

# Corporate Governance Report

## Regulations and Articles of Association

Hufvudstaden is a Swedish public listed limited company with its registered office in Stockholm. The Group is governed by the Articles of Association, the Swedish Companies Act, Nordic Main Market Rulebook for Issuers of Shares from Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code), the Swedish Stock Market Self-Regulation Committee's Rules on Remuneration of the Board and Senior Executives and on Incentive Programmes and other applicable laws and rules. The Code aims to create good prerequisites for active, responsible ownership, and is intended to be part of the self-governance process in Swedish industry. It is based on the principle of comply or explain, which means that companies can deviate from one or more rules in the Code if there is justification and an explanation, and if the solution chosen can be presented.

Hufvudstaden complies with the Code with one deviation in regard to election committee stipulations. The deviation from the Code is explained in more detail below.

## Shares and shareholders

Hufvudstaden's series A shares are listed on Nasdaq Stockholm. The company's series C shares were delisted upon request by Nasdaq Stockholm in January 2020. Share capital in the company at year-end amounted to SEK 1,056,359,665, divided among 211,271,933 shares, giving a quotient value of SEK 5 per share. Of the shares, 203,000,110 are series A shares, carrying one vote per share, and 8,271,823 are series C shares, carrying 100 votes per share. All shares carry an equal right to a share in the company's assets and profit. The largest shareholder is L E Lundbergföretagen AB, with a total of 47.2 per cent of shares outstanding and 88.6 per cent of the votes. Apart from L E Lundbergföretagen AB, there is no shareholder in the company that holds, directly or indirectly, shares where the number of voting rights represents one-tenth or more of the total number of votes for all shares in the company.

According to a conversion provision in the Articles of Association, the holders of series C shares are entitled to request conversion of their series C shares into series A shares. During the year, 30 series C shares were converted to series A shares. There are no limits in the Articles of Association regarding transferability of shares or voting rights at a general meeting of the shareholders. There are no known agreements that would be affected by a public purchase offer. There have been no infringements of applicable stock market rules.

## Share buyback

Since the Annual General Meeting in 2003, the Board of Directors has had the mandate of the General Meeting to buy back series A shares up to a maximum of 10 per cent of all shares in the company. The authorisation was renewed at the 2022 Annual General Meeting. The aim is to give the Board the opportunity to adjust the capital structure in order to create increased value for the shareholders and/or to allow the company's own shares to be used as liquidity in conjunction with or to finance the acquisition of a company or property. As at December 31, 2022, Hufvudstaden held 8,965,000 series A shares, equivalent to 4.2 per cent of the total number of issued shares. No shares were bought back in 2022 or after the end of the reporting period (up to and including February 16, 2023).

## Annual General Meeting

Shareholders' right to decide in Hufvudstaden's matters are exercised at the Annual General Meeting. Shareholders, who are registered in the share register as of the record date and have notified participation in time, have the right to participate and vote at the Annual General Meeting, in person or through agents.

Shareholders whose shares are nominee-registered must, in order to exercise voting rights at the Annual General Meeting, temporarily re-register their shares in their own name, according to what follows from the notice convening the Annual General Meeting. In addition, the company's Articles of Association state that prior to a general meeting, the Board of Directors may decide that the shareholders have the possibility of casting their votes in advance (postal voting) in accordance with the process set out in the Swedish Companies Act. Decisions at the meeting are normally made through simple majority. In some matters however, the Companies Act prescribes that a proposal must be approved by a higher proportion of the votes represented and cast on the meeting.

Individual shareholders, who wish to receive a matter discussed at the meeting, can request so from Hufvudstaden's Board at a special address, which is published on the company's website well in advance of the notice period for the meeting.

The Annual General Meeting will be held in Stockholm within six months of the end of the financial year. At the Annual General Meeting, matters are decided concerning, inter alia, the adoption of income statements and balance sheets, dividends, discharge of liability for the Board members and President, election of Board members, Chairman of the Board and auditors and remuneration to the Board and auditors, principles for remuneration to senior executives, approval of the remuneration report and other important issues. Notice of the Annual General Meeting takes place through advertising in Post- och Inrikes Tidningar and on the company website. The notice shall be advertised in Dagens Nyheter.

The 2022 Annual General Meeting was held on March 24, 2022 and was conducted without the physical presence of shareholders, proxies or third parties due to the covid-19 pandemic. Shareholders had the possibility to exercise their voting rights in advance only through postal voting in accordance with section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2022:121). A total of 241 shareholders, representing 119,460,611 series A shares and 8,263,132 series C shares, were represented, and they represented 945,773,811 votes, equivalent to 93 per cent of the total number of outstanding votes. Fredrik Lundberg was elected to chair the meeting. It was decided at the Annual General Meeting to adopt the income statement and balance sheet presented, as well as the consolidated income statement and consolidated balance sheet, and to issue a dividend of SEK 2.60 per share to the shareholders. At the Meeting, the members of the Board of Directors and the President were discharged from liability, and a decision was reached on remuneration to the members of the Board of Directors and the auditors. Fredrik Lundberg, Claes Boustedt, Peter Egardt, Liv Forhaug, Louise Lindh, Fredrik Persson and Sten Peterson were re-elected Board members. Katarina Ljungqvist and Anders Nygren were elected new members of the Board. The auditors were also re-elected, and all members of the Board and the auditors were elected for the period up to the end of the next Annual General Meeting. Finally, the Meeting resolved to approve the remuneration report for 2021 and grant authorisation to the Board to decide on the acquisition and transfer of the company's own series A shares.

The 2023 Annual General Meeting will be held in Stockholm on March 23, 2023.

## Nomination and election of the Board of Directors and auditors

According to the Articles of Association, the Board of Directors shall comprise a minimum of five and a maximum of ten members. Members are elected at the Annual General Meeting of the shareholders for the period up to the end of the first Annual General Meeting to be held

after the year in which the members of the Board of Directors were elected. In the light of the concentrated ownership structure, Hufvudstaden does not have a formally appointed election committee. The duty of an election committee, to prepare decisions to be reached at the Annual General Meeting in matters relating to elections and fees, rests with Hufvudstaden's main shareholder, L E Lundbergföretagen AB. Hufvudstaden's procedure regarding the election committee is a deviation from the Code. The main shareholder presents a proposal regarding the person who will chair the Annual General Meeting, the Board of Directors, the Chairman of the Board, and directors' fees. A proposal regarding the auditor and the audit fee is presented by the Board of Directors. Other shareholders have the opportunity to submit nomination proposals at the address stated on the company's website. The proposals are published no later than the time of the issuing of the notice of the Annual General Meeting.

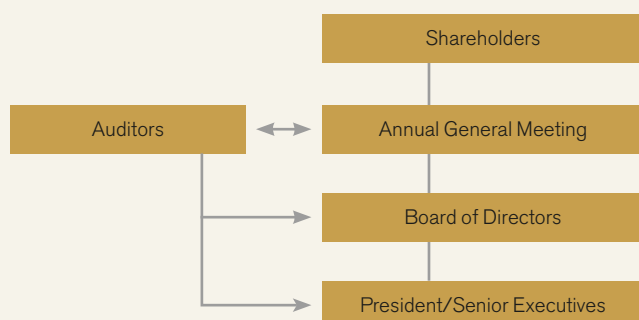
The main shareholder has applied point 4.1 in the Code as a diversity policy, which means that the composition of the Board of Directors must be well adapted in light of the company's operations, the current phase in its development, and circumstances in general. The composition of the Board must reflect diversity and breadth in terms of the expertise, experience and background of the members elected at the Annual General Meeting, and an even gender distribution must be sought. A decision was reached at the 2022 Annual General Meeting in accordance with the proposal set forth by the main shareholder, which resulted in the election of nine members, of whom three were women and six were men.

As a basis for its proposal prior to the 2023 Annual General Meeting, the main shareholder has assessed whether the composition of the present Board of Directors is appropriate using, for example, applicable parts of the annual evaluation of the work of the Board of Directors as a guide.

### Composition of the Board of Directors

Hufvudstaden's Board of Directors comprises nine members, elected at the Annual General Meeting for a period of one year. The composition of Hufvudstaden's Board of Directors is arranged in line with the company's operations. All Board members have been assessed based on skills, experience and background. The only member of Senior Executives on the Board is the President, and he is the only one who can be regarded as not being in dependent in relation to the company. Fredrik Lundberg has been Chairman of the Board since 1998. Four of the members are not independent in relation to the largest shareholder L E Lundbergföretagen AB (Fredrik Lundberg, Claes Boustedt, Louise Lindh and Sten Peterson). For further information about individual Board members, see pages 84–85. An external lawyer is engaged to act as secretary to the Board of Directors.

### HUFVUDSTADEN'S CONTROL STRUCTURE



### Responsibility of the Board of Directors

According to the Companies Act, the Board of Directors has overall responsibility for the Group's organisation and management, and for ensuring that control of the accounting records, management of funds and financial circumstances in general are satisfactory. The Board of Directors reaches decisions in matters regarding the Group's overall aims, strategic orientation and policies, as well as more important issues regarding financing, acquisitions, divestments and investments. Other duties that are incumbent on the Board include the following:

- Continuous follow-up and assessment of the company's financial position and business development.
- Continuous evaluation of the company's operative management and the work of the President.
- Ensuring satisfactory control of the company's compliance with laws and other regulations, and the continuous evaluation of the company's internal control and risk management systems.
- Adoption of guidelines governing the way the company should act in the community from a sustainability point of view.

The work of the Board of Directors follows the rules of procedure adopted by the Board of Directors, which provide the framework for decisions regarding investments, financing, financial statements, and other matters of a strategic nature. The rules of procedure also govern the duties of the Board of Directors and the President, and the allocation of duties between the Board of Directors and the President. The relevance and validity of the rules of procedure are reviewed annually.

The Chairman of the Board leads the work of the Board of Directors and has continuous contact with the President to monitor the Group's operations and development on an ongoing basis. The Chairman of the Board consults with the President on strategic matters, represents the company in ownership matters, and passes on the views of the shareholders to the Board.

The Chairman of the Board ensures that the work of the Board is evaluated once a year and that new Board members receive appropriate training. The evaluation takes place by each Board member completing a questionnaire. The responses are collated by the Chairman, who then presents the results to the Board of Directors, after which a discussion takes place within the Board.

Name	Function	Attendance <sup>1)</sup>	Independent in relation to the company	Independent in relation to the owners
Fredrik Lundberg	Chairman	7	Yes	No
Claes Boustedt		7	Yes	No
Peter Egardt		7	Yes	Yes
Liv Forhaug		7	Yes	Yes
Louise Lindh		7	Yes	No
Katarina Ljungqvist <sup>2)</sup>		6	Yes	Yes
Anders Nygren <sup>2)</sup>	President	7	No (employee)	Yes
Fredrik Persson		7	Yes	Yes
Sten Peterson		7	Yes	No
Anna-Greta Sjöberg <sup>3)</sup>		1	Yes	Yes
Ivo Stopner <sup>3)</sup>		1	Yes	Yes

<sup>1)</sup> Seven Board meetings were held during the year, of which six were held after the Annual General Meeting.

<sup>2)</sup> Elected to the Board on March 24, 2022

<sup>3)</sup> Was a Board member until March 24, 2022

The Board of Directors also evaluates the work of the President, although without the person in question being present, and approves more material assignments carried out by the President outside the company.

### Work of the Board of Directors

The Board of Directors held seven meetings during 2022, of which one was a statutory meeting. Economic-, financial- and operational reports from the business areas are presented at every Board meeting. In addition, key matters of a principal nature or of major economic significance are addressed at every ordinary meeting. The work of the Board of Directors during the year was aimed specifically at strategy discussions, issues relating to the economic climate and financing, property valuation, acquisitions, and investments. Other matters dealt with during the year were major current projects, including the redevelopment of Vildmannen 7, the large development project Johanna and energy issues. Company officials attend the Board meetings as presenters.

The company's auditor attended the Board meeting in February when the 2021 Annual Report was approved, and attended the Board meeting in August in conjunction with the analysis by the Board of the company's six-month report.

### Board committees

The Board of Directors has considered the question of establishing an audit committee and a remuneration committee but has chosen not to do so. Matters that rest with such committees will instead be handled as part of the regular work of the Board of Directors. The full expertise of the Board can thus be utilised, and the meetings can be made more efficient. This means that the Board of Directors collectively performs the duties that rest with an audit committee, and that the entire Board, the President excluded, discharge the duties that rest with a remuneration committee. This includes following up and evaluating current variable remuneration programmes for Senior Executives as well as programmes that were terminated during the year. The Board of Directors also follows and evaluates the application of guidelines governing remuneration to senior executives, as decided at the Annual General Meeting, and governing company remuneration structures and remuneration levels for senior executives.

### Senior Executives

The President heads operations in accordance with the adopted rules of procedure for the Board of Directors and the President, which include the instructions for the President issued by the Board of Directors. The President is responsible for ensuring that the Board of Directors receives information and a basis for making decisions that is sufficiently factual, complete and relevant for the Board of Directors to make well-informed judgements. Senior Executives comprises the President and three Heads of business areas, as well as the CFO, Head of Business Development, Head of Property Development, and Head of Human Resources. On January 1, 2022, Anders Nygren took up his position as new President of the company, with Bo Wikare and Åsa Roslund as Vice Presidents. Refer to pages 86–87 for information about Senior Executive individuals.

Senior Executives meets approximately once a month to discuss current issues. They also hold a strategy conference twice a year.

### Audit

According to the Articles of Association, the company must have one or two auditors and a corresponding number of deputies. Alternatively, one or two registered auditing companies can be appointed. At the

2022 Annual General Meeting, PricewaterhouseCoopers AB was re-elected as auditing company for a term of one year. Magnus Svensson Henryson is the lead auditor. Magnus Svensson Henryson's major engagements include Alleima AB, Bure Equity AB, Holmen AB and L E Lundbergföretagen AB.

The Board meets the company's auditor twice a year, of which at least one meeting is in the absence of the President. On these occasions, the auditor presents a report, and there is a discussion about the audit scope and observations. Internal routines and control systems are examined continuously during the year. The half-year report is examined on a general basis. The final audit of the annual accounts, the annual report and the consolidated financial statements, and the administration of the Board and the President take place in January–February and the auditors submit an auditor's report. The auditors provide a limited assurance report on the Sustainability Report. Fees to the auditors, including the fee for advisory services, are reported in Note 8.

### Remuneration

#### Board of Directors

Remuneration to the Board of Directors is decided at the Annual General Meeting. At the Annual General Meeting in 2022, it was decided that remuneration for the period up to the next Annual General Meeting totalling SEK 2,340,000 would be divided among the members with the exception of the President, Anders Nygren, who does not receive any remuneration for his Board-related duties. Remuneration is divided between the Chairman, who receives SEK 520,000, and the other seven non-executive members, who each receive SEK 260,000.

#### Senior Executives

Guidelines on salaries, bonuses and other remuneration to the company's senior executives are decided at the Annual General Meeting. The Board of Directors present a proposal for new guidelines regarding remuneration when the need arises to materially change the guidelines, however at a minimum every four years. It was confirmed at the 2020 Annual General Meeting that remuneration from the company shall comprise salaries that are in line with the market, as well as a limited, profit-related bonus scheme as described below. The company has no incentive schemes related to the share price. These guidelines have been followed in 2022. The Board will propose that the 2023 Annual General Meeting adopt new guidelines. This proposal is presented in the Administration Report.

The Board has prepared a remuneration report for the 2022 financial year for approval by the 2023 Annual General Meeting. The auditor's statement on whether guidelines adopted at the Annual General Meeting in 2020 governing remuneration to senior executives have been followed, will be available on the company's website no later than three weeks prior to the Annual General Meeting, and will be attached to the documents distributed at the Annual General Meeting.

Remuneration to the President is proposed by the Chairman of the Board and is confirmed by the Board of Directors. The President does not take part in this decision. The President decides on remuneration to other senior executives following consultation with the Chairman of the Board.

For further information regarding salaries and remuneration, as well as guidelines for remuneration to senior executives, as adopted at the 2020 Annual General Meeting, see Note 7.

### Bonus

All permanent employees in the Group, including Senior Executives, were included in a bonus scheme during the year, apart from employees of Hufvudstaden's subsidiary, NK Retail, who were not included in the

bonus scheme. According to the guidelines, the bonus criteria for Senior Executives should be weighted as follows: 70 per cent based on financial targets linked to operating results, 15 per cent based on operating targets related to customer satisfaction, and 15 per cent based on individual targets.

Under the bonus scheme for both Senior Executives and other employees, decisions are made for one year at a time and the bonus is capped. Bonuses are paid only if the company shows a positive operating result before any unrealised changes in value. The cost of bonuses for all employees in 2022 amounted to SEK 9.5 million (12.3) or an average of SEK 260,000 per person for Senior Executives including the President and an average of SEK 55,000 for other employees.

### Internal control and risk management

The Board of Directors has overall responsibility for ensuring that Hufvudstaden has a satisfactory internal control system. The President is responsible for ensuring that such a system is in place and that it covers any material risk of error in the financial reporting. Hufvudstaden's internal control systems cover the control environment, risk assessment, control measures, information, communication, and monitoring.

### Control environment

The control environment is the basis for internal control of financial reporting. Hufvudstaden's internal control structure is based, among other things, on a clear allocation of responsibility and duties between the Board of Directors and the President, and within the company's operations. Senior Executives and the Board of Directors continuously document and evaluate policies and guidelines, such as the company's valuation principles, information policy, and accounting manual. To ensure continuous operational follow-up, there are routines in place for financial reporting and analysis. The routines include monthly and quarterly reports, budget follow-ups, and forecasts. These tasks are handled by the accounting and controller function within the business area and Group level.

### Risk assessment

Based on continuous discussions and meetings in the organisation, Hufvudstaden's Senior Executives identifies, analyses and decides on the company's material risk areas, whereupon the Board of Directors confirms these areas. Senior Executives is responsible for handling the risk of error in the financial statements. The Board of Directors analyses the outcome of the company's risk assessment and risk management process to ensure it covers all material areas. Hufvudstaden's greatest risks are linked to property valuation, financial transactions, property projects, and handling of tax matters.

### Control measures

Based on risk assessments, Hufvudstaden has adopted a number of control measures. These are both of a preventative nature, i.e. measures aimed at avoiding losses or errors in the reporting, and of an

identification nature. The controls should also ensure that errors are rectified. Examples of areas that have a material impact on the company's result, and which have carefully formulated control measures, are property valuation, maintenance, redevelopment, interest payments and leasing. Controls are carried out, among other things, using deviation analyses and quarterly meetings between the business area, Senior Executives and controller function.

### Information and communication

In-house information and external communication are governed on a general level by, for example, the information policy. Internal communication to and from the Board and the senior executives takes place in different ways, including regular information meetings held by management, both for the whole company and for individual units. Another important communication channel is Hufvudstaden's intranet. Through the intranet, all employees have access to up-to-date information.

Internal policies, guidelines, instructions and equivalent documents that control and support operations are published on the intranet. Feedback on internal control work takes place at quarterly meetings, management team meetings, and Board meetings.

### Monitoring

Hufvudstaden's Senior Executives regularly evaluates internal control of financial reporting, and whether reporting to the Board is functioning efficiently. This takes place primarily through its own analysis, questioning, and familiarisation with the work of the controller function. To monitor identified risks and ensure that the internal control work takes place optimally, the controller function works continuously on this follow-up process. Apart from quarterly reports with financial outcomes, including Senior Executives comments on operations, the Board receives management's comments on how internal control is working and whether identified risks ought to be changed. The company's auditor attends Board meetings on two occasions each year, and reports its observations regarding the company's internal routines and control systems. Subsequently, the Board of Directors have the opportunity to ask questions. Each year, an examination is made of material risk areas, whereupon the Board adopts a position on risks in the financial reporting system and evaluates the internal control system.

### Internal audit statement

Hufvudstaden's management has systematically examined and structured the internal documentation of the internal control system. Nothing has emerged to indicate that the control system is not functioning in the manner intended. The Board of Directors has therefore decided not to establish an internal audit function. This decision will be reviewed annually.