

CORPORATE GOVERNANCE REPORT

Atrium Ljungberg AB is a Swedish public limited company with registered offices in Nacka. The Articles of Association prescribe the company's operations as follows: the company shall conduct construction operations, own and manage real property or leaseholds and securities, conduct trade in properties, and engage in any and all other activities compatible therewith. The Articles of Association do not contain any provisions for changes in the Articles of Association. The company's class B share (ATRLJ B) is listed on the Nasdaq OMX Stockholm exchange, the Large Cap. The foundation of corporate governance comprises the Articles of Association, the Swedish Companies Act, other applicable laws and ordinances, the regulatory framework of the stock exchange, the Global Reporting Initiative (GRI), internal guidelines and policies and the Swedish Code of Corporate Governance, ("the Code"). The overriding purpose of the Code is to strengthen the confidence of Swedish quoted companies by promoting a positive development of the corporate governance. These norms are not compulsory but are based on the principle that any deviations should be specified and explained. During the year the

company has not reported any deviations from the Code and has otherwise complied with good practice in the stock market. Atrium Ljungberg strives for openness for the company's decision-making pathways, responsibilities, and different control systems.

GOVERNANCE STRUCTURE

The structure of corporate governance within Atrium Ljungberg is presented in the image below and the following sections.

OWNERS AND SHARES

The company's share capital amounted to SEK 333,051,840 on 31 December 2016, divided among 4,000,000 class A shares (ten votes per share) and 129,220,736 class B shares (one vote per share). The company does not own class B shares. There is no restriction on voting rights. The company's market capitalisation at the year-end totalled SEK 18,388 million. Atrium Ljungberg's target is for the dividend to correspond to at least 50 per cent of the profit before changes in value after nominal tax unless investments or the company's financial position otherwise mandate a deviation from this norm.

The number of shareholders amounted to 3,689 at the year-end. The following owners have direct or indirect shareholding in the company which represents at least a tenth of the number of votes for all shares in the company; the Stockholm Consumer Cooperative society (29.2% of the capital and 23.0 % of the votes), the Ljungberg family (22.0% of the capital and 28.9 % of the votes) and the Holmström family (12.6% of the capital and 19.5% of the votes). More information on the ownership structure is contained in the table on page 89.

ANNUAL GENERAL MEETING

The shareholders' influence within the company is exercised through the Annual General Meeting (AGM) of the company's shareholders, which is the company's most senior decision-making body and should be held within six months of the end of the financial year. The AGM appoints the Board of Directors and the company's auditors, and adopts principles governing remuneration to the Board of Directors, the auditors, and the company's senior executives. The Meeting also takes decisions with regard to the Articles of Association, dividends, and any

Governance structure of Atrium Ljungberg



Internal steering instruments

Business concept, business plan, goals and strategies, the formal work plan of the Board of Directors, the CEO's instructions, policies, job descriptions, core values, delegation instructions and authorisation instructions.

External steering instruments

The Nordic Exchange rules for issues, the Swedish Code of Corporate Governance, the Swedish Companies Act, IFRS, the Swedish Annual Accounts Act, GRI and other relevant legislation.

changes to the share capital. The AGM should also adopt the balance sheet and income statements and decide on the discharge from liability for the Board of Directors and the CEO. The date of the AGM is announced in conjunction with the Interim Report of 30 September at the latest. Notices convening the Annual General Meeting shall be issued 4–6 weeks before the meeting and shall be issued by means of press releases, announcements in the Swedish Official Gazette, and on the company's website, www.al.se. The issue of the convening notice shall be announced in the Dagens Nyheter newspaper. Shareholders are entitled to have an issue discussed at the meeting if the Board is provided with notice thereof no later than seven weeks before the meeting is held. The 2016 Annual General Meeting was held on 6 April which was attended by 172 shareholders representing 81.6 per cent of the share capital and 85.5 per cent of the votes. The Annual General Meeting took decisions on, amongst other things, the following issues:

- the adoption of Income Statements and Balance Sheets for the Parent Company and the Group;
- the granting of discharge from liability for the Board of Directors and the CEO;
- the determination of the appropriation of profits entailing a dividend of SEK 3.55 per share;
- the election of the Board of Directors;

- the determination of Directors' fees totalling SEK 1,400,000, broken down as SEK 400,000 payable to the Chairman of the Board and SEK 200,000 payable to each of the Board Members;
- the determination of Auditors' fees in accordance with an approved presentation of invoice;
- the establishment of a nomination committee representing the five biggest shareholders by vote as of the last banking day in February 2016;
- guidelines for the remuneration of senior executives within the Group;
- authorisation to the Board of Directors to, on one or several occasions, acquire as many class B shares that the company's holding at the respective time does not exceed 10% of all shares in the company, in a regulated market where the shares are listed;
- authorisation to the Board of Directors to, on one or several occasions, decide on an issue in kind of maximum SEK 13.3 million shares of class B.

Minutes of the Annual General Meeting and other meeting documents are available on the company's website.

BOARD OF DIRECTORS

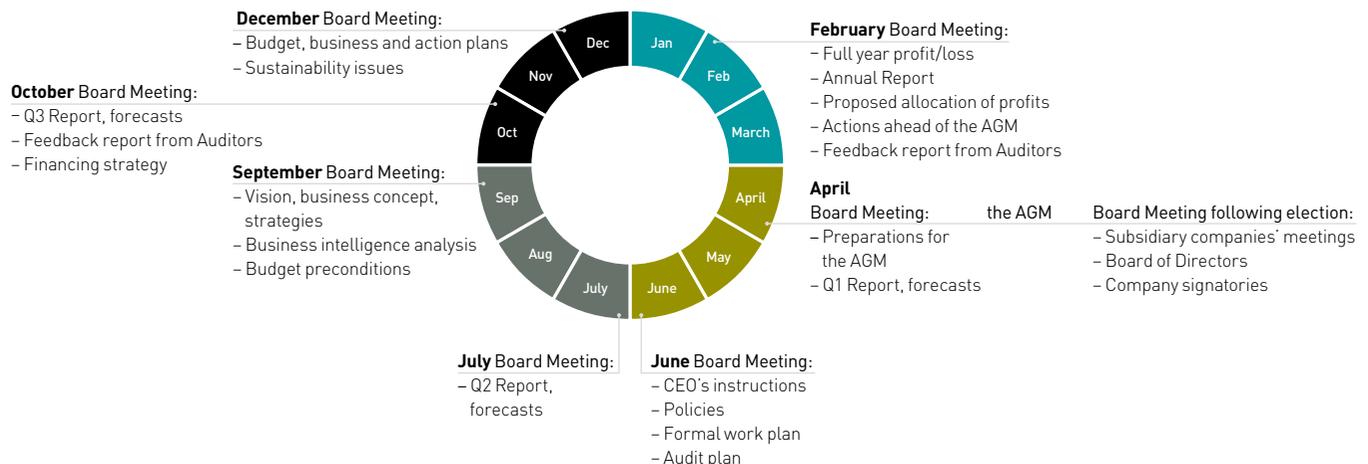
The Board has comprised of six members during the year (information about the

members is contained on page 96). The Code states that a majority of the Board shall be independent in relation to the company and the senior executives. At least two of the independent members must also be independent in relation to the company's major shareholders. The composition of the Board complies with the independence requirements. The Articles of Association do not contain any provisions on the appointment and dismissal of board members.

The Board has an overall responsibility for the company's organisation, the financial reporting and for ensuring that the management of the company's affairs is handled in a manner which ensures that the interests of owners for long-term good capital yield are fulfilled. The responsibility also covers efficient and appropriate systems for governance, internal control and risk management.

As a supplement to the Swedish Companies Act, the Articles of Association and the Code, the Board annually determines a formal work plan (including the CEO's instructions, instructions for the financial reporting, business plan and budget, policy for business ethics, suppliers policy, affiliated policy, equal opportunity and discrimination policy, sustainability policy, work environment policy, communication policy, financial policy, crisis policy, IT policy, whistleblowing policy, affiliated policy and tax policy). The formal work plan regulates the Board's work

The Board's annual planning in addition to standing items, such as investment decisions, progress report, ongoing projects and management, liquidity and financing



structure. The Chairman of the Board organises and leads the work of the Board, ensures that the Board has the expertise and know-how required to perform its duties, that the Board receives the information and decision data required for its work, that the Board's resolutions are implemented, and that the work of the Board is evaluated every year. The Board's assignments include setting operational goals and strategies, appointing, evaluating and if necessary dismissing the CEO, ensuring that effective systems are put in place for monitoring and control of the company's operations and that there is compliance with legislative and other requirements, and deciding on transfer of properties and companies as well as investments of SEK 20 million or more. The work of the Board and CEO should be evaluated annually. The formal work plan prescribes that the Board shall, over and above the Board Meeting following election, meet at least five times per year. The Board has held 9 ordinary Board Meetings of which one Board Meeting following election was held during the year.

In 2016, the Board laid down the overall goals for the company's operations and decided on the strategies needed to achieve these goals. Goals and goal fulfilment are described on pages 8–10 of the Annual report. The Board has decided on all investments in excess of SEK 20 million and on property acquisitions and sales carried out. There has been a strong focus on ongoing and future investment projects, sustainability issues, transfer of land and financing issues. Feedback reports from the Group management with regard to the company's economic and financial position, sustainability reporting,

current market issues, and ongoing projects have been presented at the Board Meetings. Results in comparison with the budget have been reported quarterly during the year, together with revised forecasts for the financial year. The annual planning of the Board is presented in the image on the previous page.

The Board members have appropriate collected experience, expertise and breadth with respect to Atrium Ljungberg's operations, development phases and conditions in general. The formal work plan does not contain any provisions on work allocation between the members. The entire Board has comprised the Audit and Remuneration Committees, in that the Board has deemed it more appropriate to address these issues within the context of the normal work of the Board. The Remuneration Committee prepares, complies with and evaluates issues concerning terms of employment and any programmes for variable remuneration for the company management, guidelines for remuneration of senior executives and remuneration structures and levels in the company. The Audit Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting, regularly meets the company's auditors to learn about the focus and scope of the audit and to discuss the coordination between the external and internal audit and view of the company's risks, establishes guidelines for which services besides the audit the company may procure from the company's auditor, evaluates the audit effort and informs the company's Nomination Committee about the results of the evaluation and assists the Nomination Committee

for preparing proposals for auditors and remuneration of the audit effort.

The company's auditors have reported on their work and observations to the Board on two occasions during the year, on one of these occasions without the presence of the company management. The Board has evaluated the work of the CEO, and under the direction of the Chairman of the Board and Nomination Committee, conducted an evaluation of the Board's work and members. A feedback report on the evaluation was submitted to the Board.

The company's Legal Counsel has acted as Secretary to the Board. The Chairman of the Board has had frequent ongoing contact with the CEO during the year.

THE CEO AND SENIOR EXECUTIVES

The company management comprises the CEO and six managers responsible for the business areas Property, Business development, Transaction and establishment, Projects, Business support and HR. In addition to ongoing matters within each function, the company management has prioritised issues concerning ongoing investment projects, transfer of land, financing issues, business development and sustainability issues.

Annica Ånäs (born in 1971) took over as CEO of the company in February 2016. She was employed in the company in 2011 as the company's CFO and was also an employee 2008–2010. Annica Ånäs also has experience as CFO at Hemsö Fastigheter and served as CEO within the communication sector. She also has experience of several directorships including the listed Finnish property company Technopolis. Annica Ånäs has an academic

The Board of Directors, 2016

		Elected	Remuneration, SEK	Independent*	Independent**	Note	Board Meetings
Johan Ljungberg	Chairman	2001	400,000	Yes	No	1)	9 of 9
Sune Dahlqvist	Member	2006	200,000	Yes	No	2)	7 of 9
Simon de Château	Member	2014	200,000	Yes	Yes		9 of 9
Hanna Graflund Sleyman	Member	2015	200,000	Yes	Yes	3)	9 of 9
Anna Hallberg	Member	2009	200,000	Yes	Yes		9 of 9
Erik Langby	Member	2014	200,000	Yes	Yes		9 of 9

* Independent in relation to the company and the company management

** Independent in relation to the company's major shareholders

¹⁾ Chairman of the Board as of the 2015 Annual General Meeting Member 2009–2015. Deputy Member, 2001–2009 Directly and/or indirectly a major shareholder in the company.

²⁾ Chairman of the Stockholm Consumer Cooperative Society, which is one of the company's major shareholders. Deputy Member, 2006–2011.

³⁾ Elected at the 2015 Annual General Meeting.

background as Legal Counsel and Graduate Business Administrator. Annica Ånäs holds 5,500 class B shares in Atrium Ljungberg, and has no shareholdings in companies with which Atrium Ljungberg has significant commercial links.

The other members of the senior management are presented on page 97 and the organisation structure on page 12.

REMUNERATION FOR SENIOR EXECUTIVES

Resolutions regarding guidelines for remuneration for senior executives were adopted at the Annual General Meeting held in 2016, which conform to the proposals for guidelines for 2017. Salaries and other terms of employment for the company management shall be market-based and competitive, but shall not be market leaders in terms of salary paid in relation to other comparable companies. The guidelines shall apply for the senior management team which consists of the CEO and six other senior executives. The CEO's remuneration shall be proposed by the Chairman and determined by the Board of Directors. Remuneration payable to other members of the senior management team shall be proposed by the CEO and approved by the Board. Remuneration payable to the senior company management team, including the CEO, comprises a fixed salary. No variable salary or performance-related remuneration shall be payable. The CEO's retirement age is 62, while that of the other members of the company management is 65. Pension plans are defined contribution plans, and the company hence has no additional obligations after payment of the annual premiums.

The CEO shall, if notice of termination is given by the company, be entitled to a 12 month notice period and severance pay corresponding to 12 months' salary. No other severance pay is payable. Other members of the senior management have notice periods of up to 6 months. The terms and conditions applied by the company for other Group employees, either in accordance with collective agreements or in accordance with unilateral undertakings by the company to the employees, shall otherwise apply, where applicable, to the company management. Departure from the above-mentioned guidelines by the Board of Directors is permitted if there are specific grounds for doing so in a particular instance.

AUDITING

Ernst & Young was elected at the 2015 Annual General Meeting to act as auditors with authorised public accountant Jonas Svensson as the auditor in charge. In 2016 Jonas Svensson was replaced by authorised public accountant Ingemar Rindstig.

The auditing team has ongoing contact for information purposes with the company during the year, over and above the review activities conducted. The Board meets with the auditor at least twice a year, one of which meetings is held in the absence of the company management. The company's auditors audit the annual financial statements and also carry out a review of the interim accounts as per 30 September and review the company's internal controls.

NOMINATION COMMITTEE

The Nomination Committee is the General

Meeting's body for preparing the meeting's resolutions on appointment-related issues. The Nomination Committee shall propose a basis for the Meeting's handling of the following issues:

- the election of the Chairman of the Meeting, the Chairman of the Board and other Members of the Board of Directors of the company;
- the determination of Directors' fees for the Chairman of the Board, other Board Members, and any remuneration for committee work and, where relevant, the election and remuneration of Auditors;
- decisions on principles relating to the structure of the Nomination Committee ahead of impending Annual General Meetings;

At the Annual General Meeting held on 6 April 2016, it was decided that the Nomination Committee for the 2017 Annual General Meeting shall comprise representatives of the company's five biggest shareholders by votes, as of the last banking day in February. The Nomination Committee's members were appointed, consisting of Lars Ericson representing the Stockholm Consumer Cooperative society, Per-Erik Hasselberg (also the Nomination Committee's Chairman) representing the Holmström family, Hans Hedström representing Carnegie Fonder, Johan Ljungberg representing the Ljungberg family, and Ilkka Tomperi representing the mutual occupational pension insurance company, Varma. In some cases the Nomination Committee can increase the number of members to maximum seven.

Remuneration for company management 2016

SEK k	Basic salary/ fee	Other remuneration	Other benefits	Pension costs	Share-related remuneration	Total
Annica Ånäs, CEO	3,856	-	56	985	-	4,897
Ingalill Berglund, CEO	9,967 ¹⁾	-	55	2,673	-	12,695
Other senior executives	9,921	70	220	2,351	-	12,562

¹⁾ Refers to a notice period of 12 months and severance pay of 12 months.



From the left:
Simon de Chateau,
Sune Dahlqvist,
Anna Hallberg,
Hanna Graflund Sleyman,
Johan Ljungberg,
Erik Langby.

BOARD OF DIRECTORS

SIMON DE CHÂTEAU

Member of the Board. Born 1970. Graduate Business Administrator, the Stockholm School of Economics. Chief Investment Officer in Alma Property Partners. Member of the Board since 2014.

Other significant directorships:

Member of the Boards of Sveafastigheter Fund II AB, Sveafastigheter Fund III AB and Cormorant Pharmaceuticals AB.

Atrium Ljungberg shareholding: No shareholding.

HANNA GRAFLUND SLEYMAN

Member of the Board. Born 1978. Graduate Business Administrator, the Stockholm School of Economics. CEO Departments & Stores (RNB, the NK part). Member of the Board since 2015.

Other significant directorships:

Member of the Boards of companies within the RNB Group.

Atrium Ljungberg shareholding: No shareholding.

SUNE DAHLQVIST

Member of the Board. Born 1948. LO's folk high school. Former Negotiations Manager for the Swedish Union of Tenants, Stockholm Region. Member of the Board since 2011. Deputy Member of the Board, 2006–2011.

Other significant directorships:

Chairman of the Board of Stockholm Consumer Cooperative Society. Member and Second Vice President of the Boards of the Swedish Cooperative Union (KF), member of KF's presiding committee and remuneration committee. Chairman of Fastighetsbolaget Folkets Hus Åkersberga AB.

Atrium Ljungberg shareholding: 1,000 class B shares.

JOHAN LJUNGBERG

Chairman of the Board. Born 1972. Graduate Engineer. Chairman of the Board of Tagehus AB. Member of the Board since 2009. Deputy Member of the Board between 2001 and 2009, and Member of the Board for part of 2006.

Other significant directorships:

Chairman of the Board and member of the Boards of companies within the Tagehus Group. Chairman of the Board of Credentia AB.

Atrium Ljungberg shareholding: 1,396,410 class A shares and 4,067,600 class B shares.

ANNA HALLBERG

Member of the Board. Born 1963. Economics & Law graduate of the Gothenburg School of Economics and Business Administration. Deputy CEO of Almi Företagspartner AB. Member of the Board since 2009.

Other significant directorships:

Member of the Boards of Partnerinvest Norr, Högskolan Väst and companies within the Almi Group.

Atrium Ljungberg shareholding: 2,000 class B shares.

ERIK LANGBY

Member of the Board. Born 1951. Social Sciences education, Stockholm University. Chairman of the municipal executive board of Nacka 1983–2012. Member of the Board since 2014.

Other significant directorships:

Chairman of the Board of Nacka StrandsMässan AB, AB Solom and Texab AB. Member of the Board of Kommuninvest i Sverige AB.

Atrium Ljungberg shareholding: No shareholding.



From the left:
Monica Fallenius,
Annica Ånäs,
Linus Kjellberg,
Mattias Celinder,
Helena Martini,
Angela Berg,
Martin Lindqvist

THE COMPANY MANAGEMENT

ANNICA ÅNÄS

Born 1971. CEO. Previously CFO. Employed by the Atrium Ljungberg Group since 2011, also employed between 2008–2010.

Other significant directorships: Member of the Board of Finnish listed property company Technopolis.

Atrium Ljungberg shareholding: 5,500 class B shares.

MATTIAS CELINDER

Born 1972. Business Area Director, Properties. Employed by the Atrium Ljungberg Group since 2006.

Atrium Ljungberg shareholding: 1,150 class B shares.

MARTIN LINDQVIST

Born 1970. CFO and Business Area Director, Business support. Employed by the Atrium Ljungberg Group since 2016.

Atrium Ljungberg shareholding: No shareholding.

ANGELA BERG

Born 1975. Business Area Director, Projects. Employed by the Atrium Ljungberg Group since 2011.

Atrium Ljungberg shareholding: No shareholding.

HELENA MARTINI

Born 1965. HR Manager. Employed by the Atrium Ljungberg Group since 2010.

Atrium Ljungberg shareholding: 400 class B shares.

LINUS KJELLBERG

Born 1972. Business Area Director, Business development. Employed by the Atrium Ljungberg Group since 2003.

Atrium Ljungberg shareholding: No shareholding.

MONICA FALLENIOUS

Born 1972. Business Area Director, Transaction and establishment. Employed by the Atrium Ljungberg Group as of 1 February 2017.

Atrium Ljungberg shareholding: 400 class B shares.