

# Overall governance structure

## EXTERNAL REGULATIONS

The external framework for corporate governance includes:

- The Swedish Companies Act
- The Nasdaq Stockholm Rulebook for Issuers
- The Swedish Corporate Governance Code (the Code)
- IFRS
- EU accounting regulations
- The UN Global Compact
- The EU Market Abuse Regulation (MAR)

## IMPORTANT INTERNAL REGULATIONS

- Articles of Association
- Board of Directors' rules of procedure
- Resolution procedure
- Policy regarding the composition of the Board, authorized signatories, proxy forms and authorizations
- Rules of procedure for subsidiary Boards of Directors
- Communication policy, financial policy, insider policy, sustainability policy, Code of Conduct, Code of Conduct for suppliers and crisis management policy
- Manuals and guidelines for important parts of operations
- 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 Board's registered office is in Gothenburg. The objective of the Company's operations is to acquire, administer, develop and sell properties and securities, directly or indirectly through wholly or partially owned companies, and to conduct other operations compatible with these. Changes to Castellum's Articles of Association are made in accordance with the provisions of the Companies Act. The Articles of Association, which also include information on share capital and the number of Board members and auditors, as well as rules for the notice to attend and the agenda for the Annual General Meeting, are available in their entirety on the company's website, [www.castellum.com](http://www.castellum.com)

## The Swedish Corporate Governance Code

Corporate governance covers the various means of decision-making by which the shareholders directly and indirectly control the Company. Corporate governance in Swedish listed companies has been developed through laws, recommendations and statements as well as through self-regulation. The Swedish Corporate Governance Code (the "Code") is important for corporate governance in Swedish listed companies. The Code is administered by the Swedish Corporate Governance Board and can be 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.

## Compliance with the Code

Castellum applies the Code, the purpose of which is to create favorable preconditions for exercising an active and responsible ownership role. It is crucial that the Company acts responsibly to fulfill strategies and create long-term value.

In the opinion of the Board, Castellum complied with the Code in all respects in 2019 and has no deviations to report or explain.

## Shareholders and shares

Castellum AB (publ) is a Swedish public limited company governed by the Swedish Companies Act, the Nasdaq Stockholm Rulebook for Issuers, the Code and the Articles of Association.

The Castellum share is traded on Nasdaq Stockholm Large Cap. At December 31, 2019, Castellum had approximately 57,000 shareholders. Of the total share capital, 45% was owned primarily by Swedish institutions, funds and private individuals, and 55% by foreign investors. The largest owner of Castellum is Rutger Arnhult, who owns 11.9% of the shares outstanding through a company, which is the only registered shareholder with holdings exceeding 10% of the shares in the Company.

The share capital amounts to SEK 136,600,583 distributed among 273,201,166 registered shares with a quotient 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 Annual General Meeting (the “AGM”) is Castellum’s supreme decision-making body, where shareholders have the right to take decisions concerning 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 AGM elects the Board of Directors and the Company’s auditors as well as passing resolutions on items including the distribution of profits and the discharge from liability of the Board and the Chief Executive Officer.

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

Decisions at the AGM are usually taken by simple majority (i.e. with the support of more than half of the votes cast at the meeting). On certain issues, however, the Swedish Companies Act stipulates that proposals must be approved by a larger proportion of the shares represented and votes cast at the AGM.

# Annual General Meeting 2019

The latest AGM was held on March 21, 2019, in RunAn, Chalmers Student Union, Chalmersplatsen 1, in Gothenburg. 710 shareholders were represented at the Meeting, representing 55.8% of the number of shares and 55.8% of the votes. All members of the Board, Executive Management, the Company’s auditors and a

majority of the Nomination Committee members were present at the AGM.

The AGM adopted the financial reports for 2018 and discharged the Board of Directors and the CEO from liability regarding operations for 2018.

At the AGM on March 21, 2019, the following was decided:

- a dividend of SEK 6.10 per share for the 2018 financial year, divided into two equal payouts (March and September, respectively) of SEK 3.05 per share;
- that remuneration to the members of the Board of Directors is to be KSEK 3,895, of which KSEK 985 should be allocated to the Chairman of the Board of Directors and KSEK 410 to each of the other Board members. Fees for work in the Remuneration Committee are to be KSEK 50 to each member, Chairman included. Fees to the Chairman of the Audit and Finance Committee are to be KSEK 150 and KSEK 75 to the remaining members;
- re-election of Board members Charlotte Strömberg, Per Berggren, Anna-Karin Hatt, Christer Jacobson, Christina Karlsson Kazeem, Nina Linander and Johan Skoglund. Charlotte Strömberg was re-elected as Chairman of the Board of Directors;
- re-election of Deloitte as auditor. Authorized public accountant Hans Warén is Castellum’s auditor in charge;
- approval of the proposed guidelines for remuneration to senior executives and approval of the renewal of incentive programs for senior executives pertaining to the period from 2020 to 2023,
- mandate for the Board to resolve, for the purpose of issuing shares as payment or for financing property investments, on the new issue of shares; and,
- mandate for the Board to resolve, for the purpose of adjusting the Company’s capital structure and to transfer treasury shares as payment or for financing property investments, on the acquisition and transfer of treasury shares.

## THE 2020 AGM

For the AGM on March 19, 2020 the Board of Directors proposes a dividend of SEK 6.50 per share, divided into two payments of SEK 3.25 each. The proposed record days for the payments are March 23, 2020 and September 21, 2020 respectively.

The Nomination Committee proposes to the AGM:

- the re-election of current Board members Charlotte Strömberg, Per Berggren, Anna-Karin Hatt, Christer Jacobson, Christina Karlsson Kazeem and Nina Linander. Zdravko Markovski and Joacim Sjöberg will be elected as new members. Board member Johan Skoglund has declined re-election. The re-election of Charlotte Strömberg as Chairman of the Board is proposed.
- Fees to be paid to Board members as follows (2019 fees in parentheses).
- Chairman of the Board: SEK 1,015,000 (985,000).
- Each of the other Board members: SEK 425,000 (410,000).
- Remuneration Committee: Chairman SEK 100,000 (50,000)/each of the other members: SEK 75,000 (50,000)
- Audit and Finance Committee: Chairman SEK 200,000 (150,000)/each of the other members: SEK 100,000 (75,000). The proposed total remuneration to the members of the Board of Directors, including remuneration for committee work, totals SEK 4,640,000, provided the number of committee members is unchanged.
- re-election of Deloitte as auditor. Deloitte has announced that current authorized public accountant Hans Warén will be auditor in charge.
- that the Meeting resolve that a new Nomination Committee be appointed ahead of the 2021 AGM and that the Chairman of the Board be commissioned to contact the four largest registered or otherwise known shareholders on the last share trading day of August 2020 and ask them to appoint one member each to the Nomination Committee, and that the four members so elected together with the Chairman of the Board constitute the Nomination Committee. The Nomination Committee will appoint a Chairman from its members. The names of the Nomination Committee members will be announced no later than six months before the next AGM.



MINUTES OF THE AGM HELD ON MARCH 21, 2019  
ARE AVAILABLE ON CASTELLUM’S WEBSITE.



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## Nomination Committee

The 2019 AGM resolved that a Nomination Committee should be appointed for the 2020 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; election of auditors; remuneration to Board members and auditors; and a model for appointing a new Nomination Committee for the 2021 AGM.

The Nomination Committee's proposals are publicized no later than the date of notification to attend the AGM.

Shareholders will be given the opportunity to contact the Nomination Committee with proposals for nomination.

For the 2020 AGM, the Nomination Committee was appointed in accordance with the resolution of the 2019 AGM through commissioning the Chairman of the Board to contact the four largest registered or otherwise known shareholders on the final trading day of August

and asking them to appoint one member each to the Nomination Committee. The members so elected, together with the Chairman of the Board as convener, constitute the Nomination Committee. The Nomination Committee appointed a Chairman from among its members.

For the 2020 AGM, the Nomination Committee consists of Patrik Essehorn, appointed by Rutger Arnhult through his company; Vincent Fokke, appointed by Stichting Pensioenfonds ABP; Carl Lindgren, appointed by Szombatfalvysfären; Göran Esplund, appointed by Lannebo Fonder; and Chairman of the Board Charlotte Strömberg. Patrik Essehorn is the Chairman of the Nomination Committee. When the Nomination Committee was formed, the members of the Nomination Committee all together represented approximately 22.5% of the total number of shares and votes in the Company.

All the members of the Nomination Committee have considered whether any conflict of



interest exists in accepting the commission as a member of Castellum's Nomination Committee. The Nomination Committee held eight minuted meetings, and in addition have been in contact via telephone and e-mail. The Nomination Committee has received a detailed review of the results of the Board evaluation carried out by a company specializing in such evaluations, and additionally conducted interviews with all of the Board's members. In addition, the Nomination Committee conducted a recruitment process that involved contact with recruiting consultants, producing requirement profiles for the recruitment of Board members and meetings with candidates for the company's Board of Directors. In addition, the Nomination Committee has taken note of the Audit and Finance Committee's recommendation to the Board of Directors regarding the election of an auditor.

The Nomination Committee has covered all the issues incumbent upon them under the

Code. The issues the Nomination Committee has discussed and considered include:

- the extent to which the current Board of Directors fulfills the requirements that will be imposed on the Board as a result of Castellum's operations 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, succession issues on the Board and potential conflicts of interest in the Board's work;
- remuneration to the members of the Board of Directors;
- questions relating to the election of an auditor and the auditor's fee;
- and the model to be applied for a new Nomination Committee for the 2021 AGM.



## Auditor

In its work, the Nomination Committee took into account the desirability of an equal gender distribution and that the Board should otherwise be characterized by diversity and breadth as regards competence, experience and background. As a diversity policy, the Nomination Committee has applied Rule 4.1 in the Code in drawing up its proposal for the election of Board members.

Finally, in order for the company to fulfill its informational obligations towards its shareholders, the Nomination Committee has informed the Company about how the Nomination Committee conducted its work and about the proposals the Committee will submit.

The opinion of the Nomination Committee is that the work of Castellum's Board of Directors is running smoothly and that the Board members, jointly and separately, possess a broad range of competence and experience that is relevant to Castellum's operations. In conjunction with Johan Skoglund declining re-election, the Nomination Committee has considered which characteristics could supplement the Board as Castellum enters the 2020s, as well as how the continual renewal process on the Board can best be implemented.

The last few years have been marked by a rapid pace of change at Castellum. The Nomination Committee feels that the proposed Board members have excellent skills and extensive experience in issues concerning property management and development, capital markets, financing, community planning, sustainable business practices, changed customer behavior, trend analysis, digitalization, communication and marketing, creating long-term shareholder value and Board work in general. It is felt that Zdravko Markovski and Joacim Sjöberg can bring competence and experience in several of the areas mentioned above and can thus expand and deepen the Board's areas of competence and experience. In all, the Nomination Committee feels that the proposed Board members constitute a Board of Directors that, taken together, has the diversity and breadth of competence, experience and background required as regards Castellum's operations, its phase of development and conditions in general. The Nomination Committee's proposals mean the Board will have an equal gender distribution.

The auditor is elected by the AGM, is an independent reviewer of Castellum's accounting and corporate governance report, sustainability report and report on green MTNs, and also reviews the administration by the Board and the CEO. Castellum's auditor, Deloitte, was elected by the AGM for a mandate period of one year, until the end of the 2020 AGM. The auditor in charge at Deloitte is authorized public accountant Hans Warén.

### Audit fees

| KSEK                                               | 2019         | 2018         | 2017         |
|----------------------------------------------------|--------------|--------------|--------------|
| Audit assignment                                   | 3,252        | 3,419        | 2,978        |
| Audit business in addition to the audit assignment | 1,127        | 626          | 932          |
| Other services                                     | 52           | 624          | 170          |
| <b>Total audit fees</b>                            | <b>4,431</b> | <b>4,669</b> | <b>4,080</b> |



**HANS WARÉN**  
CASTELLUM'S AUDITOR

# Board of Directors

The shareholders appoint the Board at the AGM. The Board has overall responsibility for Castellum's strategy and organization and manages Castellum's business on behalf of the shareholders. Under the Articles of Association, Castellum's Board is to consist of no less than four and no more than eight members. Board members are elected at the AGM and hold office for the period until the conclusion of the first AGM following their appointment. For 2019, the Board consisted of seven members. The Board works in accordance with established rules of procedure containing instructions on the allocation of work between the Board and the CEO. No Board member is entitled to remuneration upon their assignment coming to an end.

New Board members receive an introduction to the company and its operations and undergo the stock exchange's training program for board members of listed companies.

Subsequently, the Board continually receives information on subjects including changes to regulations, issues that concern operations and the Board's responsibility in a listed company.

The rules of the Companies Act apply to Board decisions, meaning that both more than half of the members in attendance and more than one third of the total number of members must vote for a decision. In the event of a split vote, the Chairman has the deciding vote.

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

## Responsibility of the Board

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 over the long term;
- reviewing and approving the accounts;
- reviewing the auditors' conclusions from the audit and auditor's report and the way

in which the audit promoted the reliability of the financial reporting, and reviewing the auditors' limited assurance report from the half-year report;

- taking decisions on issues concerning investments and sales;
- capital structure, dividend policy and decisions on financing;
- developing the Group's policies;
- ensuring that there are control systems for monitoring compliance with policies and guidelines;
- ensuring that there are systems for monitoring and controlling the Company's operations and risks, which also include climate-related risks and opportunities;
- significant changes in Castellum's organization and operations; and
- appointing the Company's Chief Executive Officer and setting the CEO's salary and other benefits.

Each member is to act independently and with integrity, and to look after the interests of the Company and all shareholders. The experiences of the Board members as part of the work of the Board is covered by confidentiality.

A description of the Board's work year is presented on pages 132-133.

## Board of Directors' rules of procedure

The Board of Directors establishes rules of procedure for Board work every year. The rules of procedure describe the work of the Board and the allocation of responsibility between the Board and the CEO. The rules of procedure also indicate which topics should be covered at each Board meeting, and provide instructions regarding financial reporting to the Board of Directors.

The rules of procedure also prescribe that the Board is to have an Audit and Finance Committee as well as a Remuneration Committee. The Committees prepare and produce recommendations to the Board on various matters. Members of the Committees are appointed yearly. The Chairman of the Remuneration Committee is to be the Chairman of the Board of Directors, whereas the Chairman of the Audit and Finance Committee must not be the Chairman of the Board but another Board member appointed by the Board.

### Chairman of the Board

The Chairman of the Board of Directors is responsible for ensuring that Board members regularly receive, through the agency of the CEO, the information required to monitor the Company's financial position, earnings, liquidity, financial planning and development. The Chairman of the Board is also obliged to carry out decisions made by the AGM regarding establishment of a Nomination Committee, and to participate in its work.

### The work of the Board in 2019

Castellum's Board held 13 meetings in 2019, of which one was the Board meeting following election. According to the prevailing rules of procedure, the Board is to hold at least seven scheduled Board meetings per calendar year, of which one is a Board meeting following election.

The Board meetings are held in connection with the Company's financial reporting: annual accounts, proposals for appropriation of profits, and issues in connection with the AGM are covered in January; interim reports in April, July and October; strategy in June and the budget for the coming year in December.

At each of the scheduled Board meetings, matters of significance for the company such as investments, sales of properties and financing, are covered. Further, the Board is informed of the current business situation in both the rental and property markets and the credit and stock markets. Issues concerning work environment, incident reports and customer-related questions are addressed regularly by the Board, and each Board meeting normally concludes with an executive session, without the presence of Executive Management.

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

Routine matters the Board addressed in 2019 further include Company-wide policies, the overall strategy plan, the Board's rules of procedure, capital structure and financing needs, sustainability initiatives, operational 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 operations. Beyond the routine matters above, the work of the Board in 2019 focused on shifting Castellum's property portfolio based on a quality perspective and towards higher density with an even clearer orientation on growth cities in the Nordic region. A larger, more complex development portfolio meant that the Board has put time and energy into developing the project development process and project leasing. During the year, the Board also worked on United Spaces, Castellum's co-working offering, as well as on innovation issues and technology-based business development. As for the rest, issues such as sustainability, efficiency enhancement measures, succession and recruitment issues and risk management were addressed in the boardroom. The customer experience was in focus as regards most issues that crossed the Board of Directors' desks in 2019.

In the autumn of 2019, the Board assessed its work using the same external consultant who assisted in the comprehensive Board evaluation conducted in the autumn of 2017. The evaluation indicated an open and constructive Board climate and a decision-making process that functions well.

The evaluation has been presented and submitted to the Nomination Committee and was discussed by the Board. Topics reviewed in the evaluation include working climate, forms of work concerning the business process, crisis management, strategic issues, monitoring and control systems, access to – and the need for – particular Board competence, order of succession, morals, ethics and communication.

The evaluation and subsequent Board discussion serve as a basis for the ongoing development of the Board's work methods and ensure that the Board can take decisions that are as well-informed as possible.

The Board evaluation complies with the guidelines for board evaluations in the Code.

No compensation other than remuneration for Board work and Committee work has been paid.

## Board work in 2019

The Board's main tasks are to act as a control body and as support for Executive Management. Acting as a control body means ensuring that Castellum acts responsibly and sustainably over the long term, and that operations are conducted efficiently in accordance with laws, regulations and best practices.

During the year, the Board focused primarily on:

### AGILE SERVICE DEVELOPMENT

As a result of the acquisition of the co-working company United Spaces, Castellum gained access to an arena in which new services can be tested with existing customers. Agile development work can thus be carried out in the new Services customer offering area, defined in the three-year strategy plan that the Board decided on during the year. The results of the service development will also benefit traditional tenants. This is why the Board was involved during the year in the production of a strategy for innovation, and went further in-depth into business development.

### INVESTMENTS FOR FUTURE VALUE CREATION

The project development portfolio has increased in both scope and complexity, which is why the Board has focused on developing the project development process and project leasing. In this regard, the Board went on field visits to the company's major development areas such as the Nyhamnen district in Malmö, where Castellum is building properties for E.On and the Swedish National Courts Administration, and to Säve airport with its extensive project opportunities.

### PREPARED FOR CHANGE

The Board has devoted a great deal of attention to the business environment and to Castellum's positioning from a longer perspective, studying changed customer needs, patterns and preferences. Increased e-commerce has an impact on the logistics business and the market's need for and interest in sustainable transportation and mobility. Castellum's development of smart control and innovative technology – electrified transportation and cross-loading using drone technology, for example – is a strategy for staying at the leading edge and taking advantage of change. During the year, the Board also supported and encouraged Castellum's management in a dialogue concerning the customer concept and what a shift from B2C via B2B2C to B2C could mean for the company's future offerings.



| Board members             | Remuneration, KSEK | Meeting attendance |                        |                             | Independent |
|---------------------------|--------------------|--------------------|------------------------|-----------------------------|-------------|
|                           |                    | Board of Directors | Remuneration Committee | Audit and Finance Committee |             |
| Charlotte Strömberg       | 1 110              | 13 of 13           | 4 of 4                 | 4 of 4                      | Yes         |
| Per Berggren              | 460                | 13 of 13           | 4 of 4                 | -                           | Yes         |
| Anna-Karin Hatt           | 460                | 11 of 13           | 4 of 4                 | -                           | Yes         |
| Christer Jacobson         | 410                | 13 of 13           | -                      | -                           | Yes         |
| Christina Karlsson Kazeem | 410                | 13 of 13           | -                      | -                           | Yes         |
| Nina Linander             | 560                | 13 of 13           | -                      | 4 of 4                      | Yes         |
| Johan Skoglund            | 485                | 13 of 13           | -                      | 3 of 4                      | Yes         |

## Remuneration Committee

The Board's Remuneration Committee routinely evaluates the terms of remuneration to senior executives in light of current market conditions. The Committee prepares matters in this area for decision by the Board. The members of the Remuneration Committee are appointed annually by the Board. The Remuneration Committee consists of three Board members, including the Chairman of the Board, who is also Chairman of the Remuneration Committee. The Committee's rules of procedure are included in the Board of Directors' rules of procedure and are ratified annually.

The tasks of the Remuneration Committee are:

- preparing recruitments to Executive Management and succession issues regarding Executive Management, as well as preparing questions regarding talent supply and broadening of management within the Group;
- discussing management by objectives concerning gender equality and diversity issues,
- preparing and proposing guidelines for remuneration principles, remuneration and terms of employment for the CEO and other senior executives. The guidelines for remuneration are to be submitted to the Board, which in turn will submit remuneration proposals for

resolution at the AGM; The Remuneration Committee will also Monitor and evaluate programs - both ongoing and concluded during the year - for variable remuneration to Executive Management. The results of the Remuneration Committee's evaluation of remuneration to senior executives are presented on the Company's website; and

- annually evaluating the efforts of the CEO, which is also done by an external expert, including interviews with both the Board of Directors and those reporting directly to the CEO.

The Remuneration Committee is to meet at least twice a year. In 2019, the Committee held four meetings. Issues addressed at the meetings included the review of remuneration to the CEO and other senior executives; proposals to the Board regarding the revision of the Executive Management's remuneration package; monitoring and evaluation of incentive programs in effect; and proposals drawn up for parameters for the individually targeted factors in the annual performance-based incentive program as well as HR and succession issues.

### REMUNERATION COMMITTEE

The Remuneration Committee consists of Chairman Charlotte Strömberg as well as members Per Berggren and Anna-Karin Hatt. The primary tasks of the Remuneration Committee are:

- Guidelines for remuneration policies
- Remuneration to senior executives
- Preparation of incentive programs
- Evaluation of the CEO
- Preparation of recruitments to Executive Management and succession issues
- Preparation of issues concerning management expansion and talent supply
- Management by objectives for equality and diversity

## Audit and Finance Committee

The Board's Audit and Finance Committee monitors such issues as financing and audits, and prepares matters in these areas for decisions by the Board.

Members of the Committee, and its Chairman, are elected yearly by the Board.

The Audit and Finance Committee consists of three Board members not employed by the company. The Committee's rules of procedure are included in the Board of Directors' rules of procedure and are ratified annually. It is the business of the Audit and Finance Committee to:

- monitor financial reporting and submit recommendations and proposals for ensuring the reliability of the financial reports;
- with regard to financial reporting, monitor the efficiency of the company's internal control, internal audits (if any) and risk management;
- monitor the work on capital structure and other financing issues as well as prepare financing issues for decisions by the Board;
- monitor the work on operational risks and regulatory compliance, and ensure that there are appropriate systems for control and monitoring;
- issue an annual report on internal control and ensure that the Corporate Governance Report describes the Board's measures for ensuring that internal control functions properly;
- stay informed about the Annual Report and the consolidated accounts;
- inform the Board of the results of the audit and how they promoted the reliability of financial reporting;
- staying informed about the findings of the Swedish Inspectorate of Auditors' control of the auditors;
- review and monitor the auditors' impartiality and independence, paying particular attention to whether the auditors provide other services besides auditing as well as evaluating the audit work and informing the

Company's Nomination Committee of the results of the evaluation;

- take note of the auditors' report pursuant to Article 11 of the Audit Regulation and, if needed, take appropriate action in this connection;
- issue guidelines for services other than auditing provided by the auditors and, where appropriate, approve such services in accordance with these guidelines;
- prepare issues regarding procurement of audit and other services from the auditors; and
- assist the Nomination Committee in producing proposals for auditors and remuneration to them, at which point the Committee is to ensure the auditors' mandate period does not exceed the applicable regulations, procure the audit and submit a reasoned recommendation in accordance with the stipulations in Article 16 of the Audit Regulation.

The Audit and Finance Committee is to hold at least four meetings a year, and the Company's auditors must attend at least two of them. On one of the occasions when the Audit and Finance Committee meets with the auditors, no one from Executive Management may be present.

In 2019, the Audit and Finance Committee held four meetings. Issues covered at the meetings included capital structure and financing issues, financial reporting including a review of future regulations and their potential impact on Castellum; a survey of the decision-making process as regards investments; internal control and risk management; the impartiality, independence and work of the auditors; policy development and feedback from the whistleblower service. Operational issues were also thoroughly examined. In addition, the Audit and Finance Committee held individual meetings during the year with compliance and auditors without the presence of management.

### AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee consists of Chairman Nina Linander as well as members Johan Skoglund and Charlotte Strömberg. The primary tasks of the Audit and Finance Committee are:

- Financial reporting
- Financing and capital structure
- Investment research and monitoring
- Risk management
- Regulatory compliance
- Audit
- Policies
- Operational areas of specialization
- Internal control

## CEO and Executive Management

The CEO is responsible for routine administration of the Company and managing operations in accordance with the guidelines and instructions of the Board as well as for providing the Board with information and the necessary documentation for decisions. The CEO leads the work of Executive Management and takes decisions after consulting its members.

### *Chief Executive Officer*

The CEO presents the reports at Board meetings and is to ensure that Board members are routinely sent the information needed to monitor the company's and the Group's financial position, earnings, liquidity and development.

### *Executive Management*

The Executive Management includes the CEO, the Chief Financial Officer, the Investment Director, the Director of Communication, the Logistics Director, the Office Director (vacant) and the managing directors of the four regions. The Executive Management has joint responsibility for delivering on Group-wide goals and strategies, and decisions on overall operational issues are discussed and taken at the meetings that take place. The Executive Management held nine meetings in 2019.

In 2019, the Executive Management produced a new strategy for 2020-2022, with the customer offering and development in focus. The single largest change is that Services constitutes its own part of the customer offering alongside Castellum's offerings in Office, Public Sector Properties and Logistics.

The work of the Executive Management during the year also dealt with changing the investment portfolio, with greater emphasis on strategic projects. The development organization has been provided with resources and competence, and an Investment Director as well as a Deputy CEO have taken seats in Executive Management.

Comprehensive cultural efforts have been initiated and will run throughout 2020. The aim is to develop the Group's corporate culture towards increased performance, management by objectives and assuming responsibility as well as speeding up the work on creating a shared corporate culture. Another way of sup-

porting the organization's development and efficiency is the Executive Management's work on defining and refining boundaries and collaboration among Group-wide functions and the four regions as regards ownership, responsibility, mandates and the ability to accomplish goals.

Together with the Managing Directors of the respective regions, the CEO and the Chief Financial Officer constitute the Board of each regional company.

### *Remuneration to senior executives*

The 2019 AGM resolved on the following guidelines for remuneration to senior executives:

Castellum is to have competitive remuneration levels at market rates, and terms of employment necessary to recruit and retain 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 salary, pension benefits, variable remuneration and non-monetary benefits. A fixed salary will be paid for work performed in a satisfactory manner. In addition, variable remuneration under an incentive program may be offered. Variable remuneration of this kind is intended to enable long-term value creation in the Group. The design is to be based on the objective of linking together Executive Management interests with shareholder interests through senior executives also being shareholders in Castellum, as well as by increasing the portion of the total remuneration linked to the Group's development. Variable remuneration, which cannot exceed the fixed salary, is determined by the extent to which objectives set in advance regarding growth in income from property management per share, and share price trend, are achieved as well as how individually set factors have developed.

The resulting remuneration under the incentive program includes vacation pay, and is not pensionable. Payment of remuneration under the incentive program will take place in the form of salary. Executives receiving variable remuneration under the incentive program pledge to acquire Castellum shares for at least half of the amount of the resulting variable remuneration after tax.



The pension terms for executive management are to be at market rates and based on defined-contribution pension solutions. The notice period upon termination by the Company must not exceed six months for the CEO and twelve months for the other executives. During the notice period, a full salary and other employment benefits will be paid, less salary and remuneration received from other employment or operations during the period of notice. Deductions of this kind will not take place as regards the CEO. Upon termination of the CEO by the Company, a severance package will be paid of twelve months' fixed salary, which is not to be reduced owing to other income the CEO receives.

Castellum has complied with the guidelines resolved by the 2019 AGM.

The proposed guidelines for remuneration to senior executives, which will be put forward at the AGM on March 19, 2020, have been adjusted in relation to the proposals put forward at the 2019 AGM. The adjustments were made as a result of new regulations aimed at providing increased transparency in remuneration issues.

For further information regarding remuneration to Executive Management, see Note 11.

## Compliance and internal control

Castellum has a Compliance Officer to monitor compliance (i.e. ensuring the observance of laws and ordinances as well as internal policies and guidelines). The Group's General Counsel is its Compliance Officer.

Internal control at Castellum is based on the established COSO framework, which consists of the following components: control environment, risk assessment, control activities, information, communication and monitoring. Internal control is described in more detail on pages 142-145.

Castellum has a whistleblower function, which is directed both externally and internally. It is available on 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 function acts as a support for the operations driving the business when it comes to identifying and monitoring operational risks. The Compliance Officer regularly reports to the CEO and the Audit and Finance Committee regarding risks and regulatory compliance.



# 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 the Audit and Finance Committee.

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

**Board assignments:** Board member at Clas Ohlson AB (publ), Kinnevik AB (publ), Sofina S.A. and Skanska AB (publ). Member of the Swedish Securities Council.

**Shareholding:** 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 Fastighets AB, CEO of Jernhusen AB, Division Manager of Fabega AB (publ), CEO of Drott Kontor AB and Property Manager at Skanska Fastigheter Stockholm AB.

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

**Shareholding:** 4,500



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

Born 1972, degree in political science from the University of Gothenburg. President and CEO of the Federation of Swedish Farmers (LRF).

Board member of Castellum and member of the Remuneration Committee.

**Previous positions:** CEO of Almega AB; 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; CEO of Didaktus Skolor AB, deputy CEO of Kind & Partners AB.

**Board assignments:** Board member of Business Sweden and National Board member of ICC Sweden; Chairman of the Board of LRF Media and of Svensk Kooperation.

**Shareholding:** 1,325



**CHRISTER JACOBSON**  
BOARD MEMBER SINCE 2006

Born 1946, Master of Business Administration and Economics from the Stockholm School of Economics. 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.

**Board assignments:** Board member of Global Challenges Foundation.

**Shareholding:** 35,429

## THE BOARD'S YEAR

apart from permanent issues such as business conditions, future outlooks, investments, sales, financing, reporting from the chairmen of the respective committees regarding committee work, work environment issues, customer-related issues and incident reporting.

| JAN                                                                                                                                                                                                                                                                                                                                  | FEB | MAR                                                                                                                                                                                                                                                                                   | APR                                                                                                                                                                                                                                                                                                                                 | MAY                                                                                                                                                                                                                              | JUN                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Board Meeting</b></p> <ul style="list-style-type: none"> <li>Net income for the year</li> <li>Annual Report incl. Sustainability Report</li> <li>Documents for the AGM</li> <li>Proposed appropriation of profits</li> <li>Review of the auditors' conclusions from the audit</li> <li>Individual meeting, auditors</li> </ul> |     | <p><b>Board Meeting</b></p> <ul style="list-style-type: none"> <li>Preparations for the AGM</li> </ul> <p><b>Board Meeting following election</b></p> <ul style="list-style-type: none"> <li>Authorized signatory appointed</li> <li>Composition of the committees decided</li> </ul> |                                                                                                                                                                                                                                                                                                                                     | <p><b>Board Meeting</b></p> <ul style="list-style-type: none"> <li>Q1 interim report</li> <li>Decision log</li> <li>Monitoring investments and leasing plans</li> <li>Rules of procedure and policy documents adopted</li> </ul> | <p><b>Board Meeting</b></p> <ul style="list-style-type: none"> <li>Strategy review</li> <li>Review of operational risks in the business and financial risks</li> </ul> |
| <p><b>Audit and Finance Committee</b></p> <ul style="list-style-type: none"> <li>Financial position</li> <li>Review with auditors of year-end audit</li> <li>Audit plan</li> <li>Incident reporting, Whistleblower</li> <li>Review of disputes</li> <li>Evaluation of Committee work</li> </ul>                                      |     | <p><b>Annual General Meeting</b></p>                                                                                                                                                                                                                                                  | <p><b>Audit and Finance Committee</b></p> <ul style="list-style-type: none"> <li>Financial position</li> <li>Risk management</li> <li>Internal control</li> <li>Incident reporting, Whistleblower</li> <li>Evaluation of audit work</li> <li>Review and evaluation of strategic objectives</li> <li>Procurement of audit</li> </ul> | <p><b>Remuneration Committee</b></p> <ul style="list-style-type: none"> <li>Review of incentive programs</li> <li>Review of remuneration policies for senior executives</li> </ul>                                               |                                                                                                                                                                        |



**CHRISTINA KARLSSON KAZEEM**  
BOARD MEMBER SINCE 2016

Born 1965, Master of Science in Engineering from KTH Royal Institute of Technology. CEO of Ettelva Arkitekter. Board member of Castellum.

**Previous positions:** Chairman of the Board of Tomorrow China, H&H Group. CEO of Hilanders AB. Board member of Tempest Security AB (publ). Communication Manager at Niscayah Group and executive positions at Razorfish AB and Creuna AB. Worked with city planning and development at the City of Stockholm Property Management Administration.

**Board assignments:** Chairman of the Board of Creador AB.

**Shareholding:** 350



**NINA LINANDER**  
BOARD MEMBER SINCE 2014

Born 1959, Master of Business Administration and Economics from the Stockholm School of Economics and MBA from the International Institute for Management Development, Lausanne, Switzerland.

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

**Previous positions:** Founder and partner of Stanton Chase International AB, Group Treasurer at AB Electrolux (publ), executive positions at Vattenfall AB, various positions in corporate finance at various investment banks in London.

**Board assignments:** Chairman of the Board of Awa Holding AB and GreenIron H2 AB. Board member of Industrivärden AB (publ) (retiring), Telia Company AB (publ), Suominen Corporation (proposed as new member) and Swedavia AB (publ) (proposed as new member).

**Shareholding:** 12,000



**JOHAN SKOGLUND**  
BOARD MEMBER SINCE 2010

Born 1962, Master of Science KTH Royal Institute of Technology and Master of Science program, Stockholm School of Business. President and CEO of JM AB (publ).

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

**Previous positions:** Employed in various positions at JM AB (publ) since 1986.

**Board assignments:** Board member of Mentor Sverige and the Confederation of Swedish Enterprise.

**Shareholding:** 5,000

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

The information above refers to the situation at the end of January 2020. Shareholdings include member's own holdings and those of spouses, minors and children living at home, holdings of associated companies and holdings through capital insurance.

#### Board Meeting

- Q2 interim report
- Review of the audit of the half-year report

#### Board Meeting

- Q3 interim report
- Decision log
- Insurance review
- Monitoring investments and leasing plans

#### Board Meeting

- Budget
- Evaluation of the Board and CEO

JUL

AUG

SEP

OCT

NOV

DEC

#### Audit and Finance Committee

- Financial position
- Review of financial reporting process
- Review of policy compliance
- Incident reporting, Whistleblower
- Recommendation for election of auditor to the Nomination Committee

#### Remuneration Committee

- Guidelines, remuneration principles
- Preparing incentive outcome
- Preparing CEO evaluation

#### Audit and Finance Committee

- Financial position
- Review of financial reporting
- Incident reporting, Whistleblower
- Review of changed regulations
- Discussions with the auditors about the audit of the quarterly report and internal control

# Executive Management



**HENRIK SAXBORN**  
CHIEF EXECUTIVE OFFICER,  
CASTELLUM AB

Born 1964, Master of Science. Extensive experience in construction, property acquisition and management, including as CEO of a property management company and partner in NIAM.

**Other assignments:** Deputy Chairman of the Board of EPRA. Deputy Chairman of the Board of Börssällskapet. Board member of BRIS and the Sweden Green Building Council (SGBC).

Employed at Castellum since 2006. Chief Executive Officer since 2013.

**Shareholding:** 67,833

**CAROLA LAVÉN**  
DEPUTY CEO AND INVESTMENT  
DIRECTOR, CASTELLUM AB

Born 1972, Master of Science in Engineering.

Extensive experience in executive positions in the construction and property industry in Sweden and the Nordic region, with a focus on development, administration and transactions. Previous positions included President of NCC Property Development Nordic AB, Business Development Manager at Atrium Ljungberg and Ljungberg Group, and Property Manager at Drott and Skanska.

**Other assignments:** Board member of Sunparadise Group AG.

Employed as Deputy CEO and Investment Director at Castellum since 2019.

**Shareholding:** 0

**ULRIKA DANIELSSON**  
CHIEF FINANCIAL OFFICER,  
CASTELLUM AB

Born 1972, Master of Business Administration and Economics.

Experience in financial and control functions.

**Other assignments:** Board member of Alligator Bioscience AB (publ), John Mattson AB (publ) and Slättö Förvaltning AB.

Employed since 1998, Financial Controller since 2006 and Chief Financial Officer since 2014.

**Shareholding:** 20,750

**MARTIN BJÖRN**  
MANAGING DIRECTOR, REGION  
STOCKHOLM-NORTH AT  
CASTELLUM

Born 1976, Master of Science in Engineering.

Experience from executive positions in Eurocommercial Properties and Jones Lang LaSalle.

Employed as Managing Director of Region Stockholm-North at Castellum since 2019.

**Shareholding:** 0

**PER GAWELIN**  
MANAGING DIRECTOR REGION  
CENTRAL AT CASTELLUM

Born 1978, Business Economics, upper secondary school.

Experience in the property industry and leadership experience as captain and player for Örebro SK Football Club.

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

**Shareholding:** 600



**MARIETTE HILMERSSON**  
MANAGING DIRECTOR REGION  
WEST AT CASTELLUM

Born 1971, Bachelor of Laws,  
LL.M.

Extensive experience from  
management positions in the  
property industry, including  
CEO of AB Framtiden.

Employed as Managing  
Director Region West at  
Castellum since 2018.

**Shareholding:** 1,000

**ANNA-KARIN NYMAN**  
DIRECTOR OF COMMUNICATION,  
CASTELLUM AB

Born 1983, journalism degree  
and courses in gender studies.

Experience from managerial  
positions as Head of Press  
at the Ministry of Enterprise  
and Innovation, Press Officer  
at the Ministry for Rural  
Affairs, political expert in the  
Riksdag and as a journalist and  
editorial writer. Most recently  
employed as Director of Com-  
munications at Jernkontoret.

**Other assignments:** Board  
member of Byggherrarna.

Employed as Communications  
Director at Castellum since  
2018.

**Shareholding:** 0

**OLA ORSMARK**  
MANAGING DIRECTOR REGION  
ÖRESUND AT CASTELLUM

Born 1971, Master of Science.

Extensive experience in the  
property industry, most  
recently as Business Area  
Manager at Jernhusen.

Employed as Managing  
Director Region Öresund at  
Castellum since 2014.

**Shareholding:** 5,850

**HANS SAHLIN**  
DIRECTOR LOGISTICS  
CASTELLUM AB

Born 1968, Transportation  
Engineer.

Extensive experience from  
national and international  
executive positions in the  
logistics sector, as manage-  
ment consultant and in global  
managerial roles at AB Volvo.

Employed as Director Logistics  
since 2019.

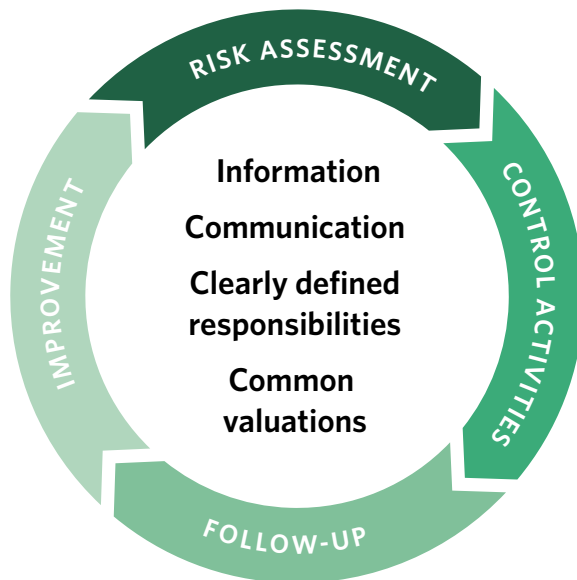
**Shareholding:** 0

The information above refers to  
the situation at the end of January  
2020. Shareholdings include mem-  
ber's own holdings and those of  
spouses, minors and children living  
at home, holdings of associated  
companies and holdings through  
capital insurance. The CEO has no  
material holdings or partnerships in  
companies that Castellum has sig-  
nificant business connections with.



# Internal control

## CASTELLUM'S INTERNAL CONTROL ENVIRONMENT



### Internal control is governed by:

- Board of Directors' rules of procedure
- Audit and Finance Committee's rules of procedure
- Resolution procedure
- Instructions for signatories, proxy forms and authorizations
- Accounting structure
- Reporting structure
- Financial policy, communication policy, insider policy, sustainability policy, Code of Conduct, Code of Conduct for suppliers and Crisis Management policy
- Guidelines for information and IT security, insurance and electricity trading
- Accounting manual, HR manual, Manager manual
- Financial instructions
- Processing routine for personal data
- Continuity plan

Under the Swedish Companies Act and the Code, the Board is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act and the Code and therefore refers to internal control relating to financial reporting and other processes relevant to the operations.

The work on introducing self-assessment of internal controls continued in 2019. During the autumn, work on the two initial procedures – projects and revenue – was implemented. Currently, the controls performed in the first few months are being evaluated. Over the long term, the intent is to introduce this in the areas with the greatest element of risk.

Internal control in Castellum follows an established framework: Internal Control – Integrated Framework (COSO), which consists of the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

### Control environment

The basis for internal control relating to financial reporting is a control environment consisting of various parts that together form the culture and values on which Castellum is

governed. Essential for Castellum's internal control are its decentralized, small-scale organization with more than 600 properties, as are the cost centers administered by four regional companies. The decision-making paths, authorizations and responsibilities documented and communicated in such policies as the Board of Directors' rules of procedure, resolution procedure, instructions for authorized signatories, proxy forms and authorizations, accounting and reporting instructions, internal policies, guidelines and manuals are also of importance for internal control. Current documents are updated regularly in the event of changes (e.g. to legislation, accounting standards or listing requirements).

### Risk assessment

At Castellum, risk management is built into the processes concerned, and various methods are used to evaluate and limit risks as well as to ensure that the risks Castellum is exposed to are managed in accordance with established policies and guidelines. Under the rules of procedure, the Board of Directors and the Audit and Finance Committee annually review customary internal control and operational risk as well as how they are handled; for the latter,

### GROUP POLICIES ISSUED BY THE BOARD



#### FINANCIAL POLICY

Establishes overall objectives and guidelines for financial risk and how financial operations are to be conducted. The financial policy also indicates how responsibility for financial operations is allocated, and how risks are to be managed and reported. It also includes instructions for how operational activities are to be pursued.



#### CODE OF CONDUCT

Provides guidelines for conducting operations responsibly, with the aim of all business being characterized by a high level of business ethics and accountability. Governs the Group in relation to employees, contractors, customers, suppliers and other stakeholders.



#### CODE OF CONDUCT FOR SUPPLIERS

Provides similar guidelines for suppliers as for Group employees as regards conducting operations responsibly with the objective of having all business characterized by a high level of business morals and accountability.



#### SUSTAINABILITY POLICY

Provides guidelines for how sustainability activities in the Group are to be pursued. The work must promote sustainable development and be broken down into specific measurable goals as well as being an integral and natural part of operations and based on participation and commitment.



#### COMMUNICATION POLICY

Ensures that all Group communication is correct and is provided in a professional manner at the right time. The policy covers both internal and external communication.



#### INSIDER POLICY

Ensures proper ethical management in relation to the capital market by describing trading and reporting requirements.



#### CRISIS MANAGEMENT POLICY

Provides guidelines for how the Group is to act and communicate in a potential crisis.

see the “Risks and Opportunities” section on pages 110–121. The risks deemed to exist are identified and then each individual risk is ranked from a perspective of impact and likelihood.

The material risks Castellum has identified as specifically linked to financial reporting are errors in accounting and valuation of properties, lack of financing, interest-bearing liabilities, tax and VAT, workplace injuries and the risks of fraud and loss or embezzlement of assets.

#### Control measures

The risks identified as regards financial reporting are managed through the Company’s control structure, resulting in a number of control measures. The control measures are intended to prevent, detect and correct errors and deviations and cover, for example, analytical reviews at several levels in the organization and comparisons of income statement items, reconciliation of accounts, monitoring and reconciliation of Board decisions and policies set by the Board, authorization and recognition of business transactions, structures for proxies and authorization, authorized signatories, compliance officer functions, and consolidated

accounts prior to publication. The auditors issue a review report of the January–June half-year report.

#### Information and communication

Castellum has information and communication paths that are intended to ensure efficient and correct provision of information as regards financial reporting. This requires all parts of the operations to communicate and exchange relevant, material information. Policies and guidelines regarding financial reporting as well as updates and changes are made available and made known to the personnel concerned. Executive Management and the Board of Directors regularly receive financial information from the regions with comments on financial results and risks.

The Board 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 provision of information is correct and complete, there are a communication policy and guidelines for information security.

### Corporate culture

Conducting Castellum's operations responsibly is crucial for the Company's long-term success. Castellum's Code of Conduct governs its daily work, and the Company has signed and supports the principles of the UN Global Compact on human rights, labor issues, the environment and corruption. The objective is to make sound and proper business decisions in all respects, where the Company's actions are characterized by good business conduct with a high level of competence and business morals, good business practices, accountability and impartiality. The Code of Conduct is based on providing good quality and service, complying with laws and regulations, not discriminating against anyone, creating a good work environment and security. Castellum's work on diversity and equality are also important components in building a corporate culture in which employees are given the right conditions to work. That is why Castellum has produced an equality policy as well as a diversity and equality plan in order to take a proactive approach to these issues every day. In addition, there are ambitious long-term goals regarding diversity and equality.

A cornerstone of Castellum's corporate culture has been its decentralized organization, which creates committed employees who take on responsibilities and feel themselves a part of operations.

### Long-term value creation

Long-term value creation requires that operations are conducted with a focus on sustainability. Sustainability efforts involve environmental considerations such as efficient and responsible use of resources and developing a future-proof and sustainable property portfolio as well as social responsibility by promoting the development of the cities where Castellum operates.

The work also involves ensuring a healthy work environment for employees. Sustainability activities are carried out in collaboration with customers and other stakeholders – a requirement for success. Guidelines for conducting value-creating sustainability efforts can be found in the sustainability policy, the Code of Conduct and the Code of Conduct for suppliers. Castellum reports on this work in accordance with the GRI Standards. Reports on sustainability activities are regularly presented to Castellum's Board of Directors.

### Monitoring

Routine monitoring takes place at many levels in the Group, at the property and regional levels as well as at Group level. Through the Audit and Finance Committee, the Board of Directors evaluates the information submitted by Executive Management and the auditors. Furthermore, the Company's auditors report their observations from the review, and their



assessment of internal controls, directly to the Audit and Finance Committee at least twice a year.

In addition, the Audit and Finance Committee conducts an annual review of the risk assessment and the measures agreed on. 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 action is taken regarding any shortcomings and proposals that emerge.

#### **Internal audit**

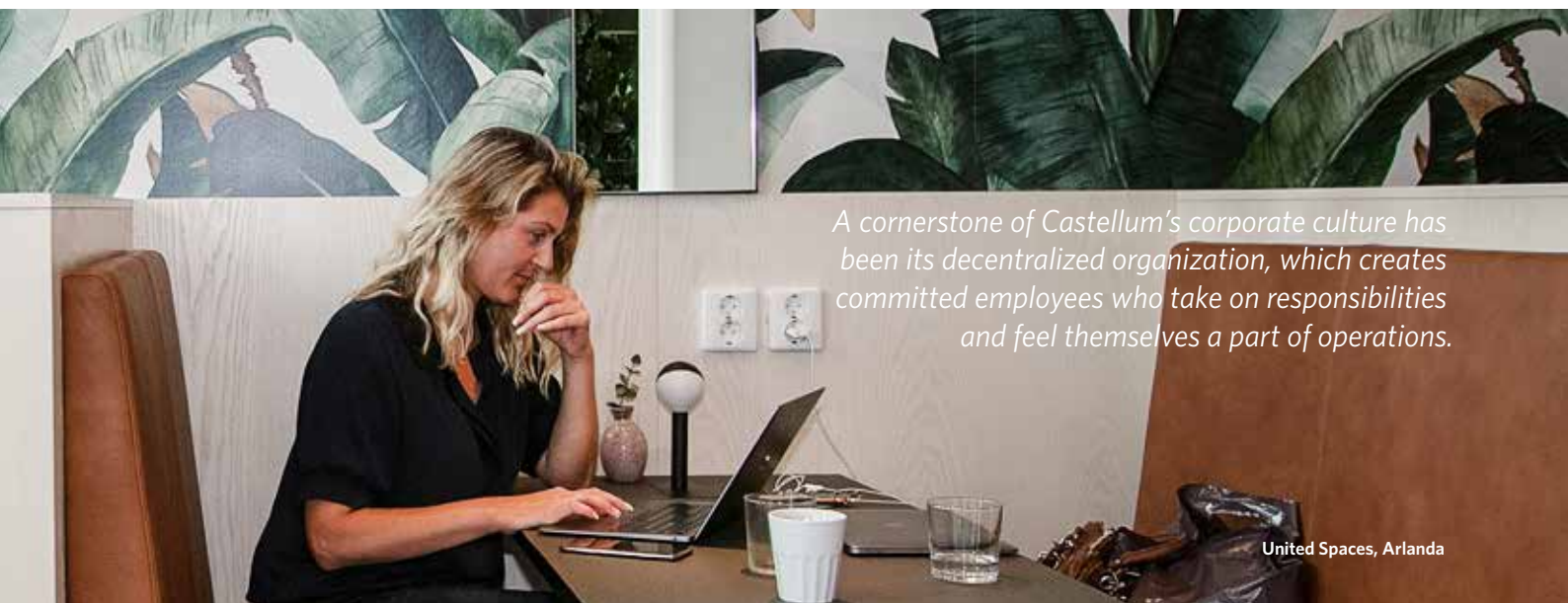
Castellum has a decentralized and transparent organization. The economic and financial functions are managed from the head office, meaning that routines and processes are uniform but also provide the conditions for various parts of the functions to review one another's processes – a form of self-assessment. All this is to increase and improve internal control. The business units and the Company monitor the income statements and balance sheets on a quarterly basis.

Clear documentation through policies and instructions, along with frequent monitoring and regular discussions with the auditors, continually ensure the work to improve these processes. Management and reporting are reviewed twice a year by the Company's auditors and reported to both the Audit and

Finance Committee and the Board. In addition, there is a whistleblower function on the Group's website. Taken together, this means that a specific division for internal audits is not considered justifiable.

#### **Whistleblower**

Castellum's whistleblower service, "Help us to do right," can be accessed on the Group's website and the Group's intranet. The whistleblower service is an early warning system that provides both employees and external stakeholders the opportunity to anonymously report any deviations from Castellum's values and business ethics. The service is administered by an external partner to ensure anonymity and professionalism.



*A cornerstone of Castellum's corporate culture has been its decentralized organization, which creates committed employees who take on responsibilities and feel themselves a part of operations.*

United Spaces, Arlanda