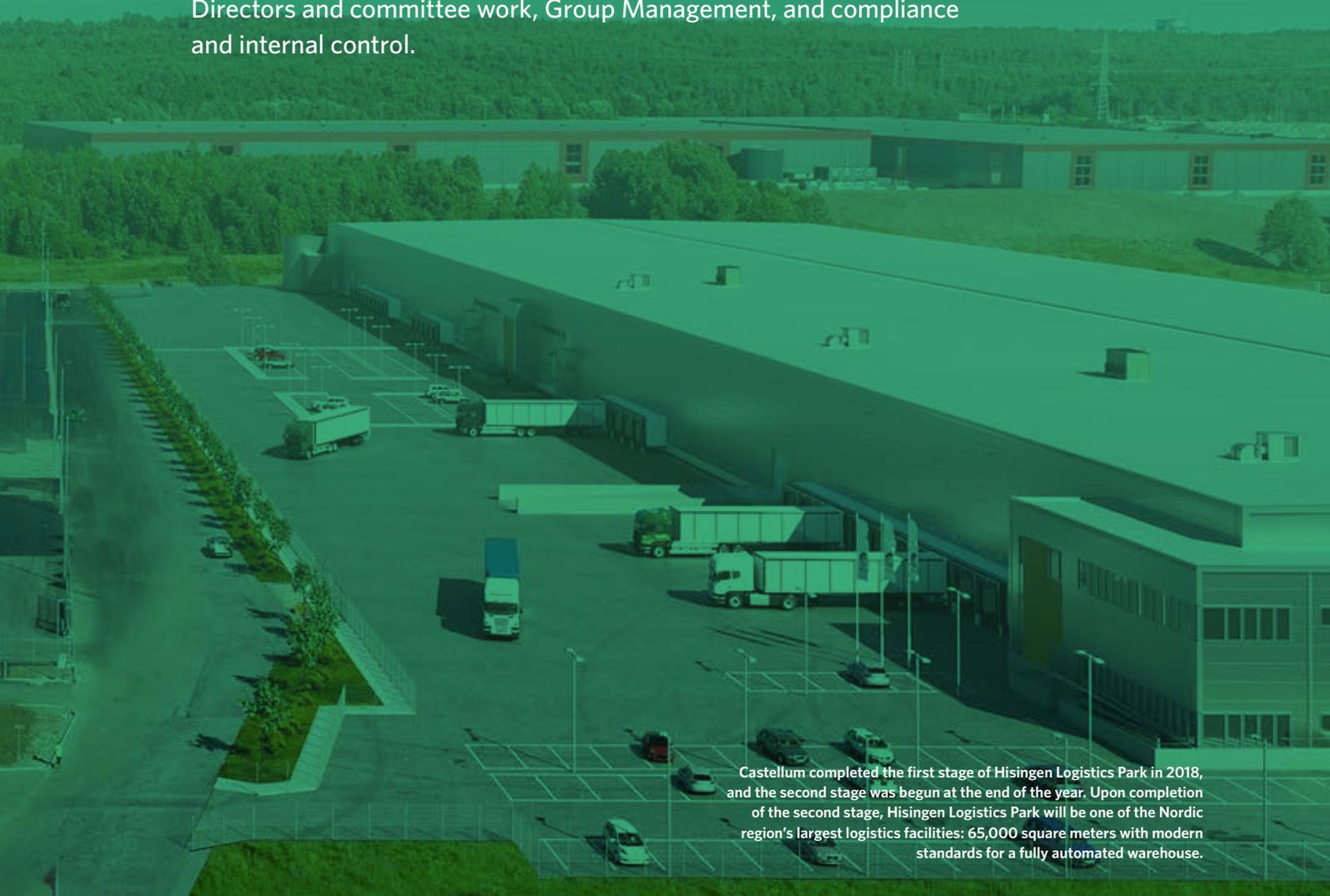


# Corporate Governance report

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, Group Management, and compliance and internal control.



Castellum completed the first stage of Hisingen Logistics Park in 2018, and the second stage was begun at the end of the year. Upon completion of the second stage, Hisingen Logistics Park will be one of the Nordic region's largest logistics facilities: 65,000 square meters with modern standards for a fully automated warehouse.

## Chairman of the Board's comment

### Shareholder value in the form of strong total yield

After an uninterrupted suite of six years of rising share indexes on Nasdaq Stockholm (SIX Return), 2018 would break the trend and end up in the red. The autumn was marked by international unrest, increased uncertainty and rising volatility in the world's stock markets.

Castellum's objective — or promise to shareholders, if you will — is to create long-term, sustainable shareholder value and growth under moderate risk. Castellum's ability and performance in the stock market is graded on a daily basis in its pricing, and through the total yield we can measure our value creation, both in absolute terms and relative to our sector in the geographies where the main portion of our shareholders are located.

Over the past year, we owners of Castellum shares have enjoyed a very strong yield on our investment — just over 22% — compared with the four percent downturn for the stock market as a whole, but also compared with the property index in Sweden (+15%), the Eurozone (-8%) and the UK (-13%).

Back in 1994, when Castellum rose out of the ashes of the real estate crisis of the early 1990s, its long-term target function was formulated from a clear shareholder perspective. As support for this architecture, the structure for the incentive program for senior executives was also established; it has run in three-year cycles and the Annual General Meeting will consider the period from 2020 to 2023 in March. It consists of two elements: one annual, and one measured over three years.

One of the tasks of the Board is to routinely evaluate the structure and level of remuneration for Group Management. We set aside the proper amount of time and energy to discuss, monitor and compare with other companies, as well as to set challenging goals that drive value. The basic philosophy is to keep fixed costs in the form of salaries down, and in return to offer variable remuneration that adds up to a competitive total. If the shareholders receive a healthy yield, it is reasonable to reward executive management as well. In the real estate industry, a number of larger players and competitors for Castellum are publicly owned, and are thus prohibited from offering variable remuneration to management; this has promoted a high level of fixed remuneration. Through its incentive program, Castellum can limit this burden. To further link the interests of executive management with those of shareholders, the participants additionally pledge to purchase Castellum shares for at least half of the variable remuneration paid, after tax. This gradual investment of taxed income promotes an understanding of long-term value creation, and gives the confidence to drive change.

The three-year portion of the ongoing program, which is linked in its entirety to the Castellum share's total yield, expires in May 2020 at which point the outcome will become clear. Viewed over a longer succession of periods, Castellum has offered its shareholders a healthy average yield: just over 20% over the last three years and just over 16% over ten years.

A significant portion of the total yield is the dividend. One promise to our shareholders is a dependable dividend linked to the growth targets in income from property management.

For a number of years, the business community in general — and the capital-intensive real estate industry in particular — have been living in a "perfect storm" of low financing costs and a strong economy, something that has also favored Castellum. We have been prospering, but Castellum's executive management — challenged and assisted by the Board — has also carried out a thorough repositioning of the company's real estate portfolio, with a top-quality customer offering and concentrating on growth hubs in the Nordic region. The fruits of these improvement efforts, which otherwise are a permanent component of building a company, will be harvested for a long time to come. In the short term — viewed over a few years — larger sales or acquisitions may impact growth so that it rises above or falls below the long-term trend.



Charlotte Strömberg, Chairman of the Board

For 2018, Castellum delivered particularly strong growth in income from property management: 17% compared with the goal of 10%, which gives the Board plenty of room to propose an increase in the dividend for the 21st consecutive year. Our proposal is SEK 6.10, an increase of 15%.

### **Unique position paves the way for transactions that create value**

Castellum's Board of Directors works actively, continually developing its strategic agenda to achieve our long-term goals. The business environment is in a state of rapid change, with changing customer needs and behaviors, and — for the first time in many years — signs of a slowdown in the economy with the caution among decision makers that goes with it. As part of the annual evaluation of Board activities at the December meeting, we are monitoring performance, agreeing on focus areas, and are in dialogue with executive management for the coming year.

Despite the rate of change already being high, we have no plans to slacken our pace — quite the contrary. Our sights are set on creating value now — and also ten years from now. Allow me to touch briefly on a few decisive issues that hold significant opportunities as well as challenges.

**Talent supply.** Our ability to develop and attract the sharpest talent — not only in the real estate industry, but also in a broader job market — is crucial to our success. There is a broad set of perspectives represented on the Board, and we see shifts before us in the industry that will require supplementation, just as we are seeing shifts in technology where we are competing for specialists who have the entire world, and all sectors of society, as their workplace. Here, we see the potential for taking a position for existing and potential employees who want to be a part of breaking boundaries in an innovative environment.

Our ability to maintain a role as an **independent and financially strong player acting for the long term** has already created unique business opportunities not subject to competition; this is a position we will make sure we get additional leverage on.

The Nordic property market is a fragmented one. A few macroeconomic headwinds, generational shifts and rebalancing pension capital are all factors that will drive consolidation going forward. We at Castellum CAN — we have the financial capacity, the initiative, and the confidence; moreover, through a chain of complex transactions such as Norrporten and other portfolio transactions, we have shown that we WANT to — take part in structural changes. Access to our share as a means of payment can be a strength, as is access to the bond market not only in Sweden but also the Eurobond market after having received an investment grade rating and completed an initial issue in 2018. Castellum has persistently been shifting its financial position for several years to meet the rating requirements, and it finished the year with a loan-to-value ratio of 45%. The big figures are impressive, with a portfolio value of nearly SEK 90 billion and credit agreements of almost SEK 60 billion.

Another at least equally important aspect of our unique profile is that Castellum is building the sustainable cities of the future and — through a combination of acting for the long term and acting quickly — has quickly risen as a highly ranked partner for municipalities and other societal institutions.

**Innovation**, the confidence to break old patterns and to collaborate with new and old players, is a necessity for sustainable value creation. Historically, our industry has been protected by high barriers to entry and a traditional view of offerings. For us, it is completely obvious that new and disruptive business models are re-drawing the map. The office segment, for example, has been subject to aggregators in the form of co-working companies, in much the same way as the travel industry was exposed to Booking.com more than two decades ago. In warehouse and logistics, urbanization and changed consumption patterns have driven a shift in demand now that the retail trade is reconfiguring its supply chains. In both examples, Castellum has and is taking a leading position. Our starting point, with the largest listed office portfolio concentrated in regional and national capitals, as well as one of the absolute largest logistics portfolios, gives us room to develop attractive new customer offerings. The recently announced acquisition of United Spaces as the ground plate for continued growth in co-working, for example, also opens the way to exciting supplementary offerings to existing customers and the 250,000 people who have Castellum buildings as workplaces.

Finally, I would like to repeat the express goal of the Board and executive management that Castellum, through continual fast-paced improvement efforts, takes responsibility and hold the yellow jersey in **Sustainability**, which we give expression to as Castellum's Agenda for the Sustainable City 2030. Read more on pages 67-73, or in our sustainability section on the web.

Previously, I devoted a great deal of my space in both the annual report and at the meeting to this theme, which has for many years been an integral part of Castellum's daily work. Some samples from the past year are Castellum's climate goal for net zero emissions by 2030, being the first property company in the Nordic region to be approved by the Science Based Target Initiative, and clarifying our target for diversity in the dimension of international background to more closely reflect the composition of Swedish society. Our work in 2018 has also been honored in various ways, in particular the position as the only Nordic construction and property company on the Dow Jones Sustainability Index for the third consecutive year.

With a stimulating mix of challenges and opportunities, Castellum's Board of Directors looks forward to driving positive development alongside executive management for Castellum's customers, shareholders and employees, which goes hand in hand with building a sustainable society far beyond Castellum's borders.

Stockholm, January 2019

Charlotte Strömberg  
Chairman of the Board

# 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 Board, authorized signatories, powers of attorney 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 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 managed 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 favourable 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 2018 and has no deviations to report or explain.

## Shareholders and shares

Castellum AB (publ) is a Swedish public 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, 2018, Castellum had approximately 44,400 shareholders. Of the total sharecapital, 45% was owned primarily by Swedish institutions, funds and private individuals, and 55% by foreign

investors. Castellum has no directly registered shareholder with holdings exceeding 10% of 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.

## Shareholders and Annual General Meeting

The General Meeting of Shareholders 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 Annual General Meeting (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 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 annual general meeting 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.

## THE 2019 AGM

For the AGM on March 21, 2019 the Board of Directors proposes:

- distribution of a dividend of SEK 6.10 per share, divided into two payments of SEK 3.05 each. The proposed record days for the payments are March 25, 2019 and September 23, 2019 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, Nina Linander and Johan Skoglund. Charlotte Strömberg is proposed for re-election as Chairman of the Board.
- Fees to be paid to Board members as follows (2018 fees in parentheses).
  - Chairman of the Board: KSEK 985 (850).
  - Each of the other Board members: KSEK 410 (370).
  - Members of the Remuneration Committee. Chairman included: KSEK 50 (50).
  - Chairman of the Audit and Finance Committee: KSEK 150 (150).
  - Each of the other members of the Audit and Finance Committee: KSEK 75 (75).

The proposed total remuneration to the members of the Board of Directors, including remuneration for committee work, thus amounts to KSEK 3,895 provided the number of committee members is unchanged.

- re-election of Deloitte as auditor. Deloitte has announced that the current auditor in charge Authorized Public Accountant Hans Waren will continue auditor in charge.
- that the Meeting resolve that a new Nomination Committee be elected ahead of the 2020 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 2019 and ask them to elect 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.

Decisions at the meeting 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.

## 2018 Annual General Meeting

The latest Annual General Meeting (AGM) was held on March 22, 2018, in RunAn, Chalmers Student Union, Chalmersplatsen 1, in Gothenburg. 640 shareholders were represented at the meeting, representing 49.5% of the number of shares and 49.5% of the votes. All members of the Board, the Nomination Committee, company management and the company's auditors were present at the AGM.

The AGM adopted the financial reports for 2017 and discharged the Board of Directors and the Chief Executive Officer from liability regarding operations for 2017.

At the AGM on March 22, 2018, the following was decided:

- distribution of a dividend of SEK 5.30 per share for fiscal year 2017, divided into two equal payments (March and September, respectively) of SEK 2.65 per share;
- that remuneration to the members of the Board of Directors is to be KSEK 3,520 of which KSEK 850 should be allocated to the Chairman of the Board of Directors and KSEK 370 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 Waren is Castellum's auditor in charge;
- approval of the proposed guidelines for remuneration to senior executives;
- 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 of property investments, on the acquisition and transfer of treasury shares.

Minutes of the Annual General Meeting held on March 22, 2018, are available on Castellum's website.

## Nomination Committee

The 2018 AGM resolved that a Nomination Committee should be appointed for the 2019 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; proposals for election of auditors; remuneration to Board members of and auditors; and a model for appointing a new Nomination Committee for the 2020 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 2019 AGM, the Nomination Committee was appointed in accordance with the resolution of the 2018 AGM through commissioning the Chairman of the Board to contact the three largest registered or otherwise known shareholders on the final trading day of August and asking them to elect 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 2019 AGM, the Nomination Committee consists of: Patrik Essehorn, elected by Rutger Arnhult through his company; Vincent Fokke, elected by Stichting Pensioenfonds ABP; Johan Strandberg, elected by SEB Fonder; and Chairman of the Board Charlotte Strömberg. Johan Strandberg is Chairman of the Nomination Committee. All together, the members of the Nomination Committee represented approximately 16.3% of the total number of shares and votes in the company when the composition of the Nomination Committee was publicized on September 19, 2018.

All the members of the Nomination Committee have carefully considered whether any conflict of interest exists in accepting the commission as member of Castellum's Nomination Committee. The Nomination Committee held five 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 completed Board evaluation, and additionally conduct-

ed interviews with the Board members. The Nomination Committee has further taken note of the Audit and Finance Committee's recommendation to the Board of Directors regarding election of auditor.

The Nomination Committee has covered all the issues it was incumbent upon them to do under the Code. The issues the Nomination Committee has discussed and considered include:

- the extent that 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 election of auditor and the auditor's fee; and
- the model to be applied for a new Nomination Committee for the 2020 AGM.

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 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. The last few years have been marked by a rapid pace of change at Castellum, including in relation to business development, financing issues, restructuring in the Group and efficiency enhancement initiatives. This work is continuing. Group Management has also been the subject of several changes in staff. In light of this, the

Nomination Committee believes that continuity in the work of the Board is significant. Current Board members state they are motivated in enabling the conclusion of the efforts to change at Castellum that are now under way, which is why the Nomination Committee is proposing the re-election of all current Board members.

The Nomination Committee feels that the members of Castellum's Board of Directors are competent and have extensive experience regarding property issues in a broad sense, sustainability issues, infrastructure issues and city planning, capital market issues and financing issues, customer service and changing customer behaviors, trend analysis, digitalization, insight into transformation trends in both private and public partners, communication and marketing and board work in general. The Nomination Committee therefore feels that the current 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 proposal means that four out of seven Board members of the company will be women.

#### Auditor

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 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 2019 AGM. The auditor in charge at Deloitte is authorized public accountant Hans Warén.

#### Audit fees

KSEK	2018	2017	2016
Audit assignment	3,419	2,978	1,820
Audit business in addition to the audit assignment	626	932	1,781
Other services	624	170	65
<b>Total audit fees</b>	<b>4,669</b>	<b>4,080</b>	<b>3,666</b>
of which Deloitte	4,669	4,080	3,516
of which EY	-	-	150

#### Board of Directors

The shareholders appoint the Board at the Annual General Meeting. 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



**HANS WARÉN**  
CASTELLUM'S AUDITOR

elected at the AGM and will hold office for the period until the conclusion of the first AGM following their appointment. For 2018, 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 the 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, means 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, 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;
- 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 112-113.

### 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 provides 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 elected 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 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 Annual General Meeting regarding establishment of a Nomination Committee, and to participate in its work.

### The work of the Board in 2018

Castellum's Board held twelve meetings in 2018, 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 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

Board members	Remuneration, KSEK	Meetings attendance			
		Board of Directors	Remuneration Committee	Audit and Finance Committee	Independent
Charlotte Strömberg	975	12 of 12	3 of 3	4 of 4	Yes
Per Berggren	420	12 of 12	3 of 3	-	Yes
Anna-Karin Hatt	420	11 of 12	3 of 3	-	Yes
Christer Jacobson	370	11 of 12	-	-	Yes
Christina Karlsson Kazeem	370	10 of 12	-	-	Yes
Nina Linander	520	12 of 12	-	4 of 4	Yes
Johan Skoglund	445	12 of 12	-	4 of 4	Yes

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 covered regularly by the Board, and each Board meeting normally concludes with an executive session, without the presence of Group Management.

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

Routine matters the Board covered in 2018 further include company-wide policies, the overall strategy plan, the Board's rules of procedure, capital structure and financing needs, sustainability initiatives, operational mode 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 2018 focused on shifting Castellum's property portfolio both based on a quality perspective and in relation to a Nordic platform. The Board also focused on developing Castellum's offering in warehouse and logistics. The work on technology-based business development as part of Next20, Castellum's R&D function, was a permanent feature of the Board's agenda in 2018 as well. As for the rest, issues such as sustainability, efficiency enhancement measures and succession and recruitment issues were on the agenda.

In the autumn of 2018, the Board assessed its work through an internal evaluation based on the report produced by the external consultant who assisted in the comprehensive Board assessment conducted in autumn 2017. The evaluation indicated an open and constructive Board climate and a decision-making process that functions well. The evaluation also showed that the work on the focus areas for further developing the work of the Board, which the Board decided on in December 2017, has turned out well.

The evaluation has been presented and submitted to the Nomination Committee and 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 other compensation than remuneration for Board work and committee work has been paid.

### 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 cases 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 Group Management and succession issues regarding Group 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;
- monitoring and evaluating programs — both ongoing and concluded during the year — for variable remuneration to Group 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 in which both the Board of Directors and those reporting directly to the CEO are interviewed.

The Remuneration Committee is to meet at least twice a year. In 2018, the Committee met three times. Issues covered at the meetings included the review of remuneration to the CEO and other senior executives, proposals for changes to remuneration for members of Group Management, monitoring and evaluation of currently valid incentive programs, proposals concerning renewal of incentive programs,

### BOARD WORK IN 2018

The Board's main tasks are to act as a control body and as support for Group Management. The controlling task 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, Board focused primarily on:

#### • Developing and shifting the property portfolio

During the year, the Board went on study tours to a number of growth cities identified by Castellum in order to support future decisions regarding the next steps in developing the company's property portfolio. Development issues attributable to the property portfolio affected the quality shift, as well as creating a base for a Nordic platform, during the year.

#### • Optimizing business opportunities in warehouse and logistics

For Castellum, the changed consumption patterns of companies and individuals that has entailed a shift to e-commerce has resulted in increased demand for warehouse and logistics space. During the year, the Board focused on this for the purpose of strengthening Castellum's position in the field as regards strengthening existing customer offerings as well as creating new business opportunities and reviewing Castellum's property portfolio in these segments.

#### • Technology-based business development

Two years ago, Next20 — Castellum's development lab in technology-based business development — was launched, and in 2018 the lab continued to launch services for both tenants and end consumers. During the year, the Board was involved in developing Castellum's co-working concept. Furthermore, the Board remained involved in trendspotting, monitoring and evaluating the opportunities offered by new technology, new consumption patterns and new behaviors.

## REMUNERATION COMMITTEE

The Remuneration Committee consists of Chairman Charlotte Stromberg and 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 Group Management and succession issues
- Preparation of issues concerning leadership expansion and talent supply
- Management by objectives for equality and diversity

## 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

proposals drawn up for 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 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 account statement;
- inform the Board of the results of the audit and how they promoted the reliability of financial reporting;
- stay informed about the findings of the Swedish Inspectorate of Auditors' control of the auditors;
- review and monitor the auditor's 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 will 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 will 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 auditors, no one from company management may be present.

In 2018, 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.

### Chief Executive Officer and Group Management

The Chief Executive Officer (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 Group 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.

#### Group Management

In December 2018, a new organizational structure to ensure continued growth was presented, including the establishment of the new divisions: logistics, investment and portfolio strategy, and office premises in Group Management. The investments in streamlining and

focusing the Logistics and Offices business areas at the central level should be seen as a link in strengthening excellence in the respective segments, and also a part of Castellum's focus on growth, which requires entirely new solutions for distribution and retail as well as flexible office solutions. By also inaugurating a new position in Group Management for investment and portfolio strategy with responsibility for all investments as well as the Group's analysis and evaluation, this part of Castellum is strengthened as well.

Group Management includes the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Director of Communication, the managing directors of the four regions and the newly established roles named above. Group 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. Group Management held eleven meetings in 2018.

The work of Group Management in 2018 focused on continued growth in the property portfolio through a series of major transactions and the establishment of the Castellum brand in the Finnish market. Additionally, work with efficiency enhancement measures has continued, as well as technology-based business development as part of the Castellum Next20 initiative. In the latter initiative, the work on strategically developing the Group's offering in co-working has been a focus area. Late in the year, Group Management also implemented the new organizational structure, in which the largest changes consisted of establishing and structuring the new Group functions: the Logistics and Offices business areas, as well as investment and portfolio strategy.

Together with the managing directors of the respective regions, the Chief Executive Officer and the Chief Financial Officer constitute the Board of each regional company.

#### **Remuneration to senior executives**

The 2018 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, flexible remuneration under an incentive plan 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 Group Management interests with shareholder interests through senior executives also being shareholders in Castellum, as well as through increasing the portion of the total remuneration linked to the Group's development. Flexible 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 plan 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 period of notice 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 notice period. 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, not to be reduced owing to other income the CEO receives.

Castellum has adhered to the guidelines resolved by the 2018 AGM.

The proposed guidelines for remuneration to senior executives, which will be put forward at the AGM on March 21, 2019, are largely unchanged compared with those put forward at the 2018 AGM.

Proposals for a renewed incentive program for senior executives, in principle an extension of previous programs, will be put forward at the AGM on March 21, 2019. The program is proposed to apply for the period from 2020 to 2022 for the earnings-based component and from July 1, 2020 to May 31, 2023 for the share price-related component.

For further information regarding remuneration for Group 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 116-119.

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 in identifying and monitoring operational risks for the operations driving the business. 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 Audit and Finance Committee.

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

**Board assignments:** Director in Clas Ohlson AB (publ), Kinnevik AB (publ), Sofina S.A. (listed) 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 Fabege AB (publ), CEO of Drott Kontor AB and Property Manager of Skanska Fastigheter Stockholm AB.

**Board assignments:** Director in 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. CEO of 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, CEO of Didaktus Skolor AB and deputy MD of Kind & Partners AB.

**Board assignments:** Director in Alecta, Almega AB, TRR Trygghetsrådet, Trygghetsfonden TSL and the Ratio research institute, and member of the Advisory Council for the Swedish Higher Education Authority.

**Shareholding:** 1,325



**CHRISTER JACOBSON**  
BOARD MEMBER SINCE 2006

Born 1946, Master of Business Administration and Economics, 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:** Director in Global Challenges Foundation.

**Shareholding:** 60,429

## 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 KTH Royal Institute of Technology. Board member of Castellum.

**Previous positions:** Chairman of the Board of Tomorrow China, part of the H&H Communication Group. CEO of Hilanders AB. Communication Manager at Niscayah Group and leading positions at Razorfish AB and Creuna AB. Worked with city planning and development at the City of Stockholm Property Management Administration.

**Board assignments:** Director in Tempest Security AB (publ).

**Shareholding:** 350



**NINA LINANDER**  
BOARD MEMBER SINCE 2014

Born 1959, Master of Business Administration and Economics, Stockholm School of Economics and MBA from 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), management positions at Vattenfall AB and various positions in corporate finance at different investment banks in London.

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

**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:** Director in Infranord AB, 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 2019. Shareholdings include members' 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

# Group 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. Former Chairman of CMB, Chalmers University of Technology.

**Other assignments:** Director in BRIS and EPRA.

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

**Shareholding:** 65,833

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

Born 1972, Master of Business Administration and Economics. Experience in financial and control functions.

**Other assignments:** Director in Alligator Bioscience AB (publ). Employed since 1998, financial controller since 2006 and CFO since 2014.

**Shareholding:** 19,600

**STEFAN BERGSTRÖM**  
ACTING MANAGING DIRECTOR  
REGION STOCKHOLM-NORTH  
AT CASTELLUM

Born 1963, Master of Science. Extensive experience in international business development, including as business area manager at Studsvik AB and leading roles at ABB and Business Sweden.

Employed as acting Managing Director 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 in Örebro SK Football Club.

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

**Shareholding:** 0

**OLOF GERTZ**  
HR DIRECTOR AT  
CASTELLUM AB

Born 1963, study program for personnel and work life issues

Experience from senior HR positions including Senior Vice President, Human Resources at Vattenfall and DeLaval International. Employed as HR Director since 2018.

**Shareholding:** 300

## CHANGES IN CASTELLUM'S GROUP MANAGEMENT IN 2018

Several changes took place in Castellum's Group Management in 2018, for such purposes as preparing the company for further growth. Two new regional managing directors took office during the year: Per Gawelin for Region Central and Mariette Hilmersson for Region West. Furthermore, Olof Gertz was appointed as the new HR Director and Anna-Karin Nyman as the new Communications Director. In December, Erika Olsén left the position of Chief Investment Officer (CIO) at her own request. Also in December, an agreement was made with Anders Nilsson, Managing Director Region Stockholm-North, to leave the position. Stefan Bergström took office in January 2019 as acting Managing Director Region Stockholm-North.

In December 2018 it was also announced that three new roles had been established at the Group Management level. These three roles will have the following divisional responsibilities: logistics, investment and portfolio strategy, and office premises. Hans Sahlin took office in January 2019 as Director Logistics. In January 2019, it was announced that Carola Lavén would take office as Investment Director and Deputy CEO by August 1, 2019 at the latest. Recruitment is under way for the role responsible for Offices.



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

Born 1971, Bachelor of Laws, LL.M.

Extensive experience from management positions in the property industry, most recently as CEO of AB Framtiden.

Employed as Managing Director Region West at Castellum since 2018.

**Shareholding:** 0

**ANNA-KARIN NYMAN**  
COMMUNICATIONS DIRECTOR,  
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, Chief of Staff at the Ministry of Rural Affairs, political expert in the Riksdag and as a journalist and editorial writer.

Employed as Communications Director at Castellum since 2018.

**Shareholding:** 0

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

Born 1971, Master of Science.

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

Employed as Managing Director Region Öresund at Castellum since 2014.

**Shareholding:** 4,050

**HANS SAHLIN**  
DIRECTOR LOGISTICS

Born 1968, Transportation Engineer.

Extensive experience from executive positions in the logistics sector, nationally and internationally; management consultant and global executive positions at AB Volvo.

Employed as Director Logistics since 2019.

**Shareholding:** 0

The information above refers to the situation at the end of January 2019. Shareholdings include members' 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 significant business connections with.

*“The work of Group Management in 2018 focused on continued growth in the property portfolio through a series of major transactions and the establishment of the Castellum brand in the Finnish market.”*

# Internal control

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. In the spring of 2018, work began on introducing self-evaluation of internal controls as an alternative to internal audits. Over the long term, the intent is to introduce this in the areas with the greatest element of risk. Initially, we will focus on two significant, transaction-rich and risky areas: developments and income. Currently, work is underway on producing a framework for the initial controls. 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 Activities.

### Control environment

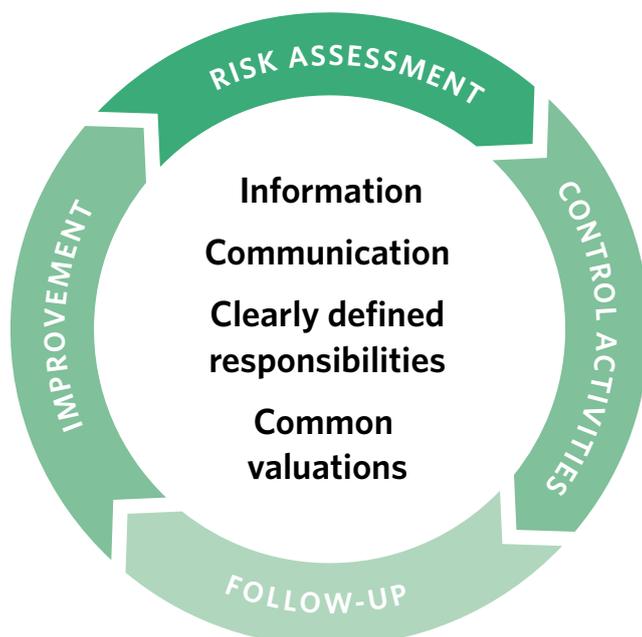
The basis for internal control relating to financial reporting is a control environment consisting of various parts that together form

the culture and values on which Castellum is governed. Essential for Castellum's internal control are its decentralized, small-scale organization with more than 647 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 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

## 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
- Finance 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

well as how they are handled; for the latter, see the "Risks and Opportunities" section on page 92-100. 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 activities

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. Group 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.

## GROUP POLICIES ISSUED BY THE BOARD

<p><b>FINANCE POLICY</b></p> <p>Establishes overall objectives and guidelines for financial risk and how financial operations are to be conducted. The finance 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.</p>	<p><b>COMMUNICATION POLICY</b></p> <p>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 communications.</p>	<p><b>INSIDER POLICY</b></p> <p>Ensures proper ethical management in relation to the capital market by describing trading and reporting requirements.</p>	<p><b>SUSTAINABILITY POLICY</b></p> <p>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 built on participation and commitment.</p>
<p><b>CODE OF CONDUCT</b></p> <p>Provides guidelines for conducting operations responsibly, with the aim of all business being characterized by a high level of business morals and accountability. Governs the Group in relation to employees, contractors, customers, suppliers and other stakeholders.</p>	<p><b>CODE OF CONDUCT FOR SUPPLIERS</b></p> <p>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.</p>	<p><b>CRISIS MANAGEMENT POLICY</b></p> <p>Provides guidelines for how the Group is to act and communicate in a potential crisis.</p>	

**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 our 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, for working actively on these issues every day. In addition, there are ambitious long-term goals regarding diversity and equality.

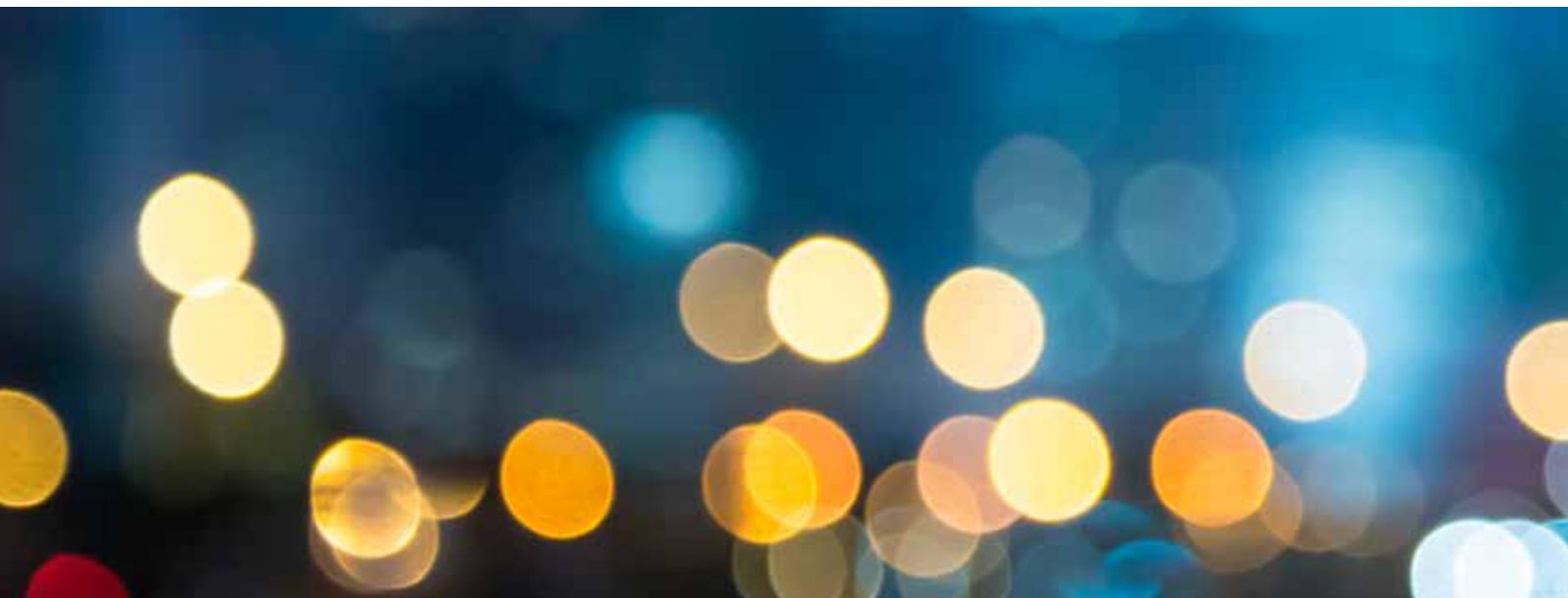
A cornerstone of Castellum's corporate culture has been its decentralized organisation, which creates committed employees who take on responsibilities and feel themselves a part of operations.

**Long-term value creation**

Long-term value creation requires conducting operations 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 through 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 the Castellum Board.

**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 company 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.

#### **Need for 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 controls. 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 particular 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 web page and the Group 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 organisation, which creates committed employees who take on responsibilities and feel that they are part of operations."*