

Corporate Governance Report

Bonava is a Swedish public limited company listed on Nasdaq Stockholm. Bonava complies with the Swedish Corporate Governance Code. Bonava's corporate governance aims to ensure an efficient and value-creating decision-making process through the clear distribution of roles and responsibilities between owners, the Board of Directors and Group management. This transparency is a pre-requisite for quick and appropriate responses to new business opportunities.

Comments from the Chairman



CARL ENGSTRÖM, CHAIRMAN

Bonava remains on track

I am happy with the year that has passed and Bonavas achievements. The company has reached its financial goals and the share outperformed the index by almost ten percentage points. The work of streamlining our processes to meet the customers with an even more competitive offering has continued.

In 2018, Germany overtook Sweden as Bonava's biggest market in terms of sales and operating profit. Bonava was ranked as Germany's most active residential property developer for the sixth year running. During the spring, we were ranked as Latvia's largest residential property developer. Our customer focus and cost efficiency are what drive this progress.

Changes to the Board of Directors

The AGM in 2018 elected Frank Roseen as a new member of Bonava's Board of Directors. Frank's long international career in the property sector and good insight into the German market made him a welcome addition to the Board during the year. Two years ago, Mikael Norman was elected Board member and he has also served as Chairman of the Audit Committee since that date. Mikael is passionate about Bonava and has extensive knowledge of the industry and strategic business expertise. Accordingly, the Nomination Committee has nominated Mikael Norman for the position of Chairman ahead of the AGM 2019. I am convinced that this is

positive for Bonava, and after four years as Chairman, during which I have participated in bringing Bonava to the stock market, I am delighted to pass the baton to Mikael after the AGM, and look forward to working together on the Board of Directors.

The Board of Directors held a total of nine Board meetings in 2018. The Board also visited Bonava's local operations and ongoing projects in Copenhagen and Gothenburg. I can state that succession planning in the organization works well and during the year we have internally recruited a new Head of the German market.

Given the cautious developments on the Swedish market, the Board has allocated considerable time to discussing market progress and Bonava's position, including sales and investment strategies. In 2018, Bonava's sustainability work focused on charting Bonava's climate impact and preparing Bonava's climate goals in accordance with the Science Based Targets Initiative.

A safe and sustainable Bonava

Creating a safe and secure Bonava in every respect is at the top of the Board's agenda. The work associated with preventing accidents and incidents intensified on all markets. There should be no doubt whatsoever that everyone working at Bonava, employees and subcontractors alike, works together to create a workplace free from accidents. We carry out continuous exercises, repetitions and

reviews to create joint awareness of existing risks and how these can be managed to achieve our vision of "Zero Harm".

Our sustainability work indicates the way forward for Bonava as a long-term, responsible operator in sustainable development. Starting from UN Global Compact and the global Sustainable Development Goals, we are adjusting our operations to ensure sustainability. For us, this is not just a social responsibility, but sustainability is also a tool that supports our business and strengthens our customer offering.

Strong corporate culture drives Bonava

The Board's work in 2018 showed that Bonava is in a strong position to meet the challenges and opportunities that lie ahead. We have a broad geographical spread, a strong project portfolio and a stable financial position, but more importantly we have a strong corporate culture and employees that are passionate about driving Bonava's progress. As Chairman, I would like to express my gratitude and pride in the daily work carried out by Bonava's employees. Together, we are bringing our sector into the future and are creating a platform that benefits our shareholders, customers and employees.

Corporate Governance Report

Bonava is a Swedish public limited company listed on Nasdaq Stockholm on 9 June 2016. Bonava's Corporate Governance is based on Swedish Law, the Articles of Association, Nasdaq Stockholm's Rules for Issuers and regulations and recommendations issued by relevant organisations. In the countries where Bonava conducts operations, the company complies with local legislation and other regulations. Bonava also complies with accepted securities market practice, which includes the application of the Swedish Corporate Governance Code, "the Code". Bonava has not departed from the Code. There have been no instances of non-compliance with Nasdaq Stockholm's Rules for Issuers or accepted securities market practice. This Corporate Governance Report has been prepared by the Board of Directors and is presented in compliance with the Annual Accounts Act and the Code, presenting Bonava's Corporate Governance in 2018.

General meeting

Pursuant to the Swedish Companies Act, General Meetings are the company's highest decision-making body, where the shareholders make decisions relating to the company.

Notices convening General Meetings are made available on the company's website and through announcements in the Swedish Official Gazette (Post- och Inrikes Tidningar). Confirmation that the notice has been issued is published simultaneously in Swedish daily broadsheets Dagens Nyheter and Svenska Dagbladet.

General meetings in 2018

The Annual General Meeting (AGM) on 25 April 2018 was the only General meeting held in the year. In addition to electing the Board of Directors and other customary matters, the AGM authorised a new share-based incentive program for management and specified key executives.

Annual General Meeting 2019

Bonava's Annual General Meeting 2019 will be held on 10 April 2019 in Stockholm, Sweden. Shareholders are entitled to raise matters at the AGM subject to submitting a written request by no later than 20 February 2019. This information was published on the company's website in connection with the Interim Report for the third quarter 2018. The request should be addressed to the Board of Directors. Bonava seeks to ensure that the Board of Directors, management, the Nomination Committee and the Auditor are present at General Meetings. For more information about the AGM, see page 148 or Bonava's website, bonava.com.

Shares and shareholders

Bonava's share was listed on Nasdaq Stockholm on 9 June 2016. At year end, the number of shares in the company was 108,435,822. On the same date, the share capital totalled SEK 434 M with a quotient value per share of SEK 4.00.

At year end, Bonava had 30,941 shareholders. The company's five largest shareholders at year end were Nordstjernan AB, AMF Insurance and Funds, Swedbank Robur Funds, SEB Investment Management and Lannebo Funds.

→ Read more about Bonava's shares and shareholder on pages 61–63.

Articles of Association

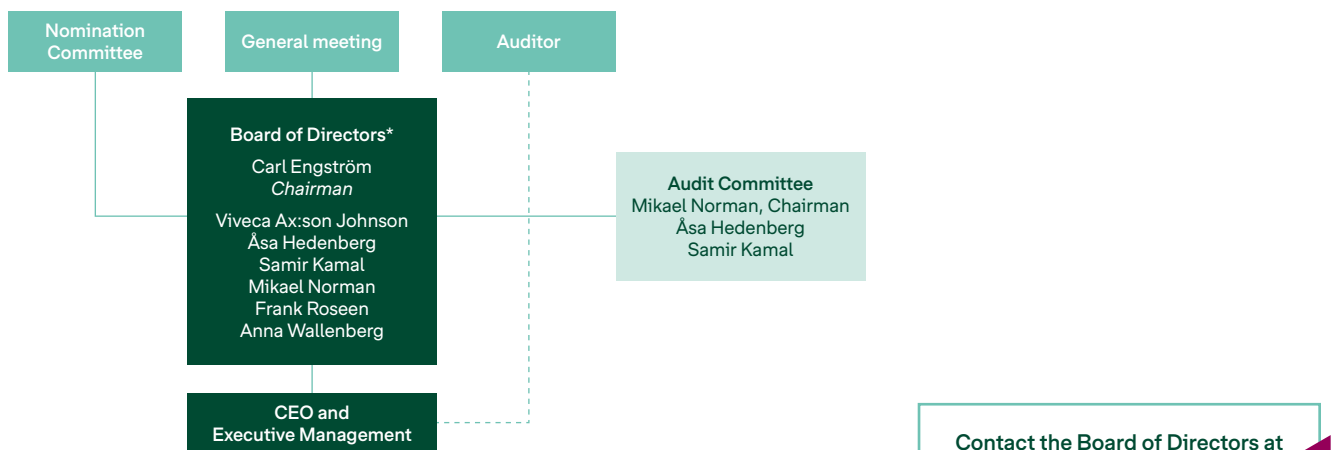
Bonava's Articles of Association were adopted by the AGM 2017 and are available in full at bonava.com. The Articles of Association stipulate that the company, directly or through subsidiaries, develops and invests in residential properties and engages in real estate trading operations, and conducts other operations related to the above. The company also undertakes certain group-wide activities, such as the provision of employees services. The registered office is in Stockholm, Sweden. The company is prohibited from making any decisions that contravene the Articles of Association without first referring such matters to the General Meeting for a decision and potentially amending the Articles of Association.

The Articles of Association do not contain any special stipulations regarding the appointment and discharge of Board members or amendments to the Articles of Association.

Nomination Committee

The AGM 2018 appointed the following Nomination Committee ahead of the 2019 AGM: Tomas Billing, Nordstjernan AB, Tomas Risbecker, AMF – Insurance and Funds, Mats Gustafsson, Lannebo Funds and the Chairman as co-opted member. Tomas Billing was elected Chairman of the Nomination Committee. The AGM also adopted instructions for the Nomination Committee's work.

Bonava's Corporate Governance



* In 2018, the Audit and Remuneration Committees' tasks were carried out by Bonava's Board of Directors.

The work of the Nomination Committee

According to the instructions, the Nomination Committee's task is to propose to the AGM the number of Board members and the composition of the Board, including the Chairman as well as proposals relating to remuneration to the Board, including any special fees for committee work. The Nomination Committee also proposes the Chairman of the AGM and, where applicable, Auditors and their remuneration. Where required, the Nomination Committee also proposes any changes to the applicable regulations governing the Nomination Committee.

Diversity policy

Bonava's diversity policy stipulates that, with regard to the needs of the company's operations, stage of development and other conditions, the Board shall have a suitable composition characterised by diversity and breadth with regard to the members appointed by the AGM in terms of skill, experience and background, and that an even gender distribution shall be pursued. The objective of the diversity policy is to meet the requirement for satisfactory diversity in the Board in terms of gender, age and nationality as well as experience, professional background and other qualities. For more information about the company's diversity initiatives, see page 28 for the section Passionate workplace. Ahead of the AGM 2019, the Nomination Committee held two meetings where minutes were taken, and also communicated by phone and email between meetings. The Chairman of the Board of Directors reported to the Nomination Committee on the Board's work during the year, and the Nomination Committee also met with and interviewed all Board members. The Chairman of the Board has also shared the

results of the Board's self-evaluation with the Nomination Committee. The Nomination Committee has noted that the Board is well functioning. The Nomination Committee has further stated that the Board has a satisfactory composition in terms of diversity and gender distribution. The Nomination Committee has subsequently evaluated the company's needs and an appropriate Board composition in relation to the current Board members' background and expertise. The Nomination Committee also evaluated Directors' fees and addressed the matter of remuneration for committee work. All decisions taken by the Nomination Committee were unanimous.

Nomination Committee proposals

Shareholders are invited to submit their proposals and views to the Nomination Committee. Shareholders wishing to present a proposal to the Nomination Committee should do so via ir@bonava.com. No special remuneration was paid to the Chairman, or any other member of the Nomination Committee.

The Nomination Committee's proposals for Board members, Board remuneration and Auditors are published in the Notice convening the AGM and at bonava.com.

Board of Directors

According to the Articles of Association, Bonava's Board of Directors shall have a minimum of three and a maximum of eight members. The AGM on 25 April 2018 resolved to re-elect Carl Engström, Viveca Ax:son Johnson, Åsa Hedenberg, Samir Kamal, Mikael Norman and Anna Wallenberg as Board members and elect Frank Roseen as a new member of the board. For information on Board members and their assignments outside the Group, and their share-

holdings in Bonava, see the section "The Board". The Board of Directors safeguards the shareholders' long-term interests and has the ultimate responsibility for the company's organisation and administration. The Board of Directors also adopts the Rules of Procedure for the Board and instructions for the CEO. The Board of Directors has also decided on a number of policies, guidelines and instructions relating to the company's operations, see page 78. These internal governing documents are reviewed at least once a year and are also updated continuously to comply with legislation as and when required.

The Board of Directors and non-affiliation

Bonava's Board of Directors was deemed to satisfy the Code's requirements of non-affiliation as all seven of the members elected by the AGM are non-affiliated to the company and management.

All Board members, with the exception of Carl Engström and Viveca Ax:son Johnson, are deemed to satisfy the requirement for non-affiliation with regard to major shareholders (in both cases this relates to Nordstjernan AB).

Chairman

The Chairman of the Board is elected by Bonava's AGM and leads the Board's work. The AGM on 25 April 2018 elected Carl Engström as Chairman. The Chairman ensures that the Board carries out its work efficiently and fulfils its obligations, and that Board resolutions are implemented by the company and management. The Chairman ensures that the Board of Directors receives the information and supporting documentation required to make well-informed decisions.

Nomination Committee ahead of AGM 2019

Board members ¹⁾	Appointed by	Non-affiliated ²⁾
Tomas Billing, Chairman of the Nomination Committee	Nordstjernan AB	Yes/No
Tomas Risbecker	AMF - Försäkring och fonder	Yes/Yes
Mats Gustafsson	Lannebo Fonder	Yes/Yes

¹⁾ And Chairman as co-opted Board member.

²⁾ Non-affiliated to the company and management/in relation to the largest shareholder in terms of votes.

Board work in 2018

In 2018, the Board held nine meetings, including the inaugural meeting following election. The agenda for every regular Board meeting includes a number of standing items: the CEO's summary of operations, divestments and investments, financial reporting, a summary of major exposure and reports on any potential health and safety and Code of Conduct incidents. In 2018, the Board discussed and decided on adjustments of Bonava's strategy, the status on Bonava's different markets as well as a number of major sales and investments. The Board also decided to retain the formulation of the company's long-term sustainability targets and its sustainability agenda. In 2018, the sustainability agenda has focused on charting Bonava's climate impact and preparing Bonava's climate goals in accordance with the Science Based Targets Initiative.

Committees

The Board currently has two Committees: The Audit Committee and the Remuneration Committee. In 2018, the Remuneration Committee's assignments were carried out by Bonava's Board of Directors, while a dedicated Audit Committee operated separately. The committees' assignments are regulated more closely in the annually revised committee instructions.

Audit Committee

The Audit Committee works according to an agenda which is set annually. Its task is to monitor the company's financial reporting and the efficiency of the company's internal control and risk management. The Audit Committee also keeps itself continuously informed about the auditing of the Annual Report and Consolidated Financial Statements. The Committee's role includes to review and monitor the Auditor's independence and impartiality, and especially to follow up any services provided by the Auditor other than those included under the auditing assignment. The Committee also recommends the choice of Auditor to the Nomination Committee. During 2018, the Audit Committee consisted of Board members Mikael Norman, Chairman, Samir Kamal and Åsa Hedenberg, none of whom is employed by the company.

In 2018, the Audit Committee held five meetings. Bonava's Auditor was present at all the meetings. The meetings addressed matters such as the company's interim Reports, the focus of its external auditing and the company's internal control of its financial reporting.

Remuneration Committee

The task of the Remuneration Committee is to address matters relating to the principles governing remuneration to the CEO and senior executives, as well as individual remuneration to the CEO in accordance with the remuneration principles. The principles include the relationship between fixed and variable remuneration, and the correlation between performance and remuneration, mainly the terms applying to potential bonuses and incentive programs, and the primary terms of non-monetary benefits, pension, termination of employment and severance pay. The whole Board determines the CEO's remuneration and other employment terms. Share-based incentive programs to Group management and other senior executives are decided by the AGM.

The Committee also assists the Board of Directors in monitoring the system for compliance with legislation, stock market regulations and the Code governing disclosure of information relating to remuneration to the CEO and other senior executives. The Committee also assists in producing, monitoring and evaluating ongoing programs, and programs terminated during the year, relating to variable remuneration to the CEO and other senior executives, application of the guidelines for remuneration to the CEO and other senior executives where an AGM resolution is a legislative requirement, and remuneration structures and remuneration levels.

Board meetings 2018

4 December

- Budget 2019
- Review of internal control and risk assessment systems
- Sustainability agenda – status
- Annual evaluation of the Board of Directors' and CEO's work during the year
- Remuneration Committee
- Business plan (Decision)

23 October

- Interim Report Q3
- Audit Report
- Report Audit Committee
- Strategy, business plan and review of land bank

5 September

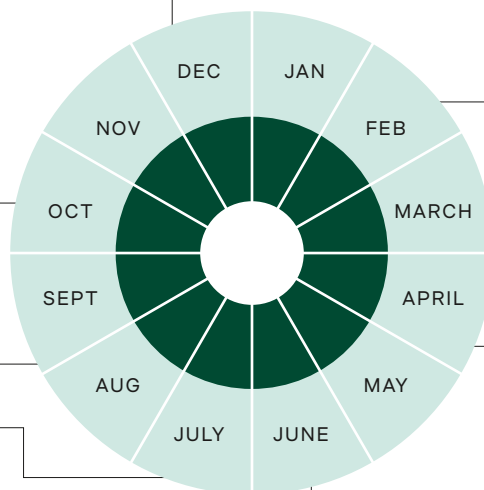
- Financial update

16 July

- Interim Report Q2

28 June

- Financial update incl. financing
- Strategy workshop and discussion
- Passionate workplace & review
- Confirmation of LTIP participants



1 February

- Year-end Report Q4
- Review of preliminary Financial Statements and draft Annual Report
- Financial objectives
- Audit Report (PwC)
- Results sustainability targets
- Result STI
- Proposed dividend
- Review of LTIP 2018
- Health & Safety update
- Strategic procurement presentation
- Report Audit Committee

14 March

- LTIP 2018 (Decision)
- Notice and documentation AGM (Decision)
- Annual Report (Decision)

24 April

- Interim Report Q1 (Decision)
- Report Audit Committee

25 April (Inaugural meeting)

- The Board of Directors' Rules of Procedure, CEO instructions and other Group policies
- Decision on Committees
- Decision on repurchase of LTIP shares

The Remuneration Committee held two meetings (Board meetings) in 2018, one regular meeting and one extraordinary meeting. All members were present at both meetings, with the exception of Board member Viveca Ax:son Johnson, who was not present at the regular meeting in December 2018. The meeting addressed matters such as Bonava's remuneration guidelines for senior executives and remuneration to the CEO and other senior management, and the proposed basis for a potential share-based incentive program for Group management and certain key executives for decision in 2019.

Remuneration

The AGM on 25 April 2018 resolved to pay, in the period until the next AGM is held, annual fees of SEK 630,000 to the Chairman and SEK 285,000 to each of the other Board members, none of whom are employed by the company. Additionally, the AGM resolved to pay, in the period until the next AGM is held, annual fees of SEK 150,000 to the Chairman and SEK 75,000 to each of the other Board members, none of whom are employed by the company. No special remuneration was paid for any other committee work.

Bonava further decided, in accordance with the current interpretation of regulations governing taxation of Directors' fees that were introduced in 2017, to no longer allow Board members to invoice Directors' fees through a wholly-owned company from the AGM on 25 April 2018 onwards.

Evaluating the Board of Directors and the CEO

In accordance with the Board of Directors' Rules of Procedure, the Chairman of the Board evaluates the Board's work annually. The evaluation for 2018 took the form of Board member Mikael Norman, on instruction from the Chairman, interviewing and discussing with each Board member and subsequently compiling the results of the discussions. The purpose of the evaluation was to gather information about the views of Board members on the Board's work and what measures can be implemented to improve its efficiency.

The intention was also to get an idea of the issues the Board of Directors considers should be given more prominence, and in which areas the Board may be in need of additional experience and competence. The results of the evaluation were presented to the Board of Directors, and the Chairman shared the results with the Nomination Committee. In brief, the Board considered that the Board's composition was appropriate, that it generally works well and that it should focus on clarifying the correlations between the company's strategy, business model and operations.

The CEO and senior management

The CEO is appointed by the Board of Directors and is responsible for the daily management of the company and the Group's activities in accordance with the Board of Directors' instructions and regulations. The division of responsibilities

between the CEO and the Board of Directors is defined in the Board's Rules of Procedure, and the instruction to the CEO is prepared by the Board of Directors. The CEO serves as the head of the Executive Management Group and makes decisions in consultation with other members of the EMG.

The EMG meets regularly and as and when required. In 2018, the EMG met on ten occasions.

Guidelines for remuneration to senior executives

In accordance with the guidelines adopted by the AGM on 25 April 2018, Bonava offers remuneration on market terms that enable the company to recruit and retain individuals with the highest possible competence levels. The total remuneration package supports the company's long-term strategy. Remuneration to management comprises fixed and variable remuneration, long-term performance-based incentive programs, pensions and other benefits. When determining fixed salaries, individual employees' area of responsibility, experience and achieved results shall be considered. Fixed salaries are reviewed either annually or biannually. All variable remuneration is related to a maximised fixed salary, and rewards the fulfilment of pre-determined targets, primarily of a financial nature. All variable remuneration at Bonava is designed to motivate and reward value-creating activities that support the company's long-term operational and financial objectives.

Remuneration and attendance at Board meetings 2018

Members appointed by General Meeting	Elected year	Board of Directors	Audit Committee	Remuneration Committee ³⁾	Non-affiliated, shareholders	Non-affiliated, company and management	Total annual fees, SEK
Total number of meetings		9	5	2			
Chairman Carl Engström	2015	9	2	2	No	Yes	630,000
Viveca Ax:son Johnson	2015	9		1	No	Yes	285,000
Åsa Hedenberg	2015	9	5	2	Yes	Yes	360,000
Samir Kamal	2015	9	5	2	Yes	Yes	360,000
Mikael Norman	2017	8	5	2	Yes	Yes	435,000
Magnus Rosén ¹⁾	2015	3			Yes	Yes	71,250
Anna Wallenberg	2015	9		2	Yes	Yes	280,000
Frank Roseen ²⁾	2018	5		2	Yes	Yes	213,750

¹⁾ Left the Board at the AGM 25 April 2018.

²⁾ Elected Board member at the AGM 25 April 2018.

³⁾ In 2018, the Remuneration Committee's tasks were carried out by the Board of Directors.

With regards to pension, Bonava is offering defined contribution solutions, which means that Bonava pays premiums comprising a specific portion of the employee's salary. In this context, senior manager means the CEO, CFO and other members of Group Management. For more information on remuneration to senior executives, see Note 4 on page 104. The Board of Directors is entitled to depart from the above guidelines of remuneration to senior managers if there are special reasons in an individual case.

Share-based incentive program

Bonava has two existing share-based incentive programs encompassing approx. 50 people in total. The AGM on 25 April 2018 approved the Board of Directors' proposal to introduce an additional share-based incentive program for Group management and certain key individuals, totalling some 50 people. Similarly to previous programs, participation in the program requires an independent shareholding in Bonava. The aim of the long-term incentive programs is to link the interests of shareholders and those of the EMG and specified key executives in order to ensure maximum long-term value creation. The AGM also resolved to authorise the Board of Directors to repurchase Class B shares to ensure the implementation of the incentive program. The Board of Directors has decided to utilise this authorisation and has carried out a share buyback program. To Bonava's future AGMs,

Audit fees in 2018

	SEK M
Audit fees to PwC	6
Fees to other auditors	1
Fees for audit-related consulting services	0
Fees for tax consulting services	0
Other fees	0

Share-based long-term incentive program

	LTIP 2018	LTIP 2017	LTIP 2016
No. of employees invited to participate	50	51	25
No. of employees opting to participate	41	50	25

the Board of Directors intends to propose long-term incentive programs based on similar principles to the program implemented in 2018.

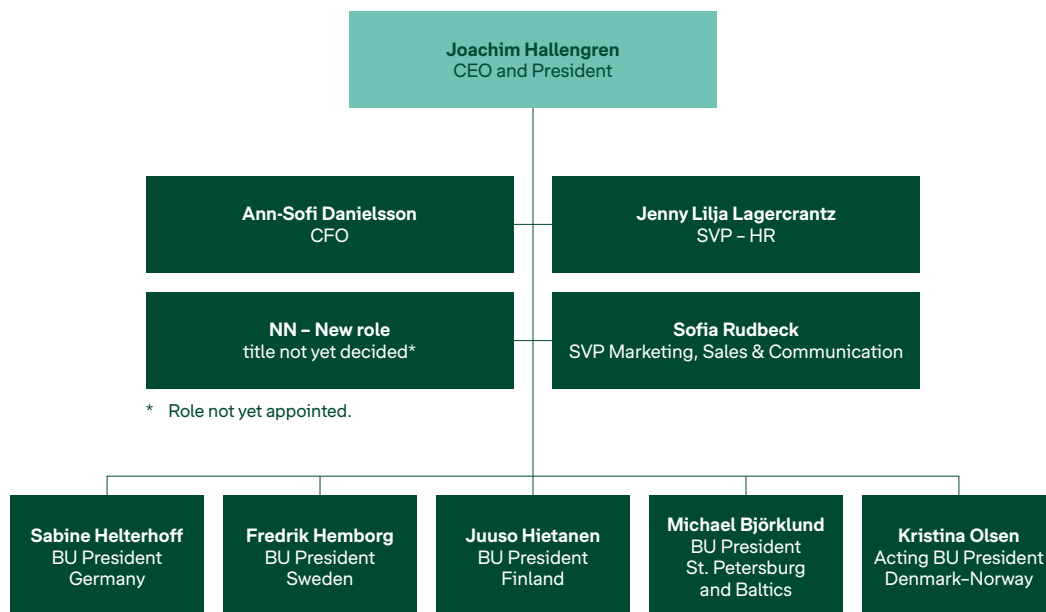
Auditor

The company's financial accounts and accounting, as well as the management by the EMG and the Board of Directors, are reviewed and audited by the company's auditor. At the Annual General Meeting on 25 April 2018, registered audit firm PwC (Öhrlings PricewaterhouseCoopers AB) was elected Auditor for the period until the Annual General Meeting in 2019. The election took place on the Nomination Committee's recommendation which conformed to the Audit Committee's recommendation, both based on a tendering process. The Chartered Accountant, Patrik Adolfson,

has been appointed Auditor. For more information about Patrik Adolfson's experience, see page 81.

The Auditor shall report any material accounting errors and suspected irregularities to the Audit Committee. At least once a year, usually in connection with the closing of the Financial Statements, the Auditor shall report any observations from the audit and its assessment of the company's internal control to the Board of Directors. The Auditor also participates at the AGM to present its Audit Report and outline the audit work carried out and observations made. Bonava's Sustainability Report was audited and complies with statutory requirements on sustainability reporting and the Global Reporting Initiative standards according to PwC. Fredrik Ljungdahl was Auditor in Charge for the Sustainability Report.

Organisational structure



The Board of Directors' report on internal control

Internal control of financial reporting and risk management

Bonava's internal control regarding financial reporting is designed to manage risk and ensure a high degree of reliability in the processes surrounding the preparation of the Financial Statements, and to ensure compliance with applicable accounting standards and other requirements placed on Bonava as a listed company. Bonava complies with the Committee of Sponsoring Organisations of the Treadway Commission's ("COSO") framework for evaluating a company's internal control over its financial reporting, "Internal Control—Integrated Framework." The Framework includes the following five components: control environment, risk assessment, control activities, information and communication, and follow-up. The process has been designed to ensure appropriate risk management, including reliable financial reporting in accordance with IFRS, applicable legislation and regulations as well as other stipulations with which companies listed on Nasdaq Stockholm are required to comply. This work involves the Board of Directors, Group management and other employees.

Process for risk assessment and internal control

In 2017, Bonava established a central Risk Committee and introduced a new annual process for systematic risk assessment and internal control for financial and non-financial risks. The Risk Committee comprises the company's CFO, General Counsel, Group Head of Finance and Business Control, Group Head of Sustainability and the Group Head of Risk and Compliance. This process was developed further in 2018. At the beginning of the year, each of Bonava's operational business unit evaluates the key risks the segment encounters in its operations. These are then discussed and analysed in more detail during the spring in an interactive process that includes the Risk Committee. Subsequently, in the summer, each respective business unit and Group function evaluates internal control for a number of risk classes, where the business units focused on the primary risks identified in the risk assessment process. The risk assessment was performed in close interaction with both the Risk Committee and Bonava's Auditors. Once these have been discussed and analysed by the Risk Committee, Bonava's annual report on risk and compliance is compiled on the basis of the above process. The report for 2018 has been approved by

the CEO and Audit Committee, authorised by the Board and presented to the EMG.

Control environment

The division and delegation of responsibilities has been documented and communicated in company policies that govern the Board of Directors and the company.

The Board of Directors reviews and approves the following policies annually:

- The Board of Directors' Rules of Procedure
- Instruction to the CEO
- Decision-making procedure
- Finance policy
- Code of Conduct
- Corporate Governance policy
- Insider policy
- Communication policy
- IT-policy
- Sustainability policy
- HSEQ policy
- HR policy
- Procurement policy
- Information security policy

All policies are decided by the Board of Directors. In addition to these policies, Bonava also uses other types of binding governing documents, among them a Group Procedure Data Privacy which was decided by the CEO as part of the GDPR-project implemented in the year. All internal governing documents are updated regularly in connection with changes to legislation, accounting standards or listing requirements, and as and when necessary. All the Group's policies and other governing documents are available to all employees on the company's intranet. The Board of Directors monitors and ensures the quality of the company's internal control in accordance with the Board's Rules of Procedure and instructions to the Audit Committee.

The Board of Directors has also adopted a number of fundamental guidelines that govern risk management efforts and internal control activities. These guidelines include risk assessment, demands for control activities to manage the most material risks, in accordance with the aforementioned new risk assessment and internal control process, and reporting. Bonava's control environment is comprised of responsibilities, powers and governing documents, alongside laws and regulations. For management, relevant named document owners have primary responsibility for ensuring compliance with the relevant governing documents.

In addition, the company considers that all employees have a responsibility to ensure compliance with all governing regulations and processes. The company facilitates for employees to assume this responsibility by means of various information and training initiatives.

Risk assessment

In accordance with the Board's Rules of Procedure, the Board of Directors and the Audit Committee review the company's internal control annually. This review is based on the above described new risk assessment and internal control process. Group management performs the overarching risk analysis, which identifies risks in the following areas:

- Bonava's surrounding world
- Strategic
- Operational
- Health and safety
- Climate and environment
- Customer-related
- Financial
- Legal

The risks identified in each area are evaluated on the basis of the estimated probability and impact. The outcome of the risk analysis is part of the aforementioned risk assessment and internal control process and is included in the annual risk and compliance report. For more information about the Group's risks and risk management, see pages 67–69 and Note 24.

Control activities

Bonava's risk management is based on a number of control activities taking place at different levels throughout the business operations, in Shared Service Centres (SSC) and within different functions. The control activities are intended to ensure that Bonava's processes are efficient and that the risks identified are managed effectively. For the business operations, ERP systems form the basis of the control structure, focusing on key stages of business operations such as investment decisions, production start and sales. Bonava places considerable emphasis on following up its projects. Bonava has established several SSCs, including Bonava Business Services, which handles most of the Nordic operations' transactions, and Human Resources Operations (HRO) which handles pay roll for the Nordic countries. Additionally, Group IT assumes central responsibility for all of Bonava's IT-systems. All these functions stipulate that processes must include control activities that manage

identified risks efficiently. In addition to the risk assessment and internal control processes described above, other control activities mainly include quarterly Board meetings in each business unit, which are all incorporated as separate legal entities. These meetings focus on reporting and discussion of financial forecasts and results, the business units' structured risk assessment and other factors. Bonava has also implemented a comprehensive compliance program ("Our Foundation"). The program aims to minimise risk relating to regulatory compliance and business ethics, and includes written guidelines on anti-corruption and competition legislation, central and local advisors on these issues, compulsory training in business ethics and a whistle-blower function. For more information, see page 31.

Information and communication

Bonava has established an organisation to ensure correct and efficient financial reporting. The internal control documents specify the division of responsibilities, and the daily interaction between the affected individuals means that relevant information and communication reaches all the relevant parties. Guidelines, instructions and manuals of significance to financial reporting are communicated to the relevant employees through Bonava's intranet. The Board of Directors regularly receives financial reports regarding Bonava's financial position and earnings performance. The EMG receives weekly and monthly financial information about the progress of Bonava's sales, profit, review and follow-up of ongoing and future investments, and liquidity planning.

The company's communication policy ensures that all external and internal information is accurate and is presented in a timely manner. Bonava's employees are invited to participate, directly or indirectly, in the preparation of internal policies and guidelines, and have thus been part of preparing these internal governing documents.

Follow-up and improvements

Follow-up continuously takes place at all levels of Bonava. The Board of Directors regularly evaluates the information provided by management and the Auditors. The company's Auditor also personally reports observations based on their review, as well as an assessment of internal control, directly to the Board of Directors. The Board of Directors assesses the information provided by Group management on a continuous basis.

Bonava's financial position, investments and its ongoing operations are discussed at each Board meeting. The Board of Directors is also responsible for monitoring and improving the internal control, and ensuring that measures are taken to address any weaknesses that emerge. This work includes ensuring that measures will be taken to handle any shortcomings, as well as following up on suggested measures arising from the external audit. The main basis for this board monitoring consists of the previously described risk assessment and internal control process.

Evaluation of the need for a dedicated internal audit function

Bonava does not currently have an internal audit function, apart from the recently established Risk Committee whose operations have some characteristics of an internal audit. The Board of Directors has reviewed the matter and considers that existing structures for follow-up and evaluation are satisfactory. In conclusion, this means that it is currently not justified to establish an internal audit function. The matter is reviewed annually.

Sustainability

The Board of Directors has determined Bonava's sustainability agenda and overarching Group sustainability targets, and presents the Sustainability Report. The Sustainability Report forms part of Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative standards. The Sustainability Report has been assured by external experts on sustainability reporting, PwC. The period of the Report is the full year 2018 and the reporting cycle is annual. Read more about Bonava's sustainability work on pages 23–32, and 131–143 respectively. The location of sustainability-related information in the Annual Report can be found in the index on page 142.

Sustainability organisation

The Board has ultimate responsibility for Bonava's sustainability agenda and its ongoing sustainability work. Bonava's CEO delegates operational responsibility to Bonava's Head of Sustainability, who up until October 2018 reported to the company's Head of Strategy and Business Development, and coordinates sustainability work with other Heads of operations. Post EMG reconstruction, Bonava's Head of Sustainability reports to the CFO, who alongside Bonava's CEO monitors sustainability on behalf of the

EMG. At the start of 2019, changes were made to the Group's strategy and business development function, that mean it is now a strategy function and no longer represented in the EMG. Simultaneously, a new Group function was set up which is represented in the EMG, and Bonava is currently recruiting a Head of this new function, with Bonava's CFO leading the function in the interim. Some Group functions, sustainability, procurement and health and safety for instance, will report to the Head of this new function from 2019 onwards.

The Head of Sustainability leads two committees in the Group: a steering committee for the sustainability agenda and a council for preparing supporting documentation for management decisions, strategic boards and the steering committee for the sustainability agenda and implementation of such decisions. In addition to the Head of Sustainability, the steering committee includes Bonava's CEO, CFO, General Counsel, Head of HR, Head of Strategy and Business Development (up until 2018) and Head of Marketing and Sales. The Sustainability Council includes representatives from each business unit. The Head of Sustainability is also a member of Bonava's Risk Committee. In addition, Bonava has a Head of Health and Safety with overarching responsibility for developing group-wide processes and driving the development process for sustainability relating to health and safety. The Head of Health and Safety leads Bonava's Council for Health and Safety with the aim of preparing supporting documentation for management and strategic boards, and implementing decisions. The Council for Health and Safety includes representatives from each business unit. Bonava's Head of Risk and Compliance is responsible for developing Bonava's processes for its deliberate and proactive work on risk and compliance management.

The primary development work is pursued within the framework of the sustainability aspect's most relevant strategic initiatives with support from Bonava's two councils: The Sustainability Council and the Health and Safety Council.

Board of Directors



Carl Engström

Chairman since 2015

Born in 1977

Education: M.Sc. (Econ.), Stockholm School of Economics, and M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Professional status: Senior Investment Manager at Nordstjernan AB.

Previous experience: Management consultant at Bain & Co.

Other ongoing assignments: Chairman of Salcomp Oyj and Salcomp Holding AB.

Shareholding in Bonava AB: 3,000 Class A shares and 4,000 Class B shares.



Viveca Ax:son Johnson

Board member since 2015

Born in 1963

Education: Social science secondary education.

Other ongoing assignments: Chairman of Nordstjernan AB and Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Director of NCC AB, Rosti Group AB, Axel and Margaret Ax:son Johnson Foundation and FPG Media AB.

Shareholding in Bonava AB: 25,000 Class A shares and 123,000 Class B shares.



Åsa Hedenberg

Board member since 2015

Born in 1961

Education: M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Professional status: CEO Specialfastigheter Sverige AB.

Previous experience: CEO Huga Fastigheter AB, CEO of Uppsalahem AB, Market Area Manager of Stockholm Kommersiellt Innerstad AP Fastigheter.

Other ongoing assignments: Director of Envac AB. Member of the Council, Stockholm Chamber of Commerce.

Shareholding in Bonava AB: 2,910 Class B shares.



Samir Kamal

Board member since 2015

Born in 1965

Education: M.Sc. (Econ.), Stockholm School of Economics. B.Sc. (Eng.), Imperial College London.

Professional status: Senior Director, Novo Holdings A/S (from April 2018).

Previous experience: Partner of EQT Partners, partner of IK Investment Partners, Project Manager at Carnegie Investment Bank and Analyst at SEB.

Shareholding in Bonava AB: 3,000 Class B shares.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2018.



Mikael Norman

Board member since 2017

Born in 1958

Education: Master of Laws (LL.M.), Stockholm University.

Previous experience: CFO Nobia, Group Controller at Electrolux, tax lawyer at PricewaterhouseCoopers and judge in the Stockholm County Court and Administrative Court of Appeal.

Other ongoing assignments: Director of Bravida Holding AB, Byggmax Group AB, Cloetta AB and Swedavia AB, and Chairman of the Audit Committees in Bravida Holding AB, Byggmax Group AB, Cloetta AB and Swedavia AB.

Shareholding in Bonava AB: 3,000 Class B shares.



Frank Roseen

Board member since 2018

Born in 1962

Education: M.Sc., MBA, Business Administration, Stockholm University

Professional status: Board member Aroundtown Commercial Properties and Chairman of the Board Star Real Estate Ventures LLC.

Previous experience: CIO/CFO for WCM AG in Germany (2015–2016), CEO for GE Capital Real Estate in Germany and Central/Eastern Europe (2012–2015), and a number of management positions within GE Capital Real Estate in the Nordics, Europe and Asia (2002–2012).

Shareholding in Bonava AB: 1,500 Class B shares.

- **Magnus Rosén** has been a member of the Board since 2015 but left the Board in 2018.



Anna Wallenberg

Board member since 2015

Born in 1975

Education: M.Sc. (Econ.), Uppsala University.

Professional status: Sales Director, Kronans Apotek.

Previous experience: Assortment and Purchasing Manager, Kronans Apotek. Business Area Manager at Oriola AB and Strategy Consultant at Accenture.

Other ongoing assignments: Board of Directors of United Spaces Network Offices AB

Shareholding in Bonava AB: 400 Class B shares.

Auditor

Patrik Adolfson

PwC Sverige (PricewaterhouseCoopers)
Auditor in Charge since 2018

Born in 1973

Other significant assignments: Other audit assignments include AcadeMedia AB (publ), Attendo AB (publ), Nordstjernan Investment AB, Securitas AB (publ) and Pandox AB (publ). Member of FAR.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2018.

Executive Management Group



Joachim Hallengren

President and CEO

Born in 1964

Education: M.Sc. (Eng.), Chalmers University of Technology.

Professional experience: CEO of NCC Housing 2012-2016 and a total of 16 years' experience in a range of positions in the NCC Group, including Business Area Manager of NCC Property Development and member of the senior management of NCC AB.

Other ongoing assignments: Director of Caverion Oy, Forenom Group Oy and Director and owner of Phlebas AB, directorships in other companies in the Phlebas Group and Chairman of Offside Press AB.

Shareholding in Bonava: 12,000 Class A shares and 63,700 Class B shares.



Ann-Sofi Danielsson

CFO

Born in 1959

Education: M.Sc. (Econ.), Uppsala University.

Professional experience: CFO, Financial Director and a total of 13 years' experience as a member of NCC AB's senior management.

Other ongoing assignments: Director of Vasakronan AB and Pandox AB.

Shareholding in Bonava: 16,358 Class B shares.



Sofia Rudbeck

SVP Marketing, Sales & Communication

Born in 1974

Education: M.Sc. (Eng.), Lund Technical University.

Professional experience: Product and Brand Director at Fagerhult Retail. Various positions within innovation, brand and marketing at Electrolux as well as Management Consultant at McKinsey & Company.

Other ongoing assignments: Chairman of Centre for the Future of Places (KTH).

Shareholding in Bonava: 4,650 Class B shares.



Jenny Lilja Lagercrantz

SVP HR

Born in 1972

Education: B.Sc. (Phil.), Stockholm University.

Professional experience: A total of 20 years' experience of Human Resources, including from Skandia Nasdaq Stockholm and NCC.

Other ongoing assignments: None

Shareholding in Bonava: 4,422 Class B shares.



Fredrik Hemborg

BU President Sweden

Born in 1972

Education: M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Professional experience: A total of 19 years of experience from various positions in the NCC Group, including as Regional Manager in NCC Property Development.

Other ongoing assignments: Director of Ursviks exploaterings AB.

Shareholding in Bonava: 8,137 Class B shares.



Sabine Helterhoff¹⁾

BU President Germany

Born in 1962

Education: Law degree, Leipzig University.

Professional experience: General Counsel in Germany since 1999 and responsible for investor transactions in Germany since 2007.

Other ongoing assignments: Board member of German building society Bauindustrieverband Ost.

Shareholding in Bonava: 3,334 Class B shares.

¹⁾ Joined as BU President Germany and the EMG in January 2019.

The information about shareholdings in Bonava refers to shares owned directly, through related parties and companies as of 31 December 2018.