

Corporate Governance Report

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 is a Swedish public limited company with its registered office in Stockholm. Corporate governance within Pandox is based on Swedish laws, the Articles of Association, the Nasdaq Stockholm 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.

SHAREHOLDERS AND THE SHARE

The Pandox AB (publ) 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 418,749,998 as of 31 December 2018, distributed across 75,000,000 class A shares and 92,499,999 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' 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 2018 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 2018	% of votes
Eiendomsspar Sverige AB	38.1
Christian Sundt AB	18.9
Helene Sundt AB	18.9

At year-end the Company's market capitalisation, calculated for both class A and class B shares, amounted to MSEK 24,555 (26,549).

► *More information about the Pandox share and the ownership structure is available on pages 34–39 and on Pandox's website pandox.se.*

The 2018 AGM authorised the Board of Directors to issue new shares amounting to a maximum of 10 percent of the total number of outstanding shares.

► *See page 104 in the Administration Report for a description of the standard change of control clause.*

SHAREHOLDERS' MEETING

The shareholders' meeting is Pandox's highest decision-making body. At the Pandox AGM the shareholders exercise their right to vote on key issues, such as adoption of the income statements and balance sheets, appropriation of the Company's profits, discharging the board members and the Chief Executive Officer from liability, election of board members and auditors, and on fees for board members and auditors. The active participation of the shareholders at shareholders' meetings provides the basis for a good balance of power between the owners, the Board and executive management.

Pandox's Board of Directors is to convene extraordinary shareholders' meetings if a group of minority shareholders holding at least one tenth of all shares in the Company,

or the Company's auditor, requests such a meeting. The Board of Directors may also convene an extraordinary shareholders' meeting on its own initiative. Resolutions at shareholders' meetings are normally passed by a simple majority. According to the Articles of Association, notice to attend 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 without delay in advance of the AGM and no later than in connection with the third quarter interim report. The 2019 AGM will be held in Stockholm on 10 April 2019.

Shareholders wishing to participate in a meeting must be listed in the register of shareholders maintained by Euroclear Sweden five days before the meeting, and must register with Pandox to participate in the shareholders' meeting by the deadline indicated in the notice of the meeting. Shareholders may attend the meetings in person or by proxy and may also be assisted by no more than two people (the number of assistants is to be indicated when registering to attend). Shareholders may normally register in a number of ways to attend shareholders' meetings. This is described in more detail in the notice of the meeting. Shareholders are entitled to vote for all of the shares they hold.

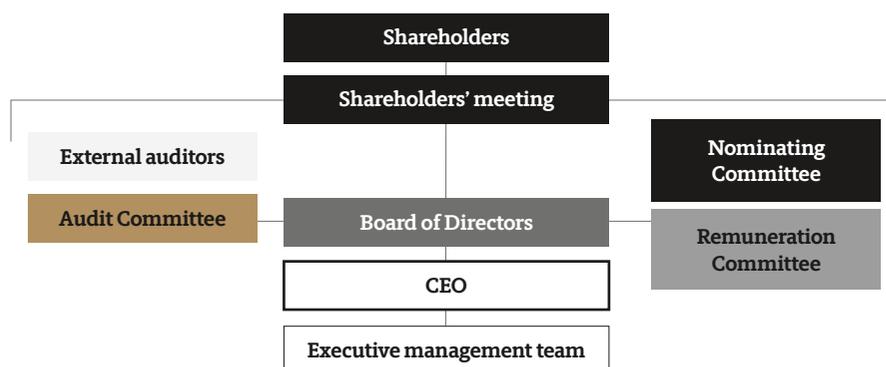
Shareholders wishing to have a matter placed on the agenda of the shareholders' meeting are required to submit a written request to Pandox's Board of Directors. Requests are to be received by the Board of Directors no later than seven weeks before the shareholders' meeting. For the 2019 AGM requests are to be received by the Board no later than 20 February 2019.

Annual General Meeting 2018

The last Annual General Meeting (AGM) took place on 9 March 2018 in Stockholm, when the following resolutions were passed:

- Adoption of the income statement and balance sheet, and of the consolidated income statement and consolidated balance sheet.
- Appropriation of the Company's earnings according to the adopted balance sheet

Overall corporate governance structure



and a decision on a dividend to the shareholders of SEK 4.40 per share.

- Discharging the members of the Board and the CEO from liability.
- Fees for the Board and the Company's auditors: SEK 750,000 to the Chairman of the Board, SEK 550,000 to the Vice Chairman of the Board if one has been appointed, and SEK 400,000 to each of the other elected members of the Board. Fees for the Audit Committee: SEK 130,000 for the chairman of the Audit Committee and SEK 70,000 to each of the other members.
- Fees for the Remuneration Committee: SEK 50,000 is to be paid to each of the two members of the Remuneration Committee.
- Fees for auditors are payable according to approved invoices.
- Re-election of auditors: accounting firm PwC with Patrik Adolfson as auditor-in-charge.
- Election of Jon Rasmus Aurdal as a new Board member.
- Re-election of Christian Ringnes, Leiv Askvig, Ann-Sofi Danielsson, Bengt Kjell, Helene Sundt and Jeanette Dyhre Kvisvik.
- Re-election of Christian Ringnes as Chairman of the Board.
- Authorisation for the Board of Directors to issue new shares amounting to a maximum of 10 percent of the total number of outstanding shares.
- Adoption of guidelines for remuneration for senior executives.
- Adoption of principles for appointing the Nominating Committee in advance of the 2019 Annual General Meeting.

The full minutes of shareholders' meetings are available on Pandox's website.

BOARD OF DIRECTORS

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

- Establishing the Company's objectives and strategies.
- Appointing, evaluating and, if necessary, dismissing the CEO.
- Ensuring that routines and systems are in place to evaluate performance in relation to established targets.
- 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 Pandox'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 Chairman of the Board of Pandox is elected by the AGM. The Chairman 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 every year. The work procedures regulate, among other things, types of meetings, functions and distribution of duties between the board members and the CEO. In conjunction with the statutory meeting the Board also adopts instructions for the CEO regarding financial reporting.

The Board holds meetings based on a schedule established annually, normally aligned with Pandox'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.

In addition to the board meetings, the Chairman and the CEO meet continually to discuss Pandox's governance and management. The Board evaluates the work of the CEO on an ongoing basis.

The Board of Directors has an Audit Committee and a Remuneration Committee to assist it in its work.

► *Other assignments of Pandox's Board of Directors and CEO are described on pages 160–162.*

Work of the Board of Directors

2018 was another active year for Pandox with a focus on the integration of prior acquisitions, investments and leasing as well as new add-on acquisitions, which demanded considerable commitment from the Board. In addition to the above matters, during the year the Board worked on Pandox's strategy and business plan, budget, developments in the hotel market and risk analysis.

The Board held nine meetings during the year, one of which was the statutory meeting. At the statutory board meeting Bengt Kjell was elected as Vice Chairman of the Board.

The Board conducts an annual evaluation of its work methods and routines to ensure that the Board has the requisite expertise and efficient processes for good decisions. The result of the evaluation is reported to the Nominating 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 Pandox's oper-

IMPORTANT POLICIES AND CODES ADOPTED BY PANDOX'S BOARD OF DIRECTORS

	Content
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 Pandox'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 Pandox's environmental responsibilities
Business Partner Code of Conduct	Principles and requirements relating to Pandox's business partners
Code of Conduct for Employees	Principles and requirements relating to Pandox's employees
Guidelines for Whistleblower Service	Describes how employees and external stakeholders can report suspected irregularities
Guidelines for Crisis Communication	Describes how Pandox communicates internally and externally in crisis situations

PANDOX'S BOARD OF DIRECTORS AND COMMITTEES IN 2018

Name	Fees, SEK 000s ³⁾	Attendance at meetings			Independent of the Company ¹⁾	Independent of owners ²⁾
		Board of Directors	Audit Committee	Remuneration Committee		
Christian Ringnes, Chairman	750	9 of 9		2 of 2	Yes	No
Leiv Askvig	430	9 of 9		2 of 2	Yes	No
Jon Rasmus Aurdal ³⁾	310	7 of 7	3 of 3		Yes	No
Ann-Sofi Danielsson	530	7 of 9	4 of 4		Yes	Yes
Olaf Gauslå ³⁾	160	2 of 2	1 of 1		Yes	No
Bengt Kjell, Vice Chairman	570	8 of 9	3 of 4		Yes	Yes
Jeanette Dyhre Kvisvik	400	9 of 9			Yes	Yes
Helene Sundt	400	8 of 9			Yes	No
Mats Wäppling ³⁾	150	1 of 2			Yes	Yes

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

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

³⁾ Olaf Gauslå and Mats Wäppling left the Board at the 2018 AGM. Jon Rasmus Aurdal was elected to the Board at the 2018 AGM. The Board members received fees only for the part of the year during which they were on the Board.

ations, and this is also the opinion of the Nominating Committee.

In 2018 Pandox's Nominating Committee conducted interviews 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. It was determined that the election of Bengt Kjell as Vice Chairman of the Board has improved internal communication within the Board for time-critical decision-making processes, such as in connection with acquisitions.

The Nominating Committee applied rule 4.1 of the Code as a diversity policy when preparing its proposal for the Board of Directors, with the objective 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.

Three of the seven members of Pandox's Board are women.

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

Audit Committee

On 9 April 2018 Pandox appointed an Audit Committee consisting of Ann-Sofie Danielsson (chairman), Bengt Kjell and Jon Rasmus Aurdal. The Audit Committee's duties, without affecting the Board's general responsibilities and duties, include overseeing Pandox's financial reporting and the efficiency of Pandox'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 Pandox 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.

In 2018, in addition to examining Pandox's external financial reporting, the Audit Committee continued to analyse and assess Pandox's economic, financial and reporting risks with a particular focus on revenue, investments and property valuation. The Audit Committee also dealt with matters

relating to internal control, in terms of development, tools, structure and self-assessment. The assessment is that Pandox's work on risk and control is developing effectively and that the Company improved its routines, controls and systems during the year. The effects of the upcoming transition to IFRS 16 were analysed and assessed jointly by Pandox and its auditors.

In 2018 the Audit Committee held four meetings for which minutes were kept and reported to the Board of Directors.

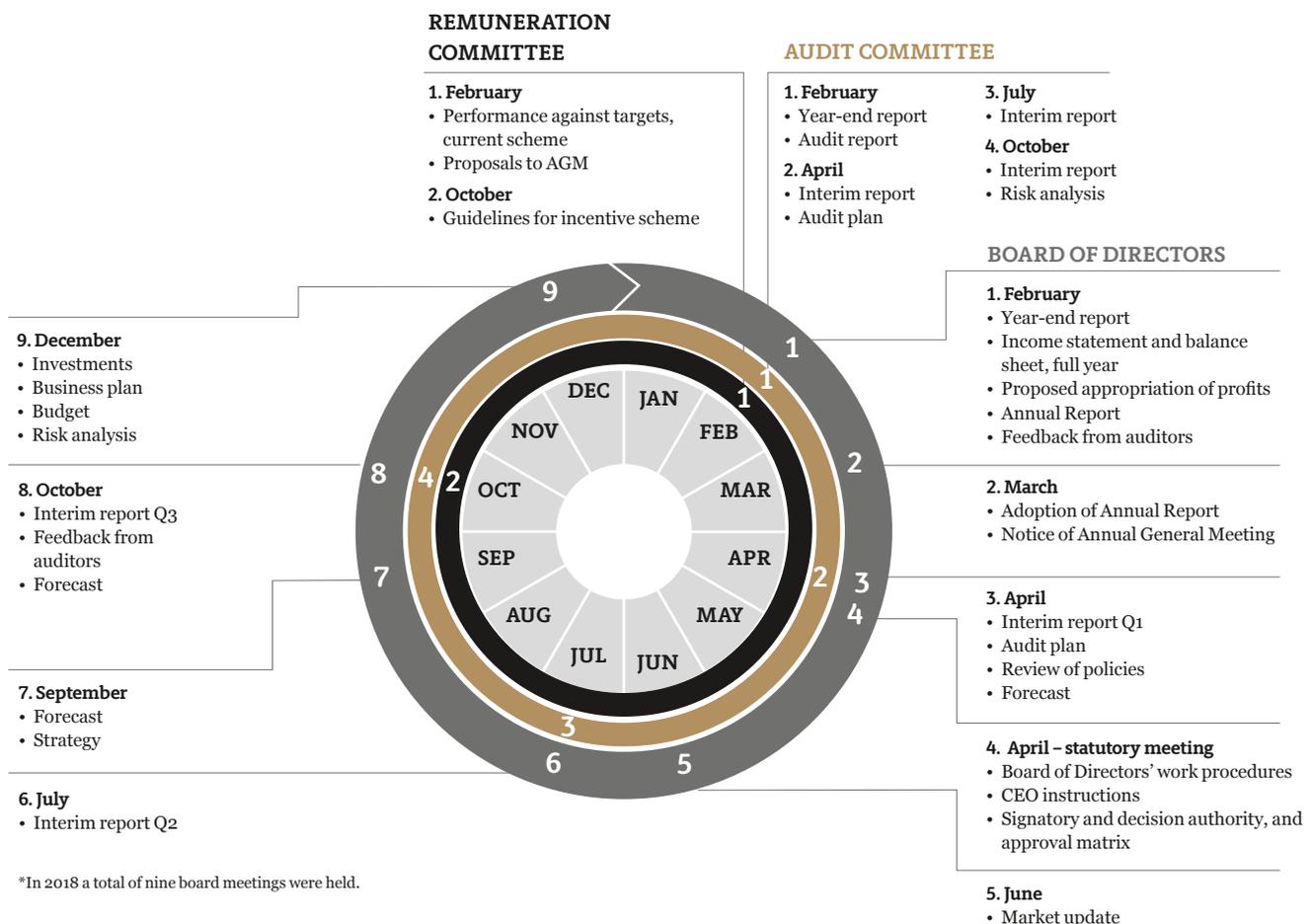
Remuneration Committee

Pandox has a Remuneration Committee consisting of two members: Christian Ringnes and Leiv Askvig.

Remuneration Committee duties:

- Preparing for board decisions on remuneration principles and on remuneration and other employment terms for the executive management team.
- Monitoring and evaluating ongoing programmes and programmes concluded during the year for variable remuneration for the executive management team.

Board duties, normal annual cycle*



- Monitoring and evaluating the application of remuneration guidelines for senior executives, on which the AGM is legally obliged to vote, and the applicable remuneration structures and compensation levels within the Company.
- Reviewing and preparing proposals on all share-related incentive schemes to put before the executive management team.

During the year the Remuneration Committee paid special attention to matters relating to salaries and other remuneration for the CEO and executive management team. In addition, an incentive scheme was prepared for key individuals at Pandox.

In 2018 the Remuneration Committee held two meetings for 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 Pandox's day-to-day administration and operations. Actions and measures which, taking into account the scope and nature of the Company's business, are of an unusual nature or of great significance, do not fall under the category of day-to-day administration. The CEO is required to prepare information and report to the Board on matters that are outside the day-to-day administration of the Company.

The allocation of duties between the board members and the CEO is described in the work procedures for the Board and instructions for the CEO. The CEO is also responsible for preparing reports and compiling information in advance of board meetings and for reporting on these materials at the board meetings.

According to the financial reporting instructions, the CEO is responsible for Pandox's financial reporting procedures and must therefore ensure that the Board receives sufficient information on which to continuously evaluate Pandox's financial position.

The CEO is to keep the Board continuously informed about Pandox's performance, sales development, earnings and 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 Pandox's shareholders.

Audit

Pandox'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 the Parent Company and the Group to the Annual General Meeting. The auditors are commissioned by and report to the shareholders' meeting and are not to allow themselves to be influenced in their work by the Board or the executive management team.

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

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 Nominating 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 2018 AGM re-elected PwC, with authorised public accountant Patrik Adolfson as auditor-in-charge. ► *Pandox's auditor is presented on page 161.*

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 evaluates the need for such a department on an annual basis.

Nominating Committee

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

In accordance with a decision at Pandox's 2018 AGM, the Nominating Committee, in preparation for the 2019 AGM, is to consist of the Chairman of the Board and members appointed by the four largest shareholders in terms of voting rights as of 31 July 2018, according to the register of shareholders kept by Euroclear Sweden. The Chairman of the

Board of Pandox AB is also responsible for convening the first meeting of the Nominating Committee. If a shareholder with the right to appoint a member of the Nominating 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 Nominating Committee. Helene Sundt AB and Christian Sundt AB are represented by the same member of the Nominating Committee. The member appointed by the largest shareholder in terms of voting rights is to be appointed as chairman of the Nominating Committee. The composition of the Nominating Committee is to be announced no later than six months before the AGM. No fees are payable.

On 5 September 2018 Pandox announced that the Nominating Committee had been appointed in accordance with principles adopted by the AGM and consisted of the following:

- Anders Ryssdal, Eiendomsspar Sverige AB (Nominating Committee chairman)
- Christian Ringnes, Chairman of the Board of Pandox AB
- Jakob Iqbal, Helene Sundt AB and Christian Sundt AB jointly
- Lars-Åke Bokenberger, AMF
- Marianne Flink, Swedbank Robur Fonder

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

Shareholders wishing to submit proposals to the Nominating Committee may do so by e-mail to valberedningen@pandox.se or by letter to Pandox AB, Valberedning, PO Box 15, SE-101 20 Stockholm no later than 20 February 2019.

The Nominating Committee's proposals to the 2019 AGM are:

- Proposal for election of members of the Board of Directors
- Proposal for election of auditor
- Principles for appointing the Nominating Committee in advance of the 2020 Annual General Meeting

The Nominating Committee's proposals have been published in the notice to attend the 2019 AGM and on Pandox's website. The AGM will be held on 10 April 2019 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 Organisations 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 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.

Good internal control over financial reporting is based on the control environment. In 2018 Pandox continued its work on defining, documenting and implementing an organisational structure, decision paths, responsibility and powers. These efforts have strengthened Pandox's corporate culture and control environment.

During the year Pandox bolstered the Company's expertise by recruiting a specialist in finance and taxation.

Risk assessment

The Group's operations are exposed to a variety of risks. In 2018 Pandox implemented several large acquisitions which have expanded the Group's area of operations geographically and resulted in new business relationships. In view of these changes, during the year the Group supplemented the risk assessment carried out in 2017.

► See the section on Risk on pages 94–99 and the Sustainability Report, on page 54.

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 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
- Investment and renovation programmes
- Financing activities

Pandox has a well-established operational risk model called the Pandox Method. It is used to evaluate and document identified risks associated with the hotel properties. The method allows Pandox to increase cash flow and limit the risk associated with each of the hotels.

The four phases of the Pandox Method:

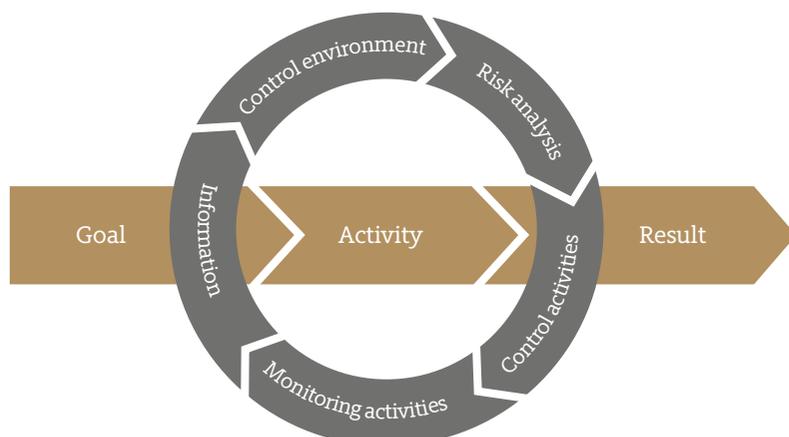
- Market analysis
- Marketing strategy
- Profitability optimisation
- Agreement optimisation

There is an individual business plan for each hotel property. Twice a year a review of all of the hotels and properties is performed and the business plan is updated based on the Pandox Method. Recurring business risk areas are: hotel occupancy, property management, contract issues and asset management. The most significant risks are documented in a "Hot Pile" and are followed up at monthly executive management meetings. Topics discussed at the 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.

Pandox performs internal valuations of its property portfolio every quarter. In addition, a valuation is made of all properties every year by external professional property appraisers who are independent of Pandox. Their assumptions and valuations form an important element in the internal valuation process. The valuation model consists of an accepted and proven cash flow model, where the future cash flows the hotel properties are expected to generate are discounted. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year and takes into consideration factors such as developments in the underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and return over the long term.

In its role as an active hotel property owner, Pandox, in cooperation with its lease partners, 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 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.

Pandox's model for internal control



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 greater 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. In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives are used; these are mainly interest swaps. 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 experts to ensure that the Company plans well in advance with respect to its financing requirements.

In connection with Pandox'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 introduced to ensure that control objectives are achieved. During the year Pandox updated its assessment of risk in the Group. Pandox's most important financial processes, such as closing the accounts, consolidation, monitoring results and reporting, have been documented in a Financial Handbook. The process of producing the Financial Handbook also involved identifying and documenting control activities linked to financial processes. The control measures involve guaranteeing the quality of financial reporting. Measures have been implemented at a general level in the analysis of results and key ratios, as well as at a detailed level by

incorporating a number of items to check in the day-to-day processes and routine descriptions. Each month at financial meetings the Company's performance is examined in relation to the budget, forecast and the outcome the previous year. The executive management team also holds monthly meetings. The Board and Audit Committee review financial reporting procedures quarterly.

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

Monitoring activities

Pandox monitors performance in relation to both operational and financial goals on a monthly basis. The performance follow-up meeting is attended by the CEO, CFO, Business Intelligence, Group Controllers and Business Area Managers. 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 Pandox's financial reporting.

The CFO reports annually to the Board on an evaluation of internal control over financial reporting.

In addition to this, Pandox's external auditors 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 Pandox'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 at which relevant issues are addressed. Governing guidelines, policies and instructions are available on the Group's intranet. Access to the internal information documents on the intranet is regulated by rules of authorisation. The documents are updated on a regular basis as needed. Changes are communicated separately via e-mail and at meetings attended by controllers and financial managers. Access to financial data for the Group is also controlled at the central level based on authorisation rules.

The person responsible for Investor Relations is responsible for all external information and communication, including the external website.

Need for an internal audit department

Pandox has a very dedicated and committed executive management team whose members are directly involved in many issues at various levels within the Group. Pandox also has a strong central control department consisting of controllers with previous experience as auditors who work with the Business Intelligence department to analyse and monitor financial and operational development within all of the Group's business segments. The employees in the financial department have many years of experience in this area and significant experience of Pandox's business. Taking all of this into consideration, Pandox's Board has determined that at this time there is no need for a separate internal audit department.

Auditors' opinion on the corporate governance statement

To the Annual General Meeting of Pandox AB (publ), corporate registration number 556030-7885

The Board of Directors is responsible for the corporate governance statement for the year 2018 on pages 154–159 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our review was performed in compliance with statement RevU 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 statu-

tory examination of the corporate governance statement has a different focus and is substantially narrower in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

A corporate governance statement has been prepared. Information in accordance with chapter 6 section 6 second paragraph items 2–6 and chapter 7 section 31 second paragraph of the Annual Accounts Act is con-

sistent with the annual accounts, the consolidated accounts and the Annual Accounts Act.

Stockholm, 7 March 2019
PricewaterhouseCoopers AB

Patrik Adolfson
*Authorised Public
Accountant
Auditor-in-charge*

Helena Ehrenborg
*Authorised Public
Accountant*