

## REPORT ON CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY IN PIONEER PROPERTY GROUP ASA

### CORPORATE GOVERNANCE REPORT 2022

Pioneer Property Group ASA ("**PPG**" or the "**Company**") is a Norwegian public limited company with preference shares listed on the Oslo Stock Exchange. PPG is subject to and endeavors to comply with the corporate governance recommendations stipulated in the Norwegian Public Limited Liabilities Companies Act, the Norwegian Accounting Act, Norwegian securities legislation and the continuing obligations for companies listed on the Oslo Stock Exchange (available at [www.lovdatab.no](http://www.lovdatab.no) and [www.oslobors.no](http://www.oslobors.no)).

PPG strives to maintain high confidence with its investors, customers, and the society in general, and therefore actively adheres to good corporate governance.

#### 1. Implementation and reporting on corporate governance

This report provides an overview of the Company's implementation of corporate governance. The report is in compliance with the reporting standards pursuant to Section 3-3b of the Norwegian Accounting Act and is based on the recommendations stipulated in the Norwegian Code of Practice for Corporate Governance dated 14 October 2021 (the "**Code**", available at [www.nues.no](http://www.nues.no)). The report is made available at the Company's headquarter at Rådhusgata 23, Oslo, Norway, and is published on the Company's website [www.pioneerproperty.no](http://www.pioneerproperty.no).

The report shall be considered by PPG's Annual General Meeting ("**AGM**"). The Company's auditor ("**Auditor**") reviews the report's compliance with the Norwegian Accounting Act and the Auditor's review is included in the Auditor's report of PPG's Annual Report.

PPG is in compliance with the Code, with the exception of the following deviation identified by the Board of Directors:

- *Section 9:* The entire Board of Directors acts as the Company's audit committee. For efficiency reasons, and as a result of the scope of PPG's operations, which is limited compared to other stock exchange listed companies, the Board of Directors is of the opinion that it is both appropriate and practical that the Board of Directors acts as the audit committee of the Company.

#### 2. Business

According to PPG's articles of association, PPG's business is to invest in real estate and related business, as well as investments in securities and other assets. The Company's strategy is to acquire, own and to develop properties in the Nordic region.

The ultimate goal for PPG's business is to achieve maximum growth in equity per share, so that the shareholders of the Company in a long-term perspective, achieve a return that is competitive in comparison to other investment opportunities. It is important for PPG that value and growth is created in a sustainable way, and the Company therefore always strives for this to be the case.

Furthermore, PPG has established guidelines for how considerations related to other

stakeholders shall be integrated into its value creation. These guidelines are further described in the report on social responsibility included below.

In addition to the above-mentioned objective and strategy, the Board of Directors defines clear risk profiles for the Company's business. The Board of Directors evaluates the objectives, strategies and risk profiles on an annual basis.

### **3. Equity and dividends**

PPG operates in a capital-intensive business, where the choice of financial strategy is of material importance. A crucial element is the ambition to maintain a solid financial position, characterized by a solid equity ratio and substantial liquidity reserves. The Company's strategy shall contribute to reduce financial risk while maintaining financial flexibility to execute attractive investment opportunities and the Board of Directors shall ensure that PPG's capital structure is appropriate to these objectives and the strategy and risk profile of the Company.

The Board of Directors proposes shareholder dividends to the AGM. The AGM cannot approve a dividend higher than proposed by the Board. The Board of Directors is to maintain a conservative dividend policy harmonized with PPG's long-term investment plans and ambitions of a high equity ratio and strong liquidity. The Company's preference shares are secured predictable dividends through the Articles of Association, and the ordinary shares may receive dividends if there is sufficient profitability and liquidity.

The general meeting can grant mandates to the Board of Directors to increase the Company's share capital or to purchase own shares which, in general, shall have a defined purpose and be limited in time to the date of the next AGM.

### **4. Equal treatment of shareholders**

When increasing the share capital through the issue of new shares, the Company's shareholders normally have a preferential right to subscribe for the new shares. If the Board of Directors, with a mandate granted by the general meeting, approve share capital increases where existing shareholders' preferential rights are dismissed, then the justification shall be described in the stock exchange release in relation to the share capital increase.

Any transactions which PPG carries out in its own shares shall be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company should consider other ways to ensure equal treatment of all shareholders.

### **5. Shares and negotiability**

The shares in PPG are freely transferable. PPG's preference shares have a voting weight of 1/10 compared to the voting right of the ordinary shares as stipulated in the Articles of Association.

There is no form of restriction on any party's ability to own, trade or vote for shares in the Company.

### **6. General Meetings**

The general meeting is the highest authority of PPG.

The Board of Directors shall ensure that the Company's shareholders can participate in the general meetings either through physical or electronical presence.

Among other things, the Board of Directors shall ensure that:

- the notice and associated documents are available at the Company's web-page;
- the documents distributed are sufficiently detailed, comprehensive and specific so that the shareholders can make well-informed decisions on all matters on the agenda;
- the deadline for submitting the notice of participation is set as close to the date of the general meeting as possible – usually three days prior;
- the shareholders have the opportunity to vote separately on each individual matter, including on each candidate nominated for election to the Company's Board of Directors and committees, if applicable;
- the Board of Directors and the Auditor participate at the AGM; and
- the general meeting is able to elect an independent chairman for the general meeting.

Shareholders who cannot be present at the general meeting have the opportunity to vote by nominating a person who will be able to vote on behalf of the shareholder.

#### **7. Nomination Committee**

PPG has a nomination committee consisting of three members as stipulated in Section 9 of the Articles of Association. The members of the nomination committee are elected by the AGM, with candidates proposed by the nomination committee, for a period of two years.

The majority of the nomination committee should be independent of the Board of Directors and the executive personnel and none of its members should be a member of the Board of Directors.

The nomination committee proposes to the general meeting candidates to be elected to the Board of Directors and the nomination committee as well as the fees to be paid to the members of the Board of Directors and the nomination committee. The nomination committee should justify its proposal on each candidate separately. PPG shall provide information on the membership of the committee and any deadlines for proposing candidates.

The nomination committee will consider to hold individual discussions with the members of the board of directors and the chief executive officer in order to monitor the need for any changes to its composition or to that of the board of directors.

#### **8. Board of Directors: composition and independence**

PPG's Articles of Association stipulate that the Board of Directors shall consist of between 3-7 members. The Chairman is elected by the general meeting.

The current Board of Directors PPG consists of five members. All board members are independent of PPG's executive management and a majority of the board members are considered independent from material business associations. Two of the board members are independent of the Company's major shareholders. No member of the executive management serves on the Board of Directors.

The Board Members are encouraged to own shares in the Company. An overview of the Board Members' shareholdings is included in the Annual Report.

The Board of Directors' composition and collective expertise is viewed as sufficient to contribute

positively to the Company's development and to safeguard shareholder interests.

Further information on the expertise of the Board Members, including information on their independence and record of their attendance at board meetings is included in the Annual Report.

## **9. The work of the Board of Directors**

The Board has the overall responsibility for the management of the Company and the implementation of the Company's strategy. The Board's responsibility also includes control of PPG's business, including the responsibility that the business is organized within the limits set by the law.

The Board sets plans for its work and meets when necessary. The Board instructs the Chief Executive Officer (CEO), who is responsible for the day-to-day administration of the Company. The CEO has a right and duty to participate in the Board Meetings, and has to participate with his opinion.

The Board of Directors ensures that members of the Board of Directors and the executive management make the Company aware of any material interests that they may have in items to be considered by the Board of Directors. In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, the Board's consideration of such matters is chaired by another member of the Board.

The entire Board of Directors acts as the Company's audit committee. For efficiency reasons, and as a result of the scope of PPG's operations, which is limited compared to other stock exchanged listed companies, the Board of Directors is of the opinion that it is both appropriate and practical that the Board of Directors acts as the audit committee of the Company. This represents a deviation from the Code, cf. Section 1 above.

The Board of Directors has assessed the need to appoint a remuneration committee, but has concluded that such committee is not necessary given the limited number of employees in the Company.

The Board discusses its own work and processes in regards to execution of Board Meetings and evaluates its performance and expertise annually.

The instructions for the Board shall state how agreements with related parties shall be handled. Any such transactions will be described in the notes to the Annual Report. All related party transactions will be on an arms-length basis at market-based terms, as if they were carried out between independent parties. In respect of not immaterial agreements and transactions, the Board will seek advice and obtain valuation from independent third parties (unless the agreement/transaction requires the approval of the general meeting pursuant to the Norwegian Public Limited Liabilities Companies Act).

## **10. Risk-management and internal control**

The Board shall make sure that the Company has sufficient processes and systems to manage risk control in light of the Company's business. This responsibility also encompasses the Company's value-principles and guidelines for how it integrates considerations related to stakeholders into its value creation, cf. Section 2 above.

PPG's most important risks are market risks of the property market, financial risks and

operational risks. The Board of Directors reviews the Company's most important areas of exposure to risk and its internal control arrangements on an annual basis and the most important risk factors are described and discussed in the Annual Report and reported to the Board on a quarterly basis.

#### **11. Remuneration of the Board of Directors**

The AGM sets the annual compensation to the Board of Directors, which should reflect the Board of Director's responsibility, expertise, time commitment and the complexity of the Company's activities.

The remuneration of the Board is not dependent on the Company's profitability and no share options are issued to Board Members.

Members of the Board of Directors do not, as a general rule, take on specific assignments for the Company in addition to their appointment as a member of the Board. However, if they do nonetheless take on such assignments, this will be disclosed to, and subject to approval by, the Board of Directors. Any remuneration in addition to normal directors' fees shall be specifically identified in the Annual Report.

#### **12. Remuneration of executive personnel**

The Board of Directors has prepared guidelines for the remuneration of the executive personnel and a statement in accordance with the Public Limited Liability Companies Act section 6-16 a. In accordance with the Public Limited Companies Act section 5-6 (3) the statement was presented to the AGM for an advisory vote on April 21<sup>st</sup> 2022. A report on the salary and other remuneration to the executive management will be prepared in accordance with the rules of the Norwegian Public Companies Act Section 6-16 b and relevant regulations.

An account of all aspects of the individual remuneration of the CEO and other executive personnel is included in item 1 of the statement on executive remuneration, which is available on the Company's webpage, [www.pioneerproperty.no](http://www.pioneerproperty.no).

#### **13. Information and communication**

PPG strives to give continuous and sufficient information to its shareholders and other parties. Openness, equality and correct reporting will contribute so that different parties receive the best possible basis to assess the Company's current and future situation. The Board has established guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

PPG provides timely and precise information to its shareholders and the financial markets in general (through the Oslo Stock Exchange information system). Such information is given in the form of annual reports, quarterly reports, stock exchange announcements and investor presentations.

Shareholders can communicate with the Company outside the general meetings, such communication being undertaken in compliance with the provisions of applicable laws and regulations.

#### **14. Take-overs**

There are no limitations in the Articles of Association in respect of the acquisition of shares in

PPG.

In a bid situation, the Board of Directors will strive to treat all shareholders equally and ensure that the Company's business is not disrupted.

The Board will ensure that all shareholders receive sufficient information, including third party valuation opinions, within reasonable time, to make a qualified decision regarding the offer.

The Board will not without material reason seek to prevent an offer for the Company's activities or shares, including by issuance of new shares or other decisions in attempt to hinder such an offer or acquisition, unless this is approved by the general meeting after the offer has become public.

The Board will give a statement with a recommendation to whether shareholders should accept an offer or not and will arrange a valuation from an independent expert which shall be made public no later than at the time of the disclosure of the Board's statement.

Transactions which are in effect a disposal of the Company's activities shall be resolved by the general meeting.

#### **15. The Company's Auditor**

The Board of Directors ensures that the Auditor presents each year its plan on how the audit of the Company is to be conducted. On demand, meetings are to be held between the Board and the Auditor, either independently or together with the CEO, under which meetings the Auditor shall report on any material changes in the Company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there have been disagreement between the Auditor and the executive management of the Company. The Board should invite the auditor to meetings that deal with the annual accounts.

The Board of Directors shall on an annual basis review the Company's internal control procedures with the Auditor, including weaknesses identified by the Auditor and proposals for improvement.

Remuneration to the Auditor is subject to approval the by AGM and detailed in the Annual Report.

**CORPORATE SOCIAL RESPONSIBILITY REPORT 2021**

This review of PPG Corporate Social Responsibility principles and practice is prepared in compliance with Section 3-3c of the Norwegian Accounting Act.

PPG is an investment company focusing on real estate and its main operation consists of investing in and providing high-quality properties. Based on the nature of the Company's business, the Company is considered to have limited impact on the external environment as well as several other aspects of social responsibility compared to other enterprises operating in industries with high-impact operations.

The Company works systematically with corporate social responsibility within the areas human rights, employee rights, environment, anti-corruption and social responsibility and integrates these in its business strategy and daily operations through including these considerations into its decision-making process. The work with corporate social responsibility is important for the entire business of PPG as it represents the Company's core values and provides the fundament for long-term sustainability. PPG's board and management are committed to maintaining high ethical standards. PPG strives for a business culture characterized by openness.

PPG wishes to support active and sustainable development. To achieve that, this will be followed up through specific goals in line with the framework Global Reporting Initiative (GRI).

As regards considerations with respect to PPG's stakeholders, PPG has a long tradition of supporting positive core values through support of solid local communities surrounding its properties.

PPG's operations are considered to have limited environmental impact, but the Company always focuses on making investment and operational decisions that are in line with sustainable environmental practices