

Corporate Governance Report

Pages 119–127 constitute the Company's Corporate Governance Report and have not been audited by the Company's external auditor.

Good corporate governance is about ensuring that a company is managed as responsibly and efficiently as possible on behalf of the shareholders. Corporate governance determines how rights and responsibilities are distributed among a company's various bodies in accordance with internal processes and the laws and regulations in effect. Pandox AB (publ) is a Swedish public limited company headquartered in Stockholm with shares listed on Nasdaq Stockholm. Corporate governance within Pandox is based on Swedish laws, the Articles of Association, the Nasdaq Rule Book for Issuers and the Swedish Corporate Governance Code ("the Code"). The Code is available at www.corporategovernanceboard.se and describes good practices in the stock market. Pandox complies with the Code with no deviations.

In 2022 no breaches of applicable stock market rules or of good practices in the stock market were reported by Nasdaq Stockholm's Disciplinary Committee or by the Swedish Securities Council in relation to Pandox.

SHAREHOLDERS AND THE SHARE

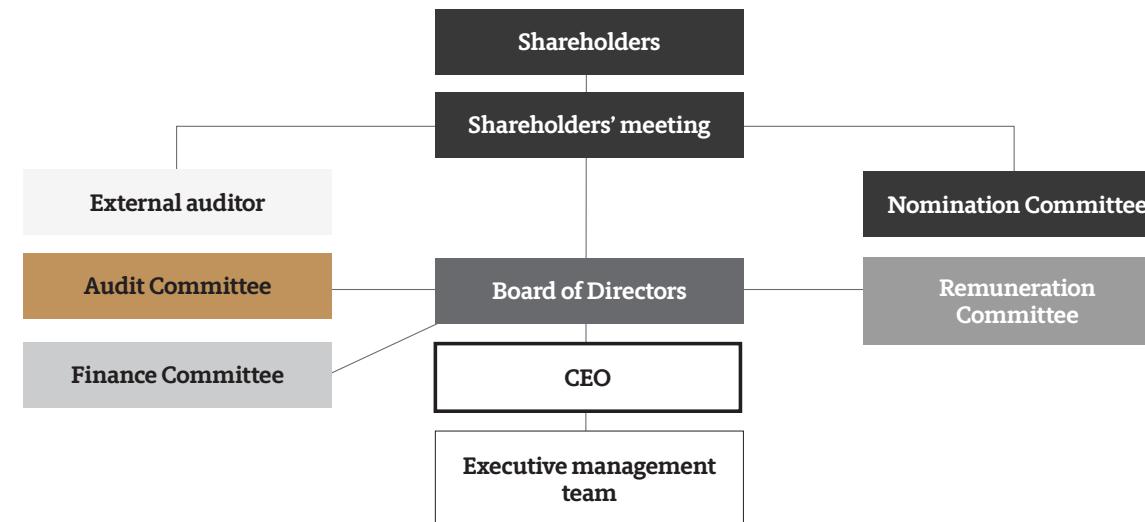
The Pandox class B share was listed on Nasdaq Stockholm on 18 June 2015 in the Large Cap segment. The Company's share capital amounted to SEK 459,624,998 as of 31 December 2022, distributed across 75,000,000 class A shares and 108,849,999 class B shares. Each class A share entitles the holder to three votes at shareholders' meetings, while each class B share entitles the holder to one vote at shareholders' meetings.

Pandox's Articles of Association contain a conversion clause and a pre-emption clause for Pandox's class A shares. All class B shares are transferable without restriction.

At the end of 2022 the following shareholders had direct or indirect ownership representing 10 percent or more of the voting rights for all shares in the Company:

Holding on 31 December 2022	% of votes
Eiendomsspar AS	37
Helene Sundt AB	18
Christian Sundt AB	18

Overall corporate governance structure



At year-end the Company's market capitalisation, calculated for both class A and class B shares, amounted to MSEK 21,358 (26,842).

SHAREHOLDERS' MEETING

The shareholders' meeting is Pandox's highest decision-making body, where the shareholders are entitled to make decisions on Pandox's affairs. Decisions at a shareholders' meeting are normally taken by simple majority, i.e. with the support of half of the votes cast at the meeting. In certain matters, however, Sweden's Companies Act requires proposals to be approved by a greater share of the votes. According to the Articles of Association, notice of shareholders' meetings is to be issued through an announcement in Post- och Inrikes Tidningar (Sweden's official gazette) and published on Pandox's website pandox.se. An announcement is also to be placed in the Swedish national daily newspaper Svenska Dagbladet, to inform the public that a notice has been issued.

Once the date and location of the shareholders' meeting has been established, the details are to be published on Pandox's website no later than in connection with the third quarter interim report. The 2023 AGM will be held in Stockholm on 12 April 2023.

Annual General Meeting 2022

Pandox's last Annual General Meeting took place on 12 April 2022 in Stockholm. At the 2022 AGM, resolutions passed included the following:

- Adoption of the income statement and balance sheet, and of the consolidated income statement and consolidated balance sheet
- Appropriation of the Company's profit according to the adopted balance sheet and that no dividend be paid to shareholders
- Re-election to the Board of Christian Ringnes (Chair), Jakob Iqbal, Jon Rasmus Aurdal, Ann-Sofi Danielsson, Bengt Kjell and Jeanette Dyhre Kvisvik

- Strategy and operations +
- Market and trends +
- Properties +
- Sustainability +
- Governance -
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 - Senior executives
 - Risk and risk management
- Financial +

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Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
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Board of Directors and auditor	
Senior executives	
Risk and risk management	
Financial	+

- Fees for the Board: SEK 840,000 to the Chair, SEK 640,000 to the Vice Chair and SEK 420,000 to each of the other members
 - Fees for the Audit Committee: SEK 155,000 for the chair of the Audit Committee and SEK 77,500 to each of the other members
 - Fees for the Remuneration Committee: SEK 50,000 to be paid to the two members of the committee
 - Fees for the Finance Committee: SEK 155,000 to the chair of the committee and SEK 77,500 each to the other two members of the committee
 - Re-election of auditor: accounting firm PwC with Patrik Adolfson as auditor-in-charge
 - Authorisation for the Board of Directors to issue new shares amounting to a maximum of 10 percent of the total number of shares outstanding
 - Approval of remuneration report
 - Adoption of principles for appointing the Nomination Committee in advance of the 2023 Annual General Meeting
- The full minutes of shareholders' meetings are available on Pandex's website.

BOARD OF DIRECTORS

Pandex's Board of Directors is responsible for the Company's administration and organisational structure. This includes the following:

- Establishing Pandex's overall objectives and strategies
- Appointing, evaluating and, if necessary, dismissing the CEO
- Ensuring effective monitoring and control systems for Pandex's business
- Ongoing evaluation of performance and financial position
- Ensuring that the annual reports and interim reports are correct, reliable and relevant

Board members are elected at the AGM for the period until the conclusion of the following AGM. According to Pandex's Articles of Association, the Board of Directors, to the extent it is elected by the shareholders' meeting, is to consist of at least four and not more than eight members with no deputies.

The Chair of the Board of Pandex is elected by the AGM. The Chair is responsible for ensuring that the Board's work is well-organised and efficient.

The Board works according to written work procedures which are revised annually and adopted at the statutory board meeting. The work procedures regulate, among other things, types of meetings, functions and the distribution of duties between the board members and the CEO. In conjunction with the statutory meeting the Board also adopts instructions for the CEO as well as instructions for financial reporting.

The Board holds meetings based on a schedule established annually, normally aligned with Pandex's strategy and budget process as well as the Company's financial calendar. Additional board meetings may be convened to manage time-critical issues that require board decisions, such as on acquisitions, divestment and raising capital.

Work of the Board of Directors

The Board held 14 meetings during the year, one of which was the statutory meeting. At the statutory board meeting Bengt Kjell was re-elected as Vice Chair of the Board.

The Board regularly conducts an evaluation of its work methods and procedures to ensure that the Board has the requisite expertise and efficient processes for good decisions. The result of the evaluation is reported to the Nomination Committee and provides substantive information on which the Committee can base its work. The Board has determined that the members have appropriate and complementary expertise taking into account Pandex's operations, and this opinion is shared by the Nomination Committee.

In 2022 the Board reviewed matters with Pandex's SVP, Director of Sustainable Business on two occasions in order to educate itself further in this area. Among the matters reviewed were the EU Taxonomy Regulation, which currently focuses on new production, and its impact on Pandex's strategy to own and improve existing properties – resulting in investments aimed at sustainability. Also discussed were requirements for sustainability-linked loans (known as green loans), what science-based targets involve and a status report on the establishment of climate goals.

Since the start of 2022 climate adaptation risks have been an important component in the Company's overall risk assessment. The results of the assessment were reported to the Board of Directors during the year and will be reported on annually along with action plans produced.

In 2022 interviews were conducted with all of the Board members and with the CEO. The conclusion was that the Board is working efficiently and that the members complement each other's strengths.

The Nomination Committee applied rule 4.1 of the Code as a diversity policy when preparing its proposal for the Board of Directors, the objective being for the Board to be composed of members of varying ages, genders and geographical origins, and to represent a range of educational and professional backgrounds.

Two of the six members of Pandex's Board are women.

The Nomination Committee has determined that the Board of Directors meets the requirements of the Code concerning independence.

Audit Committee

On 12 April 2022 Pandex appointed an Audit Committee consisting of Ann-Sofi Danielsson (chair), Bengt Kjell and Jon Rasmus Aurdal. The Audit Committee's duties, without affecting the Board's general responsibilities and duties, include overseeing Pandex's financial reporting and the efficiency of Pandex's internal control and risk management, staying informed about the audit of the annual accounts and consolidated accounts, reviewing and monitoring the auditor's impartiality and independence, and paying particular attention when the auditor provides Pandex with services other than audit services, as well as assisting in drafting proposals for the election of auditors at the AGM. The Audit Committee also examines the Annual Report and interim reports and oversees the audit. The Audit Committee does not perform any auditing tasks.

During the year the Audit Committee examined Pandex's external financial reporting, and also analysed and assessed Pandex's economic, financial and reporting risks on an ongoing basis with a particular focus on revenue, profit, property valuation and the financial position.

The Audit Committee also continued to deal with matters relating to internal control, in terms of structure, tools, organisation and self-assessment. The assessment is that Pandex's work on risk and control was strengthened further through improved procedures, controls and systems, and support provided by the Finance Committee (see below).

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
<ul style="list-style-type: none"> From the Chair ● Corporate Governance Report Board of Directors and auditor Senior executives Risk and risk management 	
Financial	+

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members concerned are paid fees at the same level as for the Audit Committee.

In 2022 the Finance Committee held five meetings at which minutes were kept and reported to the Board of Directors.

Chief Executive Officer and other senior executives

The Chief Executive Officer (CEO) reports to the Board of Directors and is responsible for Pandex's day-to-day administration and operations. The allocation of duties between the board members and the CEO is described in Pandex's work procedures for the Board and instructions for the CEO. Actions that are of an extraordinary nature or that are particularly significant are not considered part of the day-to-day administration and the CEO must prepare information on them and present this to the Board of Directors. The CEO is also responsible for preparing reports and compiling information in advance of board meetings and for reporting at the board meetings.

According to the financial reporting instructions, the CEO is responsible for Pandex's financial reporting and must ensure that the Board receives sufficient information from which to evaluate Pandex's financial position at all times.

The CEO is to keep the Board continuously informed about Pandex's performance in terms of revenue and earnings, financial position, liquidity and credit status, important business events and about every other event, circumstance or situation that may be assumed to be of material importance for Pandex's shareholders.

Audit

Pandex's auditors are appointed by the shareholders' meeting and are to examine the Company's Annual Report and accounting records as well as the administration of the Company by the Board and the CEO. After each financial year, the auditor must submit an audit report for Pandex's Parent Company and the Pandex Group to the Annual General Meeting. The auditors are appointed by and report to the shareholders' meeting and are not to allow themselves to be influenced in their work by Pandex's Board or executive management team.

The auditors are also responsible for reporting on any instance where a board member or the CEO has been guilty of negligence or has acted in a way that may result in compensation liability.

IMPORTANT POLICIES AND CODES

	Contents
Financial Policy	Principles and rules for financial activity
Insider Policy	Rules and guidelines for managing insider information
Internal and External Privacy Policy	Rules and information on Pandex's processing of personal data
IT and Data Security Policy	Principles and rules for how IT activities are to be conducted and data security ensured
Communication Policy	Principles and rules for internal and external communication
Environmental Policy	Rules and guidelines for Pandex's environmental responsibilities
Code of Conduct for business partners	Principles and requirements relating to Pandex's business partners
Code of Conduct for employees	Principles and requirements relating to Pandex's employees
Anti-corruption Policy	Principles and requirements relating to Pandex's employees and anti-corruption measures
Human Rights Policy	Pandex's principles and requirements relating to human rights
Guidelines for Whistleblower Service	Describes how employees and external stakeholders can report suspected irregularities
Guidelines for Crisis Communication	Describes how Pandex communicates internally and externally in crisis situations

PANDEX'S BOARD OF DIRECTORS AND COMMITTEES IN 2022

Name	Fees, SEK 000s	Attendance at meetings			Finance Committee	Independent of the Company ¹⁾	Independent of owners ²⁾
		Board of Directors	Audit Committee	Remuneration Committee			
Christian Ringnes, Chair	968	14 of 14		2 of 2	5 of 5	Yes	No
Jakob Iqbal	470	14 of 14		2 of 2		Yes	No
Jon Rasmus Aurdal	575	14 of 14	5 of 5		5 of 5	Yes	No
Ann-Sofi Danielsson	575	14 of 14	5 of 5			Yes	Yes
Bengt Kjell, Vice Chair	872	14 of 14	5 of 5		5 of 5	Yes	Yes
Jeanette Dyhre Kvisvik	420	14 of 14				Yes	Yes


¹⁾ Independent in relation to the Company and the executive management team.

²⁾ Independent in relation to the Company's major shareholders.

Strategy and operations	+
Market and trends	+
Properties	+
Sustainability	+
Governance	-
<ul style="list-style-type: none"> From the Chair ● Corporate Governance Report Board of Directors and auditor Senior executives Risk and risk management 	
Financial	+

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According to Pandox's Articles of Association, Pandox is to have two auditors and two deputy auditors or one authorised accounting firm as auditor. At the request of the Audit Committee, in 2017 Pandox carried out an auditor procurement process which resulted in the Nomination Committee's proposal to elect the accounting firm of PwC as the Company's new auditor, and this was approved at the 2017 AGM. The 2022 AGM re-elected PwC, with authorised public accountant Patrik Adolfson as auditor-in-charge.

 *Pandox's auditor is presented on page 126.*

The Board of Directors meets with Pandox's external auditors, without executive management being present, at least once a year to receive and address the auditors' opinions.

The Audit Committee also meets the auditors on a regular basis to be informed about and address their opinions on the interim reports and the Annual Report, the results of the auditor's scrutiny of internal control over financial reporting and to address other issues.

Pandox has no specific internal audit department. The Board examines the need for such a department on an annual basis. Based on the Audit Committee's assessment, the Board has decided not to establish a specific internal audit department. The Board judges that the established financial processes for monitoring and evaluation of controls that take place within the Group's accounting department ensure that sufficient reliability is achieved in the financial reporting without an independent internal audit department.

Nomination Committee

The Nomination Committee is a body of the shareholders' meeting and is responsible for submitting proposals for the election of the Chair and other members of the Board, as well as on fees and other remuneration for board assignments for each of the board members. The Nomination Committee is also to provide proposals for the election and compensation of auditors in consultation with the Audit Committee, as well as for the Nomination Committee's composition and how it is convened.

In accordance with a decision at Pandox's 2022 AGM, the Nomination Committee, in preparation for the 2023 AGM, is

to consist of the Chair of the Board and members appointed by the four largest shareholders in terms of voting rights as of 31 July 2022, according to the register of shareholders kept by Euroclear Sweden. The Chair of the Board of Pandox AB is also responsible for convening the first meeting of the Nomination Committee. If a shareholder with the right to appoint a member of the Nomination Committee relinquishes that right, the right to appoint a member is transferred to the largest shareholder who has not previously had the right to appoint a member of the Nomination Committee. Helene Sundt AB and Christian Sundt AB are represented by the same member of the Nomination Committee. The member appointed by the largest shareholder in terms of voting rights is to be appointed as chair of the Nomination Committee. The composition of the Nomination Committee is to be announced no later than six months before the next AGM. No fees are payable.

On 14 September 2022 Pandox announced that the Nomination Committee had been appointed in accordance with principles adopted by the AGM and consisted of the following:

- Anders Ryssdal, Eiendomsspar AB (Nomination Committee chair)
- Christian Ringnes, Chair of the Board of Pandox AB
- Leiv Askvig, Helene Sundt AB and Christian Sundt AB jointly
- Dick Bergqvist, AMF
- Camilla Wirth, Alecta

When preparing its proposal for the election of the Board of Directors the Nomination Committee applies what is stated in section 4.1 of the Swedish Corporate Governance Code as a diversity policy and as its objectives in this regard.

Shareholders wishing to submit proposals to the Nomination Committee may do so by email to valberedningen@pandox.se or by post to Pandox AB, Valberedning, PO Box 15, SE-101 20 Stockholm.

The Nomination Committee's proposals to the 2023 AGM are:

- Proposal for election of members of the Board of Directors
- Proposal for election of auditor
- Principles for appointing the Nomination Committee in advance of the 2024 Annual General Meeting

The Nomination Committee's proposals have been published in the notice of the 2023 AGM and on Pandox's website. The AGM will be held on 12 April 2023 in Stockholm.

INTERNAL CONTROL AND FINANCIAL REPORTING

According to the Swedish Companies Act and the Code, Pandox's Board of Directors is responsible for the Company's internal control. This report has been prepared in accordance with the Annual Accounts Act and the Code and is mainly intended to describe internal control and risk management with respect to financial reporting.

The framework used as a basis for Pandox's work on and description of internal governance and control is COSO, the Committee of Sponsoring Organizations of the Treadway Commission. COSO provides a structure for internal control based on five components: control environment, risk assessment, control activities, monitoring activities, and information and communication.

Control environment

The Board of Directors has overall responsibility for ensuring good internal control and effective risk management. Every year the Board of Directors adopts work procedures that define the Board's responsibilities and the distribution of duties among the board members. The Board exercises its control primarily by annually adopting policy documents, CEO instructions, delegation rules, instructions for financial reporting, business targets and strategies, as well as business plans and a budget.

The control environment provides a basis for good internal control over financial reporting. Pandox works continually to define, document and adapt an organisational structure, decision paths, responsibilities and powers that strengthen Pandox's corporate culture and control environment.

Risk assessment

 *See the section on Risk on pages 126–132 and the Sustainability Report on page 56.*

Risk assessment with respect to financial reporting involves identifying the procedures and income statement and balance sheet items in which there is a risk that errors, incomplete

- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

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information or irregularities may arise if there is insufficient control built into the routines. Risk assessment includes analysing whether any errors could occur and if so, how they may occur and in which part of the process. Pandox’s risk assessment has identified items where the risk of significant errors is the highest. These are items involving substantial transactions or where the processes are highly complex and require strong internal control.

An assessment of the risk of errors in financial reporting is performed annually for each line in the income statement, statement of financial position and cash flow statement. For items that are significant and/or associated with an elevated risk of errors, special procedures are employed to minimise the risks. The three main areas of risk are:

- Property valuation
- Financing activities
- Investment and renovation programmes

Pandox has a well-established operational risk model (the Pandox Method). It is used to evaluate and document identified risks associated with the hotel properties and is an important part of Pandox’s overall work on risk. Based on an individual business plan for each hotel property, it creates the conditions for increased cash flow and lower risk. The risk model also provides knowledge that can be beneficial when pursuing business opportunities.

The four parts of the Pandox Method are:

- Market analysis
- Marketing strategy
- Profitability optimisation
- Agreement optimisation

There is an individual business plan for each hotel property. Twice a year a review of all the hotels and properties is performed and the business plan is updated based on the Pandox Method. Recurring operational risk areas are revenue/occupancy, property operation/maintenance, lease issues and investments. The most significant risks are documented in a “Hot Pile” and, where relevant, are followed up at monthly executive management meetings. Topics discussed at these

meetings include any impact from macroeconomic forces, the hotel market cycle, geographic exposure and operator/brand exposure, hotel demand, supply of new capacity, competitors etc.

In view of the Covid-19 pandemic, property valuation continued to be a focus area for management as well as for the Board and its committees in 2022.

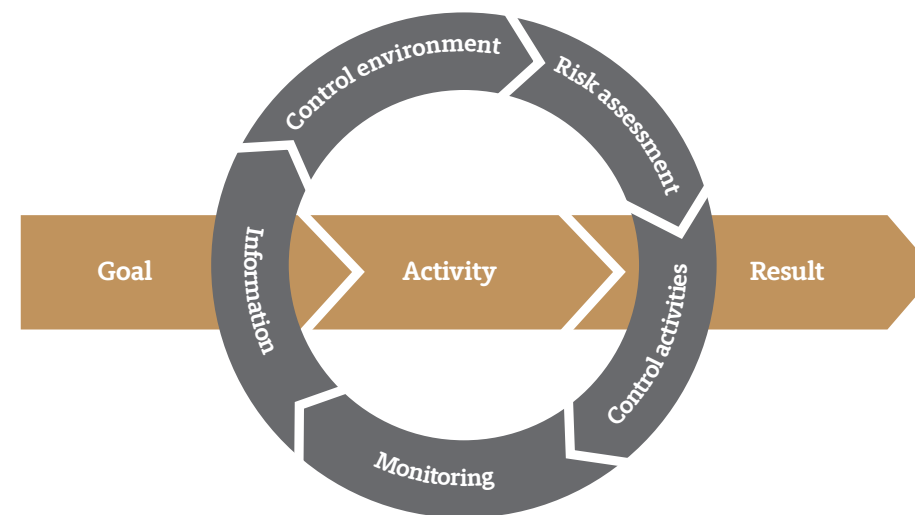
Further information on property valuation can be found on pages 148–151.

In its role as an active hotel property owner and in cooperation with its lease partners, Pandox makes every effort to identify joint investment and renovation programmes to ensure that the hotels are competitive and play a part in increasing cash flow. Pandox takes a long-term perspective and has a structured process for managing, implementing and following up on investments. Pandox normally works according to three- to five-year maintenance plans and also implements specific projects for cash flow-driving investments. For investments exceeding MSEK 10, a memorandum is submitted to the Board for approval. An investment budget is established

every year in connection with the preparation of the budget and business plan, which is adopted by the Board of Directors and adjusted on a quarterly basis. The outcome of the investments is monitored in relation to the budget and reported to the Board. Interest expense is Pandox’s largest expense item. Interest expense is affected by market interest rates and by credit institution margins, as well as by Pandox’s strategy with respect to fixed interest rates. With a fairly high proportion of loans in foreign currency, interest expense is also affected by fluctuation in exchange rates.

The majority of Pandox’s credit facilities have a variable rate of interest. Interest rate derivatives – mainly interest rate swaps – are used to manage interest rate risk and increase the predictability of Pandox’s earnings. Variable interest rates are partially swapped through interest rate swaps, giving Pandox fixed interest rates. Pandox’s Board establishes the risk mandate. The risk mandate is reflected in Pandox’s Financial Policy and ensures that the Company has access to long-term financing. The Financial Policy is updated annually by the Board of Directors. Pandox works closely with its lenders and external

Pandox’s model for internal control



- Strategy and operations +

- Market and trends +

- Properties +

- Sustainability +

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experts to ensure that the Company plans well in advance with respect to its financing requirements.

In connection with Pandex's annual strategy and budgetary work the executive management team presents a chart of the Group's top risks to the Board of Directors.

Control activities

To avoid errors, a number of control activities have been implemented to ensure that control objectives are achieved. Pandex's most important financial processes, such as closing the accounts, consolidation, monitoring results and reporting, have been documented in a Financial Handbook. The control measures involve guaranteeing the quality of financial reporting.

All of the key controls implemented by the Group companies in respect of financial reporting are documented in a self-assessment template used to report to the corporate level. The self-assessment template is monitored, adapted and evaluated at the corporate level, thereby strengthening the control environment within the Group.

The CFO and the Business Intelligence and Group Accounting & Control departments are all responsible for creating the environment required to achieve transparent and accurate financial reporting. Pandex's executive management and the Board also fill an important control function with respect to the external financial reporting process.

Monitoring activities

Pandex monitors performance in relation to both operational and financial targets on a monthly basis. The performance follow-up meetings are attended by the CEO, CFO, Business Intelligence, Group Accounting & Control and the heads of the business areas. Material differences are investigated immediately by the CFO and significant cases are reported to the Board. At least every quarter the Board

follows up on any high risks identified. The Audit Committee always examines the external reports before they are published for the stock market.

These follow-up processes are the basis for guaranteeing the quality of Pandex's financial reporting. The CFO reports annually to the Board on internal control over financial reporting.

In addition to this, Pandex's external auditors also examine the Company's internal control over financial reporting and annual reporting, and perform a review of the third quarter interim report. Any shortcomings and/or errors identified by the auditors are reported to Pandex's executive management or, in the case of more serious issues, directly to the Board.

Information and communication

One prerequisite for good internal control is that its various components and intentions are known throughout the organisation. In other words, clear and well-structured communication on internal control is very important.

To ensure that there is an efficient exchange of knowledge and experience among the financial departments, financial meetings are convened on a regular basis. Governing guidelines, policies and instructions are available on the Group's intranet. Access to the internal information documents on the intranet is regulated by permissions. The documents are updated on a regular basis as needed. Access to financial data for the Group is also controlled at the central level based on permissions.

The corporate department works closely with the reporting subsidiaries, and arranges conferences and training each year for controllers and financial managers.

The Head of Investor Relations works with colleagues to manage all external information and communication, including the external website.

Stockholm, 6 March 2023

The Board of Directors of Pandex AB

Auditors' opinion on the corporate governance statement

To the general meeting of shareholders of Pandex AB, corporate registration number 556030-7885

Engagement and division of responsibility

The Board of Directors is responsible for the corporate governance statement for the year 2022 on pages 119–127 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Focus and scope of the examination

Our examination was performed in compliance with recommendation RevR 16 *The auditor's examination of the corporate governance statement* issued by FAR (the professional institute for Swedish authorised public accountants). This means that our examination of the corporate governance statement has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our examination provides a reasonable basis for our opinion below.

Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph items 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of that Act are consistent with the annual accounts and consolidated accounts, and are in accordance with the Annual Accounts Act.

Stockholm, 7 March 2023

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor-in-charge

Linda Andersson
Authorised Public Accountant