

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Corporate governance at Samhällsbyggnadsbolaget i Norden AB (publ) (hereinafter referred to as "SBB" or "the company") aims to ensure that rights and obligations are distributed among the company's bodies in accordance with applicable laws, rules and processes. An effective and transparent corporate governance gives the owners the opportunity to assert their interests vis-à-vis the company's management, at the same time as the division of responsibility between the management and the Board, but also otherwise within the company, is clear. An effective and transparent corporate governance results in decisions being made effectively, which enables SBB to act quickly when new business opportunities arise.

SBB is a Swedish public limited company whose ordinary shares of Class B and D are listed on Nasdaq Stockholm Large Cap and whose preference shares are listed on Nasdaq Stockholm First North Premier. SBB has also issued bond loans that are listed on Nasdaq Stockholm. SBB's corporate governance is based on law, articles of association, Nasdaq Stockholm's rules for issuers, Nasdaq Stockholm's rules for First North (Nasdaq First North Growth Market - Rulebook), Nasdaq Stockholm's regulations for issuers of interest-bearing financial instruments, and the rules and recommendations issued by relevant organisations. The Swedish Code of Corporate Governance (the "Code") shall be applied by all companies whose shares are trading on a regulated market. Nasdaq First North does not hold the legal status of a regulated market. The code is available at www.bolagsstyrning.se, where the Swedish corporate governance model is also described. This corporate governance report is presented in accordance with the Annual Accounts Act and the Code and describes SBB's corporate governance during the fiscal year 2019. This year's Corporate Governance Report strives to avoid repetition of information on what follows from applicable regulations and focuses on reporting on company-specific circumstances for SBB.

ANNUAL GENERAL MEETING

SBB's Annual General Meeting 2020 will take place on 27 April 2020 in Stockholm. Shareholders have the right to raise issues for discussion at the Annual General Meeting, subject to written requests has been received by the Board by 9 March, 2020 at the latest. Contact information is available on the company's website, www.sbbnorden.se. SBB always strives for the Board, the management team, the nomination committee and the auditor to be present at the annual general meeting. The Annual General Meeting is, according to the Swedish Companies Act, the company's highest decision-making body and it is at a general meeting that shareholders have the right to make decisions regarding the company. Rules governing the Annual General Meeting are included in the Swedish Companies Act, the Code and Articles 7 - 9 of the Articles of Association. Apart from what is stipulated by law regarding a shareholders' right to participate in the Annual General Meeting, SBB's Articles of Association state that pre-notification to the Annual General Meeting shall take place no later than the date stated in the notice to the meeting. Notice of the Annual General Meeting is made by keeping the notice available on the company's website and being advertised in domestic newspapers. At the same time as the notice is given, an announcement is made in Dagens Nyheter. The General Meeting shall be held at the place where the Board has its registered office, i.e. Stockholm and the Annual General Meeting shall be held within six months from the end of the financial year. The company's financial year runs from 1 January to 31 December.

At SBB's Annual General Meeting 2019, among other things, a decision was made to authorize the Board of Directors, on one or more occasions for the period until the end of the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, to make a

decision on a new share issue of all share classes existing in the Articles of Association and warrants and / or convertibles with the right to subscribe / convert to all share classes in the Articles of Association. The number of stock and / or preference shares, warrants or convertibles that may be issued on the basis of the authorization shall not be limited in any other way than that which follows from the limits of the articles of association in force at any time concerning share capital and number of shares. This authorization was exercised by the Board three times in 2019 through the issue of totally 505,468,284 new ordinary Class B shares and 30,021,721 new ordinary Class D shares. The Board's utilization of the authorization mainly comprises, in part, a rights issue to the Company's shareholders and, in part, payment of shares in connection with a public takeover offer to the shareholders of Hemfosa Fastigheter AB (publ).

At the Extraordinary General Meeting on 24 June 2019, it was resolved to implement a redemption procedure aimed at the Company's preference shareholders, in which they were offered to redeem preference shares for repayment in the form of a redemption receipt which could only be used as a set-off payment against new ordinary Class D shares. The ordinary Class D shares could be issued with the support of an authorization decided at the AGM, which only concerned shares in the redemption procedure. At the AGM, a number of minor adjustments were also approved in the articles of association. A total of 144,538 preference shares were redeemed and 2,890,760 new ordinary Class D shares were issued against payment through the redemption receipt.

THE SHARE AND SHAREHOLDERS

The number of registered shares in the company on December 31, 2019 amounted to 1,344,982,659 divided into four classes of shares, 209,977,491 Class A shares, 1,030,549,096 Class B shares, 104,425,359 Class D shares and 30,713 preference shares. Class A shares can be converted into Ordinary Class B shares at the request of the holder. The Class D shares are entitled to five (5) times the total dividend on the Class A and the Class B shares, however, no more than SEK 2 (2) per share and year. The preference shares have the right and preference for dividend of SEK 35 per share and year with quarterly payment and are subject to redemption provisions. The Class A shares entitle the holder to one vote per share and the class B shares, the D shares and the preference shares entitle the holder to 1/10 vote per share. At year-end, the share capital was SEK 134,498,265.90 and the quota value per share was SEK 0.1. The largest shareholder is Ilija Batljan.

ARTICLES OF ASSOCIATION

SBB's Articles of Association, which were adopted at the Extraordinary General Meeting on 24 June 2019, can be found at www.sbbnorden.se. The Articles of Association stipulate that the company shall, directly or indirectly, own and manage properties and / or shares and carry out related activities. The Board has its registered office in Stockholm and shall consist of 3 - 10 members with no deputies. The Articles of Association do not contain any special provisions on the appointment and dismissal of Board members, or on the amendment of the Articles of Association.

NOMINATION COMMITTEE

At the Annual General Meeting of SBB on 29 April, 2019, instructions for the Nomination Committee's work were adopted. The Nomination Committee, which shall consist of the Chairman of the Board and up to three representatives appointed by the three largest shareholders in the Company as of 30 September 2019, has, according to the instructions, the task of preparing and submitting proposals to the Annual General Meeting for the Chairman of the Annual General Meeting, the election of the Chairman of the Board and other members of Board of Directors, board remuneration divided between the chairman and other members and the principles for any remuneration for committee work, election and

remuneration of the auditor and deputy auditor (if applicable) and decisions on principles for the appointment of a new nomination committee.

SBB's Nomination Committee for the Annual General Meeting 2020 consists of Mia Batljan (Ilija Batljan and Ilija Batljan Invest AB), Sven-Olof Johansson (Compactor Fastigheter AB), Rikard Svensson (AB Arvid Svensson) and Lennart Schuss (Chairman of the Board). Mia Batljan is Chairman of the Nomination Committee. Prior to the Annual General Meeting 2020, the Nomination Committee has held one minuted meeting.

In its work, the Nomination Committee has to apply the diversity policy established by the Board. Point 4.1 of the Code forms the basis for this diversity policy. As a whole, the Board of SBB shall have a combined competence and experience for the work carried out for the work of the Board, and to be able to identify and understand the risks that the business entails and the regulations that regulate the activities carried out. When new board members are elected, the suitability of the individual member must be examined in order to achieve a board with a combined competence that is sufficient for an appropriate management of the company. The Board's composition shall be characterised by versatility and breadth of the chosen members' competence, experience, gender, age, education and professional background.

THE BOARD OF DIRECTORS

According to the Articles of Association, SBB's Board of Directors must consist of at least three and a maximum of ten members with no deputies. At the Annual General Meeting on 29 April 2019, Lennart Schuss (Chairman of the Board), Ilija Batljan, Sven-Olof Johansson, Hans Runesten, Anne-Grete Strøm-Erichsen, Ewa Swartz Grimaldi and Fredrik Svensson were reelected to the Board of Directors of the company. For information on the Board members and their assignments outside the Group and the holding of shares in SBB, see the section "Information about the Board members" below.

The Board of Directors shall meet the shareholders long term interest and bear the utmost responsibility for the company's organisation and the management of the company's affairs. The Board of Directors has established rules of procedure for the Board and an instruction for the CEO. In addition, the Board has also decided on a number of comprehensive policies, guidelines and instructions for the company's

operations. This includes, among other things, the finance policy, information policy, insider policy, IT policy, policy for related party transactions, instructions for financial reporting, whistleblower policy and ethical guidelines for the company's conduct (code of conduct). All these internal control documents are processed at least once a year and are updated on an ongoing basis to comply with laws and when otherwise needed.

According to the Code, a majority of the board members elected by the AGM must be independent in relation to the company and the company's management. At least two of these must also be independent in relation to the company's major shareholders. The company's Board of directors has been deemed to meet the requirements for independence, since six of the seven members elected by the AGM are independent in relation to the company and the management. The company's CEO, Ilija Batljan, has not been deemed to be independent in relation to the company and the company management. Five out of seven members have been deemed to meet the requirement for independence in relation to major shareholders.

CHAIRMAN OF THE BOARD

The Chairman of the Board is elected at the Annual General Meeting. The chairman of the Board must ensure that the work of the Board is carried out efficiently, that the Board fulfills its duties and that the Board's decision is executed by the company and the management. The chairman shall ensure that the Board receives the information and the documentation required to make well-founded decisions. At the Annual General Meeting on 29 April 2019, Lennart Schuss was re-elected as Chairman of the Board.

BOARD OF DIRECTORS WORK DURING 2019

The Company's Board of Directors held 71 meetings during 2019, of which one was a statutory meeting. There are a number of standing issues on the agenda for each ordinary board meeting: the CEO's review of the business, acquisitions, divestments and investments, organisation and organisational development, and financial reporting. During 2019, the Board decided on several major acquisitions, divestments, investments, financing and refinancing. In addition, the Board has decided on the issuance of ordinary Class B and Class D shares in accordance with authorization from the Annual General Meeting.

Name	Elected year	Birth year	Independence on company/management	Independence on major shareholders	Board meeting attendance
Lennart Schuss	2017	1952	Ja	Ja	71/71
Ilija Batljan	2017	1967	Nej	Nej	71/71
Sven-Olof Johansson	2017	1945	Ja	Ja	69/71
Hans Runesten	2014	1956	Ja	Ja	71/71
Fredrik Svensson	2018	1961	Ja	Nej	70/71
Eva Swartz Grimaldi	2017	1956	Ja	Ja	69/71
Anne-Grete Strøm-Erichsen	2017	1949	Ja	Ja	69/71

EVALUATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE DIRECTOR

Once a year, the Chairman of the Board initiates an evaluation of the work of the Board in accordance with the Board's rules of procedure. The 2019 evaluation has been carried out so that each Board member answered a questionnaire. In addition, the Chairman of the Board has had certain individual contacts with the members. The purpose of the evaluation is to get an idea of the Board members' views on how the work of the Board is conducted and what measures can be implemented to streamline the work of the Board. The intention is also to get an idea of what kind of issues the Board considers should be prioritized and in which areas it may require further experience and competence on the Board. The result of the evaluation has been reported within the Board and has been presented to the Nomination Committee.

COMMITTEES

At the year end, The Board had two committees; an audit committee and a remuneration committee. The members of the committees are appointed for one year at a time at the statutory board meeting and the work and the authority of the committees are governed by the annual committee instructions.

The committees have a preparatory and acting role. The issues that have been discussed at committee meetings are recorded and reported at the next board meeting.

AUDIT COMMITTEE

The Audit Committee works according to an annual agenda and its task is to monitor the company's financial reporting and the effectiveness of the company's internal control and risk management. The Audit Committee

also keeps itself informed of the audit of the annual accounts and consolidated accounts. The committee shall also review and monitor the auditor's independence and impartiality and in particular follow up if the auditor provides the company with services other than auditing services. The committee also supports proposals for the AGM's decision on the election of auditors.

According to the Code, the audit committee must consist of at least three members, of which the majority must be independent in relation to the company and the management and at least one independent in relation to the company's major owners. The Audit Committee consists of the entire Board of Directors except Ilija Batljan, at which committee meetings were an integral part of the Board's work.

REMUNERATION COMMITTEE

The Remuneration Committee shall prepare matters regarding remuneration principles for the CEO and other senior executives as well as individual remuneration to the CEO in accordance with the remuneration principles. The principles include, among other things, the relationship between fixed and possible variable remuneration and the correlation between performance and remuneration, main conditions for any bonus and incentive program, as well as the main conditions for non-monetary benefits, pension, termination and severance pay. The CEO also applies to the Board to determine remuneration and other terms of employment. However, share-related incentive programs for management are decided by the Annual General Meeting. The committee shall further assist the Board in monitoring the system by which the company complies with the law, stock exchange rules and the Code governing the disclosure of information relating to remuneration to the CEO and other senior executives, and to monitor and evaluate any ongoing and completed programs for the year, variable remuneration for the CEO and other senior executives, the application of the guidelines for remuneration to the CEO and other senior executives that the Annual General Meeting resolves by law, as well as applicable remuneration structures and remuneration

levels. The Remuneration Committee consists of the Board members Eva Swartz Grimaldi (Chairman) and Lennart Schuss who are deemed to be independent in relation to the Company and Management. In 2019, the Remuneration Committee held four meetings. The members of the committee were present at all meetings. At the meetings, among other things, the company's guidelines for remuneration to senior executives and remuneration levels for the CEO and other senior executives have been addressed.

During the year, the focus has been on adapting the company's processes and reporting to the regulations of the EU directive. These guidelines for remuneration to senior executives include members of the Board of Directors, the Managing Director and the Deputy Managing Director as well as other persons in the Management Group. The guidelines shall apply to remuneration that is contracted, and to changes made in already agreed remuneration, after the guidelines have been adopted by the 2020 Annual General Meeting. The guidelines do not cover remuneration decided by the Annual General Meeting. The Board believes that it is critical for the successful implementation of the company's business strategy and the safeguarding of the company's long-term interests, including its sustainability, that the company can recruit and retain senior executives with the skills and capacity to achieve set goals. For this, the company must be able to offer competitive total remuneration, which motivates senior executives to do their utmost. Variable remuneration covered by these guidelines shall be based on criteria aimed at promoting the company's business strategy and long-term interests, including its sustainability. Remuneration and other terms of employment for senior executives shall be market-based. Remuneration consists of basic salary, variable remuneration, pension and certain other benefits. In addition, the Annual General Meeting can - and regardless of these guidelines - decide on share- or share-price-related remuneration. The amount of remuneration paid for 2019 and information on the current incentive program are presented in Note 8.

INFORMATION ABOUT THE BOARD OF DIRECTORS

<p>Lennart Schuss, born 1952</p> <p>Chairman of the board</p> <p>Chairman of the Board since 2017 and member of the Remuneration Committee. Chairman of the Board of the Group since 2016</p> <p>Education: B.A. in Economics, Stockholm School of Economics</p> <p>Other positions: Advisor to Genesta Property Funds and Chairman of the Swedish Society of Friends of the Weizmann Institute of Science. Lennart is co-founder of Gimmel Fastigheter, Catella Corporate Finance, ESWÖ & Partner Fund Commission and Stockholm Fund Commission.</p> <p>Shareholding in the company (including any related-party holdings): 20,253,334 ordinary B shares and 380,000 ordinary Class D shares. Independent in relation to the company, management and the company's major owners.</p>
<p>Ilija Batljan, born 1967</p> <p>Member of the Board and CEO</p> <p>Board member and CEO of the Company since 2017. Founder of the company, CEO and Board assignments within the Group since 2016.</p> <p>Education: Ph.D. in demography and planning for elderly care, Stockholm University. Bachelor of Economics, Stockholm University.</p> <p>Other positions: Chairman of Ilija Batljan Invest AB, Health Runner AB and Cryptzone Group AB (previously listed on First North).</p> <p>Shareholding in the company (including any related-party holdings): 109,053,868 Class A ordinary shares and 13,238,234 Class B ordinary shares, 125,280 Class D ordinary shares and 5,000,000 warrants. Not independent in relation to the company and management. Is the company's largest owner.</p>
<p>Sven-Olof Johansson, born 1945</p> <p>Member of the Board</p> <p>Board member of the company since 2017.</p>

Education: Master in political science from Stockholm University and Stockholm School of Economics.
Other positions: Founder and Managing Director of FastPartner AB (publ), Chairman of the Board and Managing Director of Compactor Fastigheter AB and Board member of Autoropa Aktiebolag and STC Interfinans AB.
Shareholding in the company (including any related-party holdings):
 22,315,456 ordinary B shares and 29,481,315 ordinary Class B shares. Independent in relation to the company and management. Independent in relation to the company's major owners.

Hans Runesten, born 1956

Member of the Board

Board member of the company since 2017.

Education: Master of business administration, Stockholm University.

Other positions: Chairman of Effnetplattformen AB (publ)

Shareholding in the company (including any related-party holdings):

5,200,258 ordinary Class B shares. Independent in relation to the company, management and the company's major owners.

Eva Swartz Grimaldi, born 1956

Member of the Board

Board member of the company since 2017. Chairman of the Remuneration Committee.

Education: Bachelor's Degree in Languages (Italian, Spanish and French) as well as from Kulturveterlinjen.

Other positions: Chairman of Doberman AB, Apotea AB and Norstedt publishing team and board member of Stockholm University, Stockholm Concert Hall, Forget Foundation and Royal Patriotic Society.

Shareholding in the company (including any related-party holdings):

932,138 ordinary Class B shares. Independent in relation to the company, management and the company's major owners.

Anne-Grete Strøm-Erichsen, born 1949

Member of the Board

Board member of the company since 2017.

Education: B.A. in Computer Science from Bergen Technical School (University of Bergen), South Dakota School of Mines & Technology 1980-1981, studies in Statistics.

Other positions: Senior advisor at Rud Pedersen Public Affairs Norway AS. Board member Kongsberg Gruppen ASA and Dips AS

Shareholding in the company (including any related-party holdings):

None. Independent in relation to the company, management and the company's major owners.

Fredrik Svensson, born 1961

Member of the Board

Board member of the company since 2018.

Education: MBA from Linköping University.

Other positions: Board member of Balder AB. Chairman of Arvid Svensson Invest AB. CEO of Aktiebolaget Arvid Svensson.

Shareholding in the company (including any related-party holdings):

31,809,742 A shares and 33,043,281 B shares. Independent in relation to the company and management. Dependent in relation to the company's major owners.

Information on the company's major owners can be found on page 61.

REMUNERATION TO THE BOARD OF DIRECTORS

At the Annual General Meeting on 29 April 2019, the AGM resolved that up to the next Annual General Meeting, an annual fee of SEK 450,000 should be paid to the Chairman of the Board and SEK 300,000 to each of the other Board members who are not employed by the company. Furthermore, it was decided that fees for committee work shall be paid at SEK 30,000 per member of the remuneration committee. For committee work in the Audit Committee, the fees are included in ordinary Board fees.

CEO AND OTHER SENIOR EXECUTIVES

The CEO is appointed by the Board and is responsible for the day-to-day management of the company and the Group's operations in accordance with the Board's instructions and regulations. The division of

responsibilities between the CEO and the Board of Directors is stated in the Board's rules of procedure and the CEO's instructions drawn up by the Board. The CEO acts as the chair of the management group and makes decisions in consultation with the other management team. This consists, in addition to Ilija Batljan (CEO), of six people: Krister Karlsson (Deputy CEO, Property Development), Lars Thagesson (Deputy CEO and COO), Eva-Lotta Stridh (CFO), Rosel Ragnarsson (Finance Director), Oscar Lekander (Business Development) and Adrian Westman (IR).

AUDITOR

The company's financial accounting records and bookkeeping, as well as the administration of the Board and management, are reviewed and audited by the company's auditor. At the Annual General Meeting on 29

April 2019, the registered auditing firm Ernst & Young AB was elected as auditor for the period until the Annual General Meeting 2020. The authorized auditor, Ingemar Rindstig, has been appointed as the chief auditor. The auditor's task is to examine the company's and the Group's annual accounts and accounts, as well as the Board's and the CEO's management of the company and the Group.

The auditor must report to the Audit Committee on significant errors in the accounting area and in the event of suspicions of irregularities. The auditor must report to the company's Board of directors at least one to two times a year, normally in conjunction with the annual report, about their observations during the audit of the company and its assessment of the company's internal control. The auditor also participates at the Annual General Meeting to present the audit report that describes the audit work and observations made. In addition to the audit assignment, Ernst & Young was hired for additional services in 2019, primarily accounting matters, but also matters related to the issue of shares and listing on Nasdaq Stockholm Large Cap. Such services have always and only been provided to the extent that is consistent with the rules of the Auditing Act and FAR's professional ethics rules regarding the auditor's impartiality and independence.

INTERNAL CONTROL OF FINANCIAL REPORTING AND RISK MANAGEMENT

SBB's internal control of financial reporting is designed to manage risks and ensure high reliability in the processes regarding the preparation of the financial reports and to ensure that applicable accounting requirements and other requirements for SBB as a listed company are complied with. The Board is responsible for the internal control of the company regarding financial reporting. SBB follows the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate a company's internal control over financial reporting, the Internal Control - Integrated Framework, which consists of the following five components: control environment, risk assessment, control activities, information and communication and follow-up.

CONTROL ENVIRONMENT

Distribution and delegation of responsibility have been documented and communicated in internal documents governing the Board and the company such as;

- The Board's Rules of Procedure
- Instruction to the CEO
- Delegation scheme
- Authorization scheme
- Other internal control documents (for example, financial manual)

All internal control documents are regularly updated when changes are made to, for example, legislation, accounting standards or listing requirements and when otherwise needed.

RISK ASSESSMENT

In accordance with the rules of procedure, the Board of Directors, as well as the Audit Committee, review the company's internal control once a year. Identification is made of the risks that are assessed and measures are set to reduce these risks. The auditor is invited to report on his/her internal control report at a board meeting and to the audit committee.

The significant risks identified by SBB are errors in accounting and valuation of properties, credit risks, refinancing risks, interest rate risks, tax and VAT, and the risk of fraud, loss or misappropriation of assets.

CONTROL ACTIVITIES

Since the company's financial system is structured so that the conclusion of agreements and payment of invoices, etc. must comply with the decision paths, company signatures and authorizations stated in the internal control documents, there is basically a control structure to counteract and prevent the risks that the company has identified. In addition to these control structures, a number of control activities are carried out to further detect and correct errors and deviations. Such control activities consist of follow-up at various levels in the organisation, such as follow-up and reconciliation in the Board of Directors made decisions, review and comparison of profit items, account reconciliations, approval and reporting of business transactions with the finance department.

COMMUNICATION

SBB has built up an organisation to ensure that financial reporting is correct and effective. The internal control documents clarify who is responsible for what and the daily interaction between the concerned people means that relevant information and communication reaches all parties concerned. The management regularly receives financial information about the company and its subsidiaries regarding the development of letting and other management, review and follow-up of ongoing and future investments and liquidity planning. The board is informed by the management team regarding risk management, internal control and financial reporting. The company's information policy ensures that all information provided externally and internally becomes correct and is given at any suitable time. All employees at SBB have, at various reviews, been involved in influencing the design of relevant internal policies and guidelines and have thus been directly involved in the preparation of these internal control documents.

INTERNAL CONTROL

As has been explained above, a continuous process takes place on an ongoing basis at all levels of the organisation. The Board regularly evaluates the information provided by the company management and the auditors. In addition, the company's auditor reports directly to the Board of directors their observations from the audit and its assessment of the internal control. Of particular importance is the Board's monitoring of the development of the internal control and to ensure that measures are taken regarding any deficiencies and proposals that emerge.

EVALUATION OF THE NEED FOR A SEPARATE INTERNAL AUDIT FUNCTION

No internal audit function is currently established within SBB. The Board has examined the issue and assessed that existing structures for follow-up and evaluation provide a satisfactory basis. All in all, this means that it is not considered justified to have a special unit for internal audit. The decision is reviewed annually.

DEVIATIONS RELATING TO THE CODE

As mentioned, the code is based on the principle "follow or explain". This means that a company that applies the Code may deviate from individual rules, but must then give an explanation where reasons for the deviation are reported. SBB followed the Code in 2018 without deviations.