

# Corporate Governance Report

*This page and the subsequent pages 159–163 and 170–173 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 with its registered office in 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.corporategovernance-board.se](http://www.corporategovernance-board.se) and describes good practices in the stock market. Pandox complies with the Code with no deviations.

A revised Corporate Governance Code entered into force on 1 January 2020. It includes new rules on reporting remuneration and related party transactions. In view of this, in 2020 Pandox’s executive management adopted a Policy on Related Party Transactions at the instigation of the Board. In addition, new guidelines on remuneration to board members and the CEO were adopted at the 2020 AGM. A remuneration report will also be presented to the 2021 AGM for approval.

## 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 2020, 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’ 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 2020 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 2020	% of votes
Eiendomsspar AS	36.6
Helene Sundt AB	18.2
Christian Sundt AB	18.1

At year-end the Company’s market capitalisation, calculated for both class A and class B shares, amounted to MSEK 26,658 (38,976).

► *More information about the Pandox share and the ownership structure is available on pages 30–33 and on Pandox’s website [www.pandox.se](http://www.pandox.se).*

► *See page 96 in the Administration Report for a description of the change of control clause.*

## SHAREHOLDERS’ MEETING

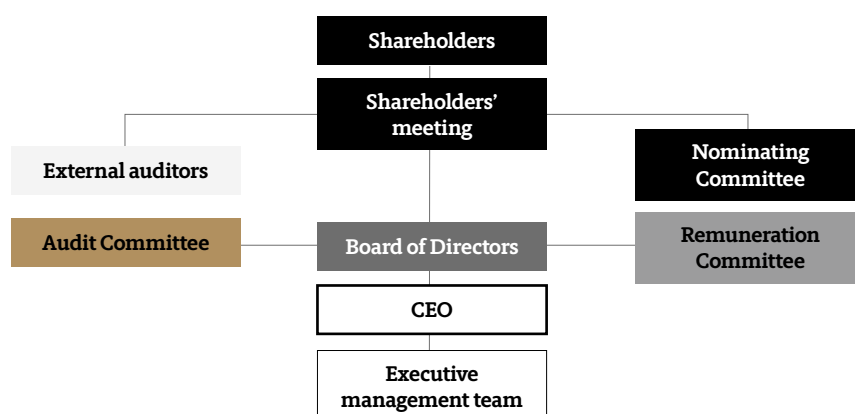
The shareholders’ meeting is Pandox’s highest decision-making body. At the Pandox AGM the shareholders exercise their right to vote on key issues, such as adoption of the income statements and balance sheets, appropriation of the Company’s profit, discharging the board members and the Chief Executive Officer from liability, election of board members and auditors, and on fees for board members and auditors. The active participation of the shareholders at Pandox’s 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 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](http://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 2021 AGM will be held in Stockholm on 12 April 2021.

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

## Overall corporate governance structure



This page has not been audited.

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 2021 AGM requests are to be received by the Board no later than 22 February 2021.

#### Annual General Meeting 2020

Pandox's last Annual General Meeting took place on 3 April 2020 in Stockholm. In light of the uncertainty surrounding the Covid-19 pandemic, the Board withdrew its previous dividend proposal of SEK 4.70 per share and instead proposed that no dividend be paid out for 2019. The Nominating Committee also withdrew its previous proposal to increase the fees for the Board, which therefore remained the same.

At the 2020 AGM, resolutions passed by the Board 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 no dividend to be paid out to shareholders.
- Discharging the members of the Board and the CEO from liability.
- Fees for the Board and the Company's auditors: SEK 800,000 to the Chairman of the Board, SEK 600,000 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 auditor: accounting firm PwC with Patrik Adolfsen as auditor-in-charge.
- Re-election to the Board of Christian Ringnes, Jon Rasmus Aurdal, Ann-Sofi Danielsson, Bengt Kjell and Jeanette Dyhre Kvisvik.
- Election of Jakob Iqbal as a new board member.

- 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 shares outstanding.
- Adoption of guidelines for remuneration of senior executives.
- Adoption of principles for appointing the Nominating Committee in advance of the 2021 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 Pandox'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,

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

	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 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
Anti-corruption Policy	Principles and requirements relating to Pandox's employees and anti-corruption measures
Human Rights Policy	Pandox's principles and requirements relating to human rights
Personal Data Policy	Rules for processing personal data
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 2020

Name	Fees, SEK 000s <sup>3)</sup>	Attendance at meetings			Independent of the Company <sup>1)</sup>	Independent of owners <sup>2)</sup>
		Board of Directors	Audit Committee	Remuneration Committee		
Christian Ringnes, Chairman	850	12 of 12		2 of 2	Yes	No
Leiv Askvig <sup>3)</sup>	150	4 of 12		1 of 2	Yes	No
Jon Rasmus Aurdal	470	12 of 12	4 of 4		Yes	No
Ann-Sofi Danielsson	530	11 of 12	4 of 4		Yes	Yes
Bengt Kjell, Vice Chairman	670	12 of 12	4 of 4		Yes	Yes
Jeanette Dyhre Kvisvik	400	12 of 12			Yes	Yes
Jakob Iqbal <sup>4)</sup>	300	8 of 12		1 of 2	Yes	No

<sup>1)</sup> Independent in relation to the Company and the executive management team.

<sup>2)</sup> Independent in relation to the Company's major shareholders.

<sup>3)</sup> Stepped down from the Board at the 2020 AGM.

<sup>4)</sup> Joined the Board at the 2020 AGM.

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 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 tasks of Pandox's Board of Directors and CEO are described on pages 170–173.*

### Work of the Board of Directors

2020 was a challenging year for Pandox due to the effects of Covid-19. This required

extensive and ongoing engagement from the Board of Directors, particularly in matters relating to profitability, financing and risk. During the year the Board also worked on Pandox's strategy and business plan, budget, trends in the hotel market and general risk analysis.

The Board held 12 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 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 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 operations, and this is the opinion of the Nominating Committee.

In 2020 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. With Bengt Kjell as Vice Chairman of the Board, the assessment is that internal communication and the quality of time-critical decision-making processes, such as in relation to financial risk, have been improved.

The Nominating 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.

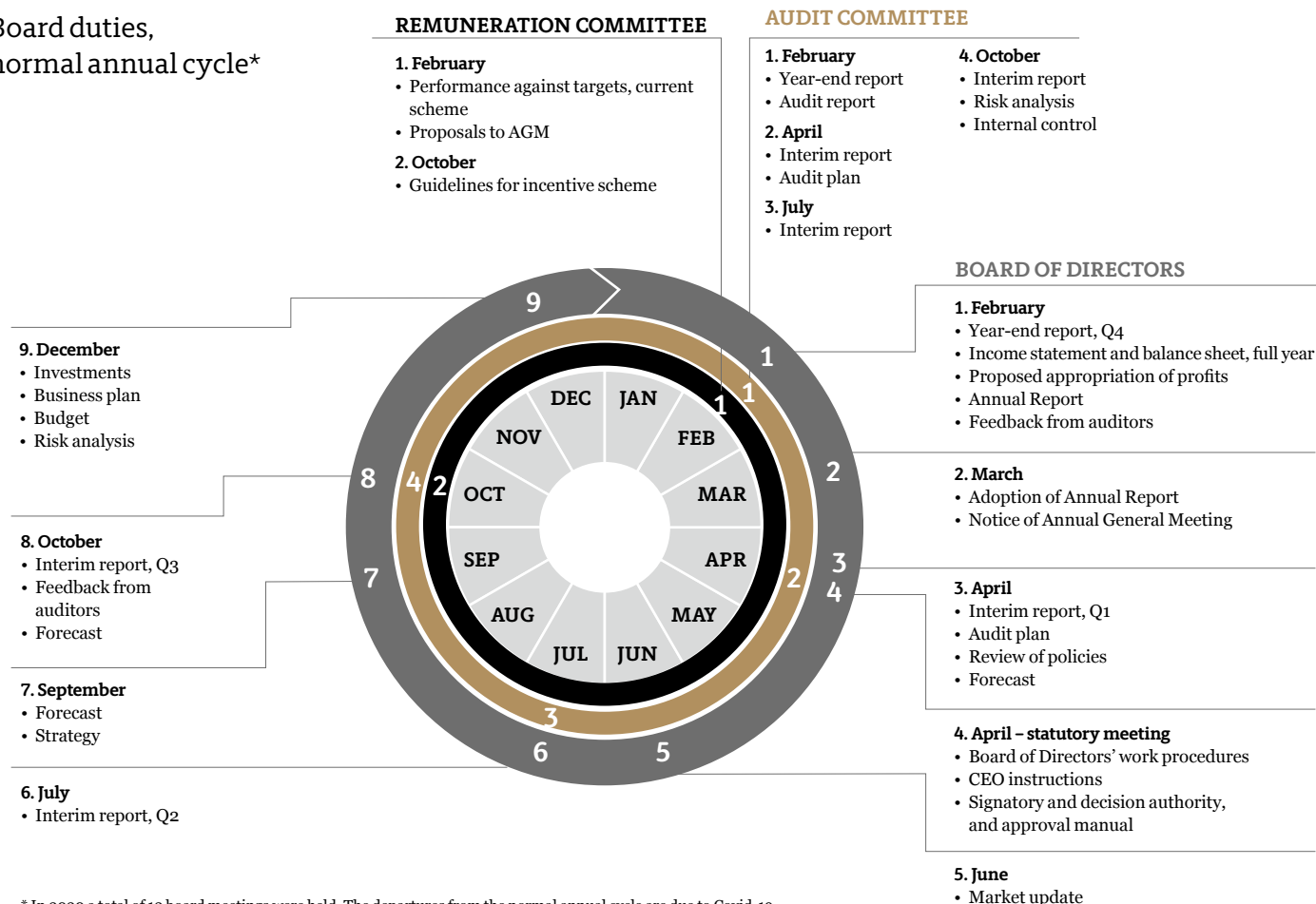
Two of the six members of Pandox's Board are women.

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

### Audit Committee

Pandox's Board appointed an Audit Committee on 3 April 2020 consisting of Ann-Sofi 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

### Board duties, normal annual cycle\*



\* In 2020 a total of 12 board meetings were held. The departures from the normal annual cycle are due to Covid-19.

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 2020, in addition to examining Pandox's external financial reporting, the Audit Committee analysed and assessed Pandox's economic, financial and reporting risks on an ongoing basis with a particular focus on revenue, profit, property valuation and the financial position taking into account Covid-19.

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

In 2020 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 Jakob Iqbal.

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 to the executive management team.
- 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, any matters concerning incentive

schemes for key individuals at Pandox are addressed.

In 2020 the Remuneration Committee held two meetings for which minutes were kept and reported to the Board of Directors.

#### Newly established Finance Committee

Due to Covid-19 the Board established a Finance Committee in 2020 consisting of board members Christian Ringnes, Bengt Kjell and Jon Rasmus Aurdal. Pandox's executive management is represented at Finance Committee meetings by Anders Nissen (CEO) and Liia Nõu (CFO), who have the right to participate in discussions but not in decisions. The Finance Committee discusses matters of particular significance for Pandox's financial position, such as rent payments and the fulfilment of conditions in credit agreements. Experience has been good and the Board has therefore proposed to the Nominating Committee that the need for a Finance Committee is reviewed annually, and that if established the Board members concerned are paid fees at the same level as for the Audit Committee.

#### 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. The allocation of duties between the board members and the CEO is described in Pandox'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 reports 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 ensure that the Board receives sufficient information on which to evaluate Pandox's financial position at all times.

The CEO is to keep the Board continuously informed about Pandox'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 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 Pandox's Parent Company and the Pandox 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 Pandox'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.

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 2020 AGM re-elected PwC, with authorised public accountant Patrik Adolfsen as auditor-in-charge.

► *Pandox's auditor is presented on page 171.*

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 2020 AGM, the Nominating Committee, in preparation for the 2021 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 2020, 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 8 September 2020 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
- Dick Bergqvist, 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](mailto:valberedningen@pandox.se) or by letter to Pandox AB, Valberedning, PO Box 15, SE-101 20 Stockholm no later than 12 January 2021.

The Nominating Committee’s proposals to the 2021 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 2022 Annual General Meeting

The Nominating Committee’s proposals have been published in the notice of the 2021 AGM and on Pandox’s website. The AGM will be held on 12 April 2021 in Stockholm.

#### INTERNAL CONTROL AND FINANCIAL REPORTING

According to the Swedish Companies Act and the Swedish Corporate Governance Code (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 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.

Good internal control over financial reporting is based on the control environment. 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 84–88 and the Sustainability Report, page 55.

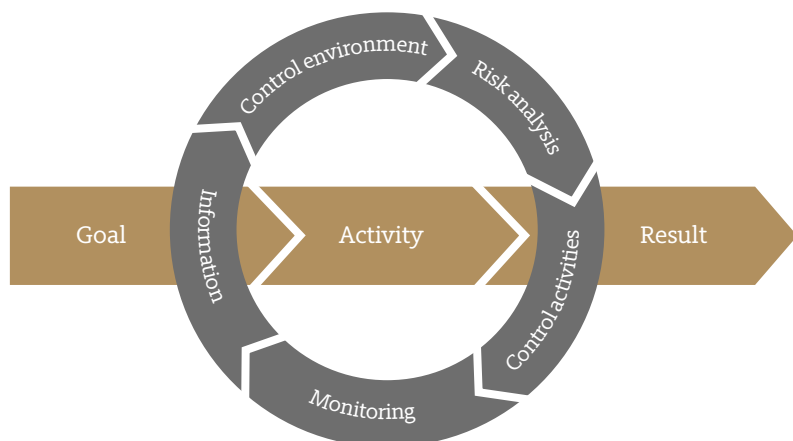
Risk assessment with respect to financial reporting involves identifying the procedures and income statement and balance sheet items in which there is a risk that errors, incomplete information or irregularities may arise if there is insufficient control built into the routines. Risk assessment includes 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
- 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 knowl-

### Pandox’s model for internal control



edge 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 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. External valuations of all properties are normally carried out annually by independent property appraisers. These external valuations provide an important reference point for Pandox’s internal valuations.

The valuation model consists of an accepted and proven cash flow model, where the future cash flows that the hotel properties are expected to generate are discounted by the market’s yield requirements. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year. It 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.

► *More information about property valuation can be found on pages 97, 127–131 and on Pandox’s website [pandox.se](http://pandox.se).*

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.

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. Interest rate derivatives are used – mainly interest rate swaps – in order 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 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 implemented to ensure that control objectives are achieved. Pandox’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 in 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. 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 Accounting & Control and the 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. 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. Access to financial data for the Group is also controlled at the central level based on authorisation rules.

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, 7 March 2021

The Board of Directors of Pandox AB